

**Kentucky Public Pensions Authority
Audit Committee – Special Meeting
June 1, 2023, at 2:00 PM EST (1:00 PM CT)
Live Video Conference/Facebook Live**

AGENDA

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| 1. Call to Order | William O’Mara |
| 2. Opening Statement | Legal Services |
| 3. Roll Call | Sherry Rankin |
| 4. Public Comment | Sherry Rankin |
| 5. Approval of Minutes – May 15, 2023* | William O’Mara |
| 6. Implementation of HB 587* | Michael Board |
| 7. Adjourn* | Board Chair |

****Committee Action May Be Taken***

**MINUTES OF MEETING
KENTUCKY PUBLIC PENSIONS AUTHORITY
SPECIAL CALLED AUDIT COMMITTEE
MAY 15, 2023, 2:00 P.M., E.T.
VIA LIVE VIDEO TELECONFERENCE**

At the May 15, 2023, Special Called Meeting of the Audit Committee of the Kentucky Public Pensions Authority, the following Committee members were present: William O’Mara (Chair), Betty Pendergrass, Lynn Hampton, and William Summers, V. Staff members present were Rebecca Adkins, Erin Surratt, Michael Board, Victoria Hale, Leigh Ann Davis, Lori Casey, Steve Willer, Connie Davis, Kristen Coffey, Carrie Bass, Ashley Gabbard, Phillip Cook, Katie Park, and Sherry Rankin. Others present included CERS CEO Ed Owens, III, and KRS CEO John Chilton.

Mr. O’Mara called the meeting to order.

Mr. Board read the Opening Statement.

Ms. Rankin called roll.

Ms. Rankin advised that one (1) **Public Comment** (Video 00:17:37 to 00:18:12) was received from Steven Morgan Herbert and read it aloud to the KPPA Audit Committee: “It may behoove the members of this Committee and other KPPA Officials to review David Eager’s deposition video and transcript codifying his sworn testimony on April 18, 2023, regarding Herbert v Kentucky Public Pensions Authority, which is currently available to you.”

Mr. O’Mara introduced the agenda item **Approval of Minutes – May 2, 2023** (Video 00:18:13 to 00:18:47). Ms. Pendergrass made a motion to approve the minutes as presented. The motion was seconded by Ms. Hampton and passed unanimously.

Mr. O’Mara introduced the agenda item **Implementation of HB 587** (Video 00:18:48 to 01:41:05). Mr. Board shared a written email response from State Representative of the 26th District and the sponsor of HB 587, Mr. Russell Webber. The response provided clarification

regarding the intention of the legislation. Ms. Lori Casey presented a draft position description for Division Director of Internal Audit. She stated that the position description may be updated at any time, if needed. Ms. Pendergrass requested that all references of 'Board' be replaced with 'Authority'. Additionally, since there is no KPPA Investment Committee, the position description should reflect CERS or KRS Investment Committees, said Ms. Pendergrass. She mentioned that Ms. Coffey had emailed a drafted position description to the KPPA Audit Committee which included additional duties. Ms. Pendergrass stated that these additional duties should be included. Ms. Casey stated that there are character limitations within the personnel system; therefore, the position description provided by Ms. Coffey would need to be summarized. The Audit Committee directed KPPA Staff to incorporate the discussed amendments to the position description. There was brief discussion regarding the title of the position. It was agreed that 'Chief Auditor' would be the appropriate title.

Mr. Board presented proposed amendments to the KPPA bylaws. There was discussion regarding the delegation of administrative functions/duties. Ms. Pendergrass suggested that language regarding the evaluation of the KPPA Executive Director be added to the KPPA bylaws. Ms. Pendergrass made a motion to approve the presented amendments to the KPPA bylaws and forward to KPPA for ratification. Mr. Chilton encouraged that the bylaw amendments be studied further and reviewed at future meeting along with the Charter amendments. The motion was not seconded; therefore, the motion failed.

Next, Ms. Coffey reviewed drafted amendments to the Charter for the Audit Committee. The Committee requested that 'fix' be amended to 'recommend' in Section III. Authority, Items 1-3. The Committee discussed the performance evaluation of the Chief Auditor and who would conduct the evaluation. Ms. Hampton suggested that the Chair of the KPPA Audit Committee conduct the evaluation; however, input from all members of the Audit Committee would be gathered. Mr. O'Mara agreed. The evaluation/recommendation would be brought to the KPPA for ratification.

Ms. Pendergrass directed the Committee to Section 1.3 KPPA Board Responsibilities of the KPPA bylaws. She suggested that the following language be incorporated: The KPPA Board shall appoint a Chief Auditor, fix the Chief Auditor's salary, and perform an annual performance evaluation. In addition, language stating that the KPPA will perform the annual performance

review of the Executive Director in Section 1.3, Item II should also be included. Next, Section 1.4 Executive Director Responsibilities was reviewed. Ms. Pendergrass asked if a similar section should be added to describe the responsibilities of the Chief Auditor.

Mr. Chilton expressed concern regarding meeting attendance and the balance of CERS/KRS Committee members. He suggested that another CERS/KRS Trustee be able to vote by proxy should a member of the Audit Committee be absent, or the Committee refrain from a vote until all four (4) members are present. Ms. Hampton advised that the KPPA Chair may appoint a CERS/KRS member to replace an Audit Committee member should they be unable to attend; however, ample notice would be required. Mr. Board stated that he would research this suggestion and report his findings at the next KPPA Audit Committee meeting. Ms. Pendergrass and Mr. Owens expressed disapproval of the suggestion. Three (3) members constitutes a quorum and meetings are typically scheduled a year in advance, said Mr. Owens. Mr. Chilton and Ms. Hampton argued that the KPPA may determine that four (4) members is a quorum for the Audit Committee and that eight (8) members be a quorum for the KPPA, should it be the will of the Authority. Mr. Summers added that this appointment should occur only in times of emergency. Mr. O'Mara, a CERS Trustee, explained that when he serves as an Authority member, he represents the constituents of KPPA rather than CERS. Ms. Pendergrass stated that this issue should be presented to the KPPA, not the KPPA Audit Committee. Mr. Chilton agreed and stated that feedback and research regarding flexibility from Mr. Board would be helpful in making these decisions. Mr. Board stated that he would provide the information to Mr. Chilton and Ms. Hampton, however, all are welcome to review if requested.

Ms. Coffey continued to review the remaining drafted amendments to the Charter for the Audit Committee. She advised that all discussed edits had been incorporated and that the updated document would be provided to the KPPA Audit Committee members following the meeting. Mr. Chilton requested that an electronic version be provided to allow members to make comments. Mr. Board reminded the Committee to reply only to Ms. Coffey to not create a quorum. Ms. Coffey stated that all comments received would be incorporated and presented at the next meeting of the KPPA Audit Committee. Mr. Board stated that the discussed position description and bylaw amendments would also be presented at the next meeting of the KPPA Audit Committee.

Lastly, the next Special Called Meeting of the KPPA Audit Committee was scheduled for Thursday, June 1, 2023, at 2:00 p.m. EST.

There being no further business, Mr. O'Mara *adjourned* the meeting.

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CERTIFICATION

I do certify that I was present at this meeting, and I have recorded above the action of the Committee on the various items considered by it at this meeting. Further, I certify that all requirements of KRS 61.805-61.850 were met in connection with this meeting.

Recording Secretary

I, as Chair of the Audit Committee of the Kentucky Public Pensions Authority, do certify that the Minutes of the meeting held on May 15, 2023, were approved by the Audit Committee on June 1, 2023.

Committee Chair

I have reviewed the Minutes of the Audit Committee Meeting on May 15, 2023, for form, content, and legality.

Executive Director
Office of Legal Services



KENTUCKY PUBLIC PENSIONS AUTHORITY

David L. Eager, Executive Director

1260 Louisville Road · Frankfort, Kentucky 40601
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To: David Eager, KPPA Executive Director
Rebecca Adkins, Deputy Executive Director
Erin Surratt, Executive Director of Benefits
Steve Willer, Executive Director, and Chief Investment Officer
Mike Lamb, Chief Financial Officer
John Chilton, KRS Chief Executive Officer
Ed Owens, CERS Chief Executive Officer
KRS Board of Trustees
CERS Board of Trustees

From: Michael Board, Executive Director, Office of Legal Services

Date: April 4, 2023

Re: Implementation of 23 RS HB 587

House Bill 587 was introduced in the House of Representatives on February 22, 2023, passed both the House and Senate, and was signed by the Governor on March 20, 2023. Per Section 55 of the Kentucky Constitution, HB 587 will become effective ninety (90) days after adjournment of the legislative session. Thus, HB 587 will become effective on June 28, 2023.

HB 587 amends KRS 61.505(8) in the following ways:

- a. The KPPA Board appoints or contracts for an internal auditor
 - i. Previously, as with all other employees of KPPA, the internal auditor was appointed by the KPPA Executive Director
- b. The KPPA Board sets the compensation and other terms of employment for the internal auditor
 - i. The internal auditor is not subject to KRS 18A or KRS 64.640
- c. The internal auditor reports directly to the KPPA Board
- d. The KPPA Board must conduct an annual performance evaluation of the internal auditor
- e. The internal auditor shall work cooperatively with the CEOs of KRS/CERS
- f. The internal auditor has the authority to appoint the employees under their direct supervision

As a result of the changes from this legislation, several things must happen. First and foremost, the CERS/KRS Joint Audit Committee will no longer exist, as the KPPA internal auditor will report directly to the KPPA Board. This will require amendments to the CERS and KRS By-laws to remove the language forming the Joint Audit Committee.

Second, the KPPA Board is faced with several tasks: they must appoint the internal auditor and set the compensation and terms of employment for the internal auditor. The terms of employment should include a position description. The KPPA Board is free to adopt the position description and compensation currently in place, making changes where necessary to reflect the removal of the internal auditor from the provision of KRS 18A, or they may adopt an entirely new position description and compensation. Adoption of a position description is important because the KPPA Board is required to perform an annual performance evaluation of the internal auditor.

The KPPA Board may choose to form an Audit Committee and delegate these tasks to that committee. The members of any KPPA Audit Committee must come from the eight (8) members of the KPPA Board. Forming a KPPA Audit Committee would require amending the KPPA By-laws. In creating the Audit Committee and amending the By-laws, the KPPA Board must decide the level of authority given to the Audit Committee: Are they able to act on behalf of the Board and then report their actions, or will their votes require ratification by the Board before action can be taken?

Once the KPPA Board has decided how it will carry out its responsibilities relating to internal audit, either the KPPA Board Chair or the Audit Committee Chair (if there is one) will be required to approve the internal auditor's timesheet on a weekly basis. This person will also be responsible for approving the internal auditor's leave requests, approving a flex schedule, determining if the internal auditor may work from home and, if so, on what days, and approving travel and/or ongoing educational opportunities. The most efficient and effective way to handle these approvals is for the KPPA Board or Audit Committee to delegate this limited authority to the KPPA Executive Director.

There are several action items that must be completed to fully implement this legislation. Due to the number of action items, the KPPA Office of Legal Services proposes the following timeline:

- I. April Annual Meetings
 - a. All Boards review this memo
 - b. The KPPA Board should make initial decisions regarding whether they want to create an Audit Committee and, if so, its membership, and what authority it will have
- II. Between April Annual Meetings and June Board meetings
 - a. Staff will draft proposed amendments to By-Laws and Charters, and create a proposed position description for the internal auditor
- III. June Board Meetings
 - a. KPPA needs to decide how the hiring/appointment of an internal auditor will happen
 - b. KPPA will approve a position description and set the compensation for the internal auditor or delegate this to the Audit Committee
 - c. KRS and KPPA will vote on the By-law amendments
 - d. CERS will have the 1st reading of the By-law amendments
 - i. It is not a problem if the CERS By-laws are not fully amended when this legislation becomes effective
 - e. KPPA will vote on the Audit Charters

- f. KPPA will schedule the first meeting of the Audit Committee

This is a lot of information to digest, and lot of work to accomplish. We should move through this process slowly while ensuring we accomplish every step. There are also several internal questions to be answered while implementing this legislation. Staff will continue to work through those as well. One example of these internal issues is defining a process for the internal auditor to request new positions. While the internal auditor has the authority to appoint the positions that report directly to them, those positions are still subject to KRS 18A and KRS 64.640 and must still fit within the KPPA employee cap and the KPPA administrative budget.

**KENTUCKY PUBLIC PENSIONS AUTHORITY
STATEMENT OF BYLAWS AND COMMITTEE ORGANIZATION**

Effective ~~January 27, 2022~~ June 28, 2023

Section 1.1 GENERAL ADMINISTRATION.

This Statement of Bylaws and Committee Organization of the Kentucky Public Pensions Authority Board is adopted pursuant to the authority of KRS 61.505(3)(b). State and Federal law shall control any inconsistency that exists or may exist between the law and this Statement of Bylaws and Committee Organization.

I. Definitions.

1. KPPA: “The KPPA” refers to the Kentucky Public Pensions Authority.
2. KPPA member: “KPPA member” used in reference to the KPPA means the eight (8) members of the KPPA Board pursuant to Kentucky Revised Statutes 61.505(2).
3. KPPA Board: “KPPA Board” refers to the eight-member board tasked with administering and operating the KPPA in accordance with Kentucky Revised Statutes 61.505.
4. Committee member: “Committee member” or “member” used in relation to a Committee refers to a member of the KPPA Board serving on an *ad hoc* or Standing Committee.
5. Board Year: The Board Year shall be from April 1 of each calendar year through March 31 of the following year.
6. Bylaws: “Bylaws” refers to the Statement of Bylaws and Committee Organization.
6. Executive Director: “Executive Director” refers to the KPPA Executive Director, as outlined in KRS 61.505(8).
7. CEO: “CEO” refers to the Chief Executive Officer of the Kentucky Retirement Systems and/or the Chief Executive Officer of the County Employees Retirement System.
8. KRS: “KRS” refers to the Kentucky Revised Statutes.
9. Retirement Office: “Retirement Office” refers to the offices of the KPPA located at 1260 Louisville Road, Frankfort, Kentucky 40601.
10. Take action: “Take action” used in relation to the KPPA Board refers to a motion being made, seconded, and voted upon by the KPPA Board in compliance with Robert’s Rules of Order. [RONR (11th ed., as amended)].

II. Quorum; Parliamentary Authority.

1. KPPA Board quorum. As required by KRS 61.505(7)(c), a majority of the KPPA members shall constitute a quorum and all actions taken by the KPPA Board shall be by affirmative vote of a majority of the KPPA members present.

2. KPPA Committee quorum. A majority of the KPPA members on any *ad hoc or Standing* Committee shall constitute a quorum and all actions taken by the Committee shall be by affirmative vote of a majority of the Committee members present.
 3. Parliamentary authority. The most recent edition of Robert's Rules of Order shall be the parliamentary authority. [RONR (11th ed., as amended)]
- III. Meetings. Meetings of the KPPA Board and its Committees shall be conducted consistent with the Open Meetings Act, KRS 61.805 to 61.850. The Open Meetings Act shall control if any inconsistency exists between the Open Meetings Act and these Bylaws.
1. Annual Meeting. The annual meeting of the KPPA Board shall be held on the fourth (4th) Wednesday of April of each Board Year.
 2. Regular Meetings. The Board shall determine and approve, on an annual basis in advance, no later than the preceding December Board meeting, the following years' regular Board and Standing Committee meeting schedule.
 3. Special Meetings.
 - A. Special meetings of the KPPA Board shall be held upon the call of the Chair of the KPPA Board or the Executive Director.
 - B. Special meetings of an *ad hoc or Standing* Committee of the KPPA Board shall be held upon the call of the Committee Chair, Chair of the KPPA, or the Executive Director.
 - C. A KPPA member may request that the Executive Director, Chair of the KPPA Board (in the case of a special meeting of the KPPA), or Committee Chair (in the case of a special meeting of an *ad hoc or Standing* Committee) call a special meeting by email or other written means. Upon receipt of email or other written requests to call a special meeting from a majority of the KPPA members, the Executive Director, KPPA Board Chair, or Committee Chair shall call the requested special meeting.
 4. Notice of Meetings.

- A. Regular Meetings. Notice of a regular meeting of the KPPA Board or Standing Committee shall be posted at least ten (10) days (inclusive of weekends and holidays) before the meeting is scheduled. The notice of a regular meeting shall include the date, time, and location of the meeting, and the agenda for the meeting. The agenda shall be determined under the direction of and approval by the Chair of the KPPA Board or the Chair of the Standing Committee. Changes or revisions to the agenda may be proposed by the Executive Director or a KPPA member, provided such proposed changes shall be delivered to the Chair for approval not less than ninety-six (96) hours before the meeting is scheduled and further provided that nothing in this sentence shall prevent a KPPA member from introducing new items of business during a regular meeting. Approved changes or revisions to the agenda shall be posted not less than seventy-two (72) hours before the meeting is scheduled.
- B. Special Meetings. When circumstances warrant a special meeting of the KPPA Board or of an *ad hoc* or Standing Committee, notice shall be posted as soon as reasonably possible, but not less than twenty-four (24) hours before the meeting is scheduled. The notice of a special meeting shall include the date, time, and location of the special meeting and the agenda for the meeting. Discussions and action at the meeting shall be limited to items listed on the agenda in the notice.
- 5. Change in Meeting Dates. Any regular or special meeting of the KPPA Board or Standing Committee may be changed by following the procedure prescribed in these Bylaws for calling special meetings.
- 6. Records of Proceedings. All official acts of the KPPA Board shall be recorded in the minutes of the regular or special meeting at which the action was approved or adopted. The Executive Director shall cause the minutes to be transcribed and presented for approval or amendment at the next regular meeting. An electronic copy (certified by the Chair and the Executive Director) shall be on file in the Retirement Office for public inspection and posted on the KPPA website. Electronic copies are maintained on the KPPA Website for KPPA Board and Committee actions. Copies that have been archived from the website are available on request.
- IV. Chair and Vice-Chair of the KPPA. The KPPA Board shall elect a Chair and a Vice-Chair at each annual meeting to hold office for the ensuing Board Year or until their successors are elected. The Chair shall not serve more than four (4) consecutive years as Chair or Vice-Chair (in combination) of the KPPA Board. The Vice-Chair shall not serve more than four (4) consecutive years as Chair or Vice-Chair (in combination) of the KPPA Board. A KPPA member who has served four (4) consecutive years as Chair or Vice-Chair of the KPPA Board may be elected Chair or Vice-Chair of the KPPA after an absence of two (2) years from both positions.

- V. **Committees.** *As specified in Sections 2.1 through 2.3 below, the ~~The~~ KPPA Board may create *ad hoc or Standing* Committees with such powers and duties as established by the KPPA Board. The Chair of the KPPA Board also has the authority to create an *ad hoc* Committee. The Chair of the KPPA Board, unless otherwise stipulated or determined by the KPPA Board, shall appoint the members of each *ad hoc or Standing* Committee, and such appointments shall be recorded in the minutes of the current or next-following regular KPPA Board meeting. The Chair shall also appoint a Chair for each *ad hoc or Standing* Committee and may appoint a Vice Chair for each *ad hoc or Standing* Committee, unless otherwise determined by the KPPA Board. Committee members, Committee Chair, and Committee Vice Chair, if applicable, shall serve concurrently with the appointing Chair.*
- VI. **Conflicts of Interest.**
1. KPPA members shall file a statement of financial disclosure with the Executive Branch Ethics Commission within thirty (30) days of taking office and provide a copy to the KPPA legal staff.
 2. KPPA members shall also file a statement of financial disclosure by April 15 of each calendar year, and within thirty (30) days following departure from office as a KPPA member, or as otherwise provided by law, with the Executive Branch Ethics Commission and provide a copy to the KPPA legal staff.
 3. KPPA members shall also file a written conflict of interest statement as required pursuant to the KPPA Conflict of Interest Policy.
- VII. **Confidentiality.** KPPA members shall file a written confidentiality statement as required by the KPPA Confidentiality Policy.
- VIII. **Travel Policy Guidelines.**
1. All travel for official business of KPPA must be done in accordance with the requirements of and be consistent with KRS Chapter 45A and the KPPA Per Diem and Reimbursement Policy.
 2. No more than three (3) KPPA members may be passengers in the same common carrier. A maximum of one (1) executive staff of the KPPA may be a passenger in the same common carrier.
 3. To avoid an accidental violation of Kentucky Open Meetings Laws, other than for scheduled meetings, no more than four (4) KPPA members may attend the same off-site conference, training, etc., at the same time. The Executive Director, or his or her designee, shall review KPPA member travel requests to coordinate attendance and avoid noncompliance with Kentucky Open Meetings Laws.
- IX. **Violations of KPPA Policies and Guidelines.** If a complaint is made that a KPPA member violated these Bylaws or any policy approved by the KPPA Board, the KPPA Board shall follow the procedure found in the KPPA Conflict of Interest and the KPPA Confidentiality Policies in investigating the complaint.

Section 1.2 KPPA MEMBER REQUIREMENTS.

- I. A vacancy on the KPPA Board shall be filled by the Kentucky Retirement Systems or the County Employees Retirement System, as appropriate, in the same manner provided for the selection of the particular KPPA member position in KRS 61.505(2).
- II. No person shall serve in more than one (1) position as a KPPA member and if a person holds more than one (1) position as a KPPA member, he or she shall resign a position.
- III. Membership on the KPPA Board shall not be incompatible with any other office unless a constitutional incompatibility exists.
- IV. An KPPA member shall be removed from office upon conviction of a felony or for a finding of a violation of any provision of KRS 11A.020 or 11A.040 by a court of competent jurisdiction.
- V. KPPA members are expected to comply with the Trustee Education Policy of the Board of Trustees of the Kentucky Retirement Systems or the Trustee Education Policy of the County Employees Retirement System, as applicable. The Executive Director may schedule additional KPPA member education at any Annual Meeting or Regular Meeting of the KPPA Board. If a KPPA member fails to comply with the Trustee Education Policy of either the Board of Trustees of the Kentucky Retirement Systems or the Board of Trustees of the County Employees Retirement System (as applicable), or fails to attend additional KPPA member education scheduled by the Executive Director, then any reimbursement or per diem of the KPPA member shall not be paid until the KPPA member is in compliance with the applicable Trustee Education Policy or receives the additional KPPA member education.

Section 1.3 KPPA BOARD RESPONSIBILITIES.

- I. The KPPA Board shall make and maintain Bylaws.
- ~~II.~~ II. The KPPA Board shall appoint an Executive Director, ~~and~~ fix the Executive Director's salary, ~~and perform an annual evaluation of the Executive Director.~~
- ~~III.~~ III. ~~The KPPA Board shall appoint a Chief Auditor, fix the Chief Auditor's salary, and perform an annual evaluation of the Chief Auditor.~~
- ~~IV.~~ IV. The KPPA Board may act on contracts for rental of office space, and professional services, including, but not limited to, the auditor, legal counsel, medical examiners, and hearing officers, in accordance with the requirements of the Commonwealth of Kentucky Model Procurement Act (KRS Chapter 45A).
- ~~V.~~ V. The KPPA Board shall consider and take action on changes to administrative regulations proposed by the staff of the KPPA.
- ~~VI.~~ VI. The KPPA Board shall take action on the audited financial statements of the KPPA, which includes the Kentucky Retirement Systems and the County Employees Retirement System plans.
- ~~VII.~~ VII. The KPPA Board shall consider and take action on the recommendations of all of its Committees.

~~VII-VIII.~~ The KPPA Board shall receive reports from the joint KPPA Audit Committee ~~of the Kentucky Retirement Systems and the County Employees Retirement System,~~ and shall be responsible for ensuring that the recommendations of the joint KPPA Audit Committee are implemented.

~~VIII-IX.~~ The KPPA Board shall, in compliance with KRS Chapter 45A, issue a Request for Proposal and through KPPA staff select and contract with the actuary, who shall be a Fellow of the Conference of Consulting Actuaries or a member of the American Academy of Actuaries, pursuant to KRS 61.505(1)(e), KRS 61.645(2)(d), and KRS 78.782(2)(d) in order to allow the Kentucky Retirement Systems and the County Employees Retirement System to carry out their obligations in accordance with KRS 61.670 and KRS 78.784. The KPPA may also consult with the actuary as needed in accordance with KRS 61.505(12)(c)2.

~~IX-X.~~ The KPPA Board shall provide oversight concerning programs and services for Kentucky Retirement Systems' and County Employees Retirement System's members, beneficiaries, recipients, and participating employers.

~~X-XI.~~ The KPPA Board, and individual KPPA members, should ordinarily refer all news media inquiries to the Executive Director and/or the KPPA Board Chair, and should not speak on behalf of the KPPA with the news media. However, nothing in this subsection is intended to prevent individual KPPA members from speaking to the media concerning their actions, opinions, and decisions as individual KPPA members.

~~XI-XII.~~ The KPPA Board shall review and approve the KPPA biennial administrative budget and necessary budget amendments. The Executive Director (or designee) will schedule meetings, prepare budget documents and supporting schedules, and present them to KPPA members prior to the date of a meeting. The KPPA biennial administrative budget will include the budgets of the Kentucky Retirement Systems and the County Employees Retirement Systems.

Section 1.4 EXECUTIVE DIRECTOR RESPONSIBILITIES.

I. The Executive Director shall appoint all employees deemed necessary to transact the business of the KPPA, except for the employees who report directly to the KPPA Chief Auditor, The KPPA Executive Director ~~and~~ shall be responsible for oversight and implementation of agency-related human resources management, e.g., affirmative action and similar matters. All employees of the KPPA, except for the Executive Director, the Chief Auditor, the Executive Director of the Office of Investments, and the Deputy Executive Director of the Office of Investments shall be subject the state personnel system established pursuant to KRS 18A.005 to 18A.204 and shall have their salaries determined by the secretary of the Personnel Cabinet.

- II. The Executive Director shall seek appropriate input from the CEOs of the Kentucky Retirement Systems and the County Employees Retirement System and the Investment Committee Chairs of the Board of Trustees of the Kentucky Retirement Systems and the Board of Trustees of the County Employees Retirement System regarding the hiring, firing, and performance evaluations of the Executive Director of the Office of Investments. The Executive Director shall also have personnel authority over all employees of the Office of Investments. However, all Office of Investments employees, including the Executive Director of the Office of Investments, shall take direction on investment management and performance from the Investment Committees of the Board of Trustees of the Kentucky Retirement Systems and the Board of Trustees of the County Employees Retirement System.
- III. The Executive Director will coordinate with the CEOs of the Kentucky Retirement Systems and the County Employees Retirement System to develop a biennial budget and necessary budget amendments for approval by the KPPA, and shall submit the budget to the Governor's office. The KPPA biennial administrative budget will include the budgets of the Kentucky Retirement Systems and the County Employees Retirement Systems. The Executive Director (or designee) shall present a budget-to-actual expenditure analysis to the KPPA at each regular quarterly meeting of the KPPA.
- IV. The Executive Director shall ensure that information and records management is comprehensive and efficient, and shall ensure that a disaster recovery plan, continuity of operations plan, and policies to ensure cyber-security are developed and maintained.
- V. The Executive Director shall develop recommendations for improvements and revisions of KPPA Board policies and submit such revisions for KPPA Board approval. The Executive Director shall ensure that approved policies are implemented in conformance with statutes, regulations, and relevant policies of the Kentucky Retirement Systems and the County Employees Retirement System.
- VI. The Executive Director shall collaborate with the KPPA Office of Legal Services to monitor litigation affecting the KPPA and the Kentucky Retirement Systems, and the County Employees Retirement System, jointly. The Executive Director shall report significant relevant developments to the KPPA Board. Litigation affecting only the Kentucky Retirement Systems or only the County Employees Retirement System shall not be reported to the KPPA.
- VII. The Executive Director shall collaborate with the CEOs of the Kentucky Retirement Systems and the County Employees Retirement System in acting as legislative liaison, and represent the KPPA at legislative hearings and other legislative meetings. The Executive Director will review proposed legislation that is likely to affect the KPPA, the Kentucky Retirement Systems, and the County Employees Retirement System and advise the KPPA Board about pending legislation.

- VIII. The Executive Director shall collaborate with the CEOs of the Kentucky Retirement Systems and the County Employees Retirement System to provide technical assistance to the members of the General Assembly, the Governor's office, and state and local government officials.
- IX. The Executive Director shall collaborate with the CEOs of the Kentucky Retirement Systems and the County Employees Retirement System to recommend legislative or regulatory changes and propose draft language.
- X. The Executive Director shall implement any statutory or regulatory changes and take appropriate action to conform to state and federal law.
- XI. The Executive Director shall sign all documents necessary to promulgate or amend an administrative regulation on behalf of the KPPA in accordance with KRS 13A.220 and KRS 61.505(1)(f).
- XII. The Executive Director shall collaborate with the CEOs of the Kentucky Retirement Systems and the County Employees Retirement System to communicate with the mass media and other agencies, entities, or institutions, including responding to correspondence or inquiries addressed to the KPPA.
- XIII. The Executive Director shall assist the CEOs of the Kentucky Retirement Systems and the County Employees Retirement System in coordinating reciprocal benefits with the other state administered retirement systems in Kentucky.
- XIV. In the case of emergency conditions that threaten the functioning of the KPPA, the Kentucky Retirement Systems, or the County Employees Retirement System; the preservation or protection Kentucky Retirement Systems' property or assets or the County Employees Retirement System's property or assets; vital data; or the health and safety of any person, and where a quorum of the KPPA Board is unavailable, the Executive Director may take actions necessary to prevent or mitigate the threat, even if a vote of the KPPA Board would otherwise be necessary to take such action. When a quorum of the KPPA Board becomes available, any such actions taken by the Executive Director shall be reviewed and ratified as necessary.
- XV. The Executive Director shall designate KPPA staff to act as the Records Custodian for the KPPA, the Kentucky Retirement Systems, and the County Employees Retirement System, and shall ensure compliance with Kentucky's Open Records Act, KRS 61.870, et seq.
- XVI. The Executive Director shall ensure that all Board and/or Committee meeting materials are distributed to Trustees at least one week in advance of the meeting to allow Trustees ample time to review documents.

Section 1.5 CHIEF AUDITOR RESPONSIBILITIES

- I. The Chief Auditor shall report directly to the KPPA Board in the performance of internal audit functions.
- II. The Chief Auditor shall appoint the employees who report directly to them.
- III. The Chief Auditor shall work cooperatively with the CEOs of the County Employees Retirement System and the Kentucky Retirement Systems.

IV. The remainder of the Chief Auditor's responsibilities are detailed in the Internal Audit Charter.

Section 2.1 AD HOC COMMITTEES.

The Chair or the KPPA Board may at any time establish an *ad hoc* Committee of the KPPA Board and fix its duties and responsibilities for any purpose which, in the judgment of the Chair or the KPPA Board, is served by an *ad hoc* Committee. The Chair shall appoint the members of each *ad hoc* Committee. Each *ad hoc* Committee shall consist of two (2) KPPA members who also serve on the Board of Trustees of the Kentucky Retirement Systems and two (2) KPPA members who also serve on the Board of Trustees of the County Employees Retirement System. The Chair shall also appoint a Chair for each *ad hoc* Committee and may appoint a Vice Chair, unless otherwise determined by the KPPA Board.

Section 2.2 STANDING COMMITTEES

The Board shall have the Standing Committees specified in Section 2.3, each of them to have the duties and responsibilities as therein set forth, together with such other duties and responsibilities as the Board may by resolution determine. In each Board Year, the Chair, elected at the annual meeting, shall appoint members to Committees as specified in Section 2.3, unless otherwise determined by the Board. Each Committee shall have a Chair and the Board Chair shall appoint the Chair of each Committee, unless otherwise determined by the Board. A Committee may (but is not required to) elect a Vice-Chair from among its committee members by a majority vote of the Committee, if one is not appointed by the Chair of the KPPA Board. A Vice-Chair so elected shall preside at meetings of the Committee in the absence or inability to act of the Committee Chair. Any member may attend any meeting of any Committee of which he or she is not a Committee member but shall not have a vote.

Section 2.3 STANDING COMMITTEES; DUTIES AND RESPONSIBILITIES.

The Standing Committees of the Board are, and shall have respective duties and responsibilities, as follows:

- a. **Audit Committee.** The Audit Committee shall consist of four (4) members total, two (2) Trustees from the County Employees Retirement System Board and two (2) Trustees from the Kentucky Retirement Systems Board. The Audit Committee shall recommend actions to the KPPA Board in fulfilling its oversight responsibilities for the system of internal control, the internal and external audit processes, and the process for monitoring compliance with laws, regulations, and the code of conduct.

1. **Audit Committee Responsibilities.** The Audit Committee will meet quarterly, with authority to convene additional meetings, as circumstances require. The Audit Committee shall have the authority to review reports by the Chief Auditor and to recommend appropriate policies and procedures. Additional responsibilities are enumerated in the Audit Committee Charter

2. **Chief Auditor Responsibilities.** The KPPA Chief Auditor will be responsible for the planning, implementation, and reporting of audits and internal audit plans. The Chief Auditor will also be responsible for the functional control and audit activities in the relation to the objectives of the KPPA Division of Internal Audit.

Additional responsibilities are enumerated in the KPPA Division of Internal Audit Charter.

3. Audit Charters. The Audit Committee Charter and the KPPA Division of Internal Audit Charter are hereby incorporated by reference.

Section 2.22.4 DELEGATIONS OF AUTHORITY BY THE KPPA BOARD.

Delegation of Authority. Except as may be prohibited by or inconsistent with law, the KPPA Board may delegate to any *ad hoc* or *Standing* Committee of the KPPA any power, authority, duty, or responsibility conferred on the KPPA Board by law. In the case of any such delegation, the decision or action of the *ad hoc* or *Standing* Committee within the scope of its delegated authority shall constitute the decision or action of the KPPA Board and shall be reported to the KPPA Board at its next regularly scheduled meeting. The KPPA Board may at any time rescind the delegated authority as a whole or in part.

Section 2.3-2.5 LIMITATIONS ON AUTHORITY.

No *ad hoc* or *Standing* Committee shall have any power or authority, nor shall the KPPA Board delegate to itself, power or authority, as to any of the following:

- I. The amendment or repeal of any KPPA Board resolution.

Action on other matters committed by KPPA Board resolution or by Kentucky law (including the common law of trusts respecting the delegation or the non-delegation of fiduciary responsibilities) to the KPPA Board under terms or provisions that make such action non-delegable.

Section 2.42.6 AMENDMENT OF BYLAWS.

These Bylaws may be amended at any regular or special meeting of the KPPA Board by a vote of a majority of the entire membership of the KPPA Board.

Section 3.0 LITIGATION DEFENSE FOR TRUSTEES AND EMPLOYEES OF KPPA, COUNTY EMPLOYEES RETIREMENT SYSTEMS AND KENTUCKY RETIREMENT SYSTEMS.

The KPPA shall provide and pay for the defense of any current or former Board Member or employee of the KPPA, or trustee County Employees Retirement Systems and Kentucky Retirement Systems who is named in any action arising out of an act or omission occurring within the scope of the Trustee or employee's duty as a member or employee of one of those Boards and to pay any judgment, compromise or settlement of the action provided that the Trustee or employee notifies in writing the KPPA within 10 days of receipt of service. The KPPA shall not pay a judgement or settlement or may recover payments made on behalf of a Trustee or employee if it is determined through the course of litigation that the Trustee or employee: acted or failed to act because of malice, fraud or corruption; the actions are clearly outside the actual or apparent scope of the Trustee or employee's duties; the Trustee or employee willfully failed or refused to assist in the defense of the cause of action; or the Trustee or employee compromised or settled the claim without the approval

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of the KPPA. If the Trustee or employee obtains private counsel KRS 78.782 and KRS 61.645 shall apply.

Section 4.0 CERTIFICATION OF STATEMENT OF BYLAWS AND COMMITTEE ORGANIZATION.

We, the Chair of the Kentucky Public Pensions Authority Board and the Executive Director of the Kentucky Public Pensions Authority, do certify that this Statement of Bylaws and Committee Organization was approved and adopted by the KPPA Board on the ~~27th~~ ^{28th} day of ~~January~~ ^{June}, ~~2022~~ ²⁰²³.

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Keith Percy, Chair
Kentucky Public Pensions Authority

Date

David L. Eager, Executive Director
Kentucky Public Pensions Authority

Date

**County Employees Retirement System and
Kentucky Retirement Systems Kentucky Public Pensions Authority**
Charter for the Joint Audit Committee

Throughout this Charter, the Kentucky Public Pensions Authority Board will be referred to as the Authority. When referring to the Kentucky Public Pensions Authority as an administrative organization, the acronym KPPA will be used.

Commented [CK(1): This is the language/naming convention used in the statutes, so it is being used throughout the Charter.

I received feedback on this comment – I want to make sure this is the terminology the Committee wants to use throughout the document.

I. Charter

This Charter establishes the authority and responsibility of the ~~Joint~~-Audit Committee of the ~~Authority~~~~County Employees Retirement System (CERS) and the Kentucky Retirements Systems (KRS).~~

II. Purpose

The purpose of the ~~Joint~~-Audit Committee is to assist the ~~Authority~~~~Board of Trustees (Board), the and Chief Executive Officer (CEO) Management teams of both the County Employees Retirement System (CERS) and the Kentucky Retirement Systems (KRS), and the KPPA Executive Director as well as the Kentucky Public Pensions Authority (KPPA)~~ in fulfilling their oversight responsibilities for the:

Commented [CK(2): Mr. Chilton provided feedback that this statement should read as follows: The purpose of the Audit Committee is to assist the Authority in fulfilling their oversight responsibilities for the...

This feedback is based on the Audit Committee being a part of the Authority and not a committee of KRS and CERS.

- 1. System of internal controls,
- 2. Internal and external audit processes, and
- 3. Process for monitoring compliance with laws and regulations and the code of conduct as described in the appropriate entity bylaws.

As defined by the Institute of Internal Auditors, internal auditing is *an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. The goal of internal auditing is to help the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes.*

Consistent with this definition, internal auditing within KPPA can be defined as the *independent appraisal of the various operations and systems of control within KPPA, CERS, and KRS to determine whether acceptable policies and procedures are followed, legislative requirements and established standards are met, resources are used efficiently and economically, planned missions are accomplished effectively, and the objectives of KPPA, CERS, and KRS are being achieved.*

III. Authority

The Authority has authorized the Audit Committee to perform the following actions. The Authority may at any time rescind this authorization as a whole or in part. All decisions or actions of the Audit Committee must be ratified by the Authority:

Commented [CK(3): Mr. Chilton requested clarification about who will recommend and approve promotions, compensation, etc. of Internal Audit Staff.

It is my understanding that that this will fall under the responsibility of the Chief Auditor, but I will defer to Legal.

- 1. Recommend an appointment or contract for the services of a Chief Auditor or recommend the termination of services for the Chief Auditor.
- 2. Recommend the compensation and other terms of employment for the Chief Auditor without limitation of the provision of Kentucky Revised Statutes chapters 18A, 45A, and 64.640.
- 3. Work with the Chief Auditor concerning the staffing and organizational structure of the Division of Internal Audit.

Commented [CK(4): Mr. Chilton asked for clarification on if this is intended to be all.

Commented [CK(5): Added based on feedback received from Mr. Chilton.

- 4. On an annual basis, work with the Authority Chair on a performance evaluation of the Chief Auditor.
- 5. At least quarterly, report Audit Committee activities, issues, and related recommendations to the Authority for ratification.

IV. Composition

The ~~Joint~~ Audit Committee will consist of four (4) ~~Authority~~ members – two CERS members and two KRS members appointed annually by the Chair of the ~~CERS Authority Board~~. The Authority Chair will also name the Chair of the Audit Committee. ~~and two KRS members appointed by the Chair of the KRS Board.~~ The ~~Chair of the Audit Committee may appoint a Vice Chair or the~~ members of the ~~Joint~~ Audit Committee may will elect a ~~Joint Audit Committee Chair and~~ Vice Chair (note, the position of Vice Chair is not required to be filled). The Chair of the Audit Committee will rotate annually between a CERS and KRS member. A quorum to conduct business is satisfied if a majority of the ~~Joint~~ Audit Committee members are present.

Each ~~Joint~~ Audit Committee member will be independent and free of conflicts of interest with respect to the projects under the scope of the ~~Joint~~ Audit Committee. For the purposes of the ~~Joint~~ Audit Committee, independent shall mean those individuals who do not report directly to KPPA, CERS, or KRS management and those persons who are not directly responsible for the day-to-day operations of KPPA, CERS or KRS.

At least one member of the ~~Joint~~ Audit Committee will be designated as the “financial expert.”¹ A financial expert is an individual who possesses, among other attributes:

1. An understanding of financial statement preparation and generally accepted accounting principles (GAAP) and, in this case, the accounting standards issued by the Governmental Accounting Standards Board (GASB).
2. The ability to assess the general application of such principles in connection with the accounting for estimates, accruals, and reserves.
3. Experience preparing, auditing, analyzing, or evaluating financial statements that present a breadth, depth, and level of complexity of accounting issues that can reasonably be expected to be raised by the government entity’s financial statements or experience actively supervising one or more persons engaged in such activities.
4. An understanding of internal control and the procedures for financial reporting.
5. An understanding of audit committee functions.

V. Meetings

~~Joint~~ Audit Committee meetings must comply with Kentucky’s Open Meetings Act contained in Kentucky Revised Statutes Chapter 61.800, et seq. The ~~Joint~~ Audit Committee will meet at least four (4) times a year, with authority to convene additional meetings, as circumstances require. All ~~Joint~~ Audit Committee members and the ~~Chief Auditor Director of the Division of Internal Audit Administration (Internal Audit)~~ are expected to attend each meeting. The ~~Joint~~ Audit Committee will invite KPPA, CERS, and KRS staff; auditors; or others to attend meetings and provide pertinent information, as deemed necessary. The ~~Joint~~ Audit Committee may conduct closed sessions when legally authorized under Kentucky’s Open Meetings Act. In advance of each regular or special called meeting, the Meeting agendas and appropriate briefing materials will be provided to members of

Commented [CK(6)]: Mr. Chilton provided a comment that this may not be needed because it is not possible that an Audit Committee member would report directly to KPPA, CERS, or KRS management or have responsibility for the day-to-day operations of KPPA, CERS or KRS

Commented [CK(7)]: Mr. Chilton suggested that this say all, rather than at least one.

Commented [CK(8)]: Mr. Chilton suggested that this say Division of Internal Audit auditors and external auditors.

My thought is that Division of Internal Audit staff fall under pertinent KPPA staff (previously mentioned in the sentence); however, I am happy to add this clarification if the Committee would like it added.

¹ See Sarbanes-Oxley Act of 2002 § 407.

the ~~Joint~~ Audit Committee, ~~along with appropriate briefing materials~~. Minutes will ~~also~~ be prepared and approved by the ~~Joint~~ Audit Committee. Agendas and ~~minutes will also be~~ posted ~~to the KPPA website~~ in compliance with Kentucky's Open Meetings Act².

VI. Scope of Responsibilities

~~In order to fulfill the authority delegated to it by the Authority, The~~ ~~Joint~~ Audit Committee is responsible for the following activities:

~~Internal Controls and Compliance~~ ~~for KPPA, CERS, and KRS~~

1. Evaluate the effectiveness of the internal controls system, including information technology security and control.
2. Evaluate the effectiveness of the system used to monitor compliance with laws and regulation.
3. Evaluate the effectiveness of the system used to monitor noncompliance with entity code of conduct and/or bylaws as well as evaluate the process in which the code of conduct and bylaws are communicated to personnel.
4. ~~The Joint Audit Committee has authority to c~~onduct or authorize investigations into any matters within ~~the Audit Committee's its~~ scope of responsibility.
5. Evaluate the results of ~~management's~~ investigations and follow-up (including disciplinary action) ~~on~~ any instances of noncompliance.
6. Obtain regular updates from management and legal counsel regarding compliance matters.
7. Seek and obtain any necessary information from person(s) employed by KPPA, CERS, or KRS (all of whom are directed to cooperate with the ~~Joint~~ Audit Committee's requests) or external parties.

~~Internal Audit~~

- ~~1. The KPPA Executive Director will meet and confer with the Joint Audit Committee concerning the appointment, dismissal, replacement, and compensation of the Internal Audit Director. The Internal Audit Director is a non merit position under Kentucky Revised Statute 19A, request for appointment and salary recommendations must come from the KPPA Executive Director and receive final approval from the Governor.~~
- ~~2. Review the Internal Audit staffing and organizational structure with the KPPA Executive Management team and the Internal Audit Director.~~
- ~~3.1~~ Evaluate the effectiveness of the internal audit function, including compliance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.
- ~~4.2~~ Ensure there are no unjustified restrictions or limitations placed on Chief Auditor or the Division of Internal Audit in relation to the completion of audit projects.
- ~~3.~~ Accept KPPA management's responses submitted to internal audits.
- ~~5.4~~ Ensure recommendations from the Division of Internal Audit are closed in a reasonable time. Recommendations may be closed for one of the following reasons - recommendation implemented, recommendation no longer applicable, or KPPA management accepts risk and recommendation will not be implemented.
- ~~6.5~~ Resolve any disagreements between KPPA, CERS, and/or KRS management and the ~~internal~~ Chief Auditor regarding internal audit reports.

² See [Kentucky Open Meetings Act](#)

Commented [CK(9): Mr. Chilton suggested that the Charter describe examples of what is covered by the term "compliance"?

Commented [CK(10): Should this say Authority that than entity?

Commented [CK(11): Mr. Chilton asked what is KPPA's Code of Conduct?

Commented [CK(12): Mr. Chilton asked if this meant only the Authority could impose disciplinary action.

I read this as saying is that the Audit Committee/Authority will review actions (including disciplinary actions) taken by KPPA management. Please let me know if this needs additional clarification.

Commented [CK(13): Mr. Chilton asked if the Charter needs to define what noncompliance means?

Commented [CK(14): Does this need to be more defined - weekly, monthly, quarterly, etc.?

Commented [CK(15): Mr. Chilton asked if the Charter needs to define what compliance means (e.g. compliance with what?)

Commented [CK(16): Mr. Chilton suggested that this wording be "between Authority management and Chief Auditor."

The statutes require the Chief Auditor to work with the CEOs of KRS and CERS, so it may make sense to leave this sentence worded the way it is.

6. Evaluate and confirm the independence of the Chief Auditor and Division of Internal Audit staff by obtaining independence statements from all staff. Work with the Chief Auditor to resolve any actual or perceived conflicts.
7. On an annual basis Annually, review and approve the Charter for the Division of Internal Audit Administration, the Audit Plan, and the Internal Audit Budget.
8. On a regular basis meet with the Chief Internal Auditor-Director, including closed session discussions, pursuant to Kentucky’s Open Meeting Act in Kentucky Revised Statutes Chapter 61.800, et seq.

Commented [CK(17): Mr. Chilton provided a comment that the audit plan may change more than annually. It is possible for updates to be needed to the audit plan during the fiscal year. The Charter includes an annual approval because audit standards require an annual approval by the audit committee.

Currently, the Charter for the Division of Internal Audit discusses how to adjust the audit plan if changes are needed after approval. Do we want to include that here rather than in the Internal Audit Charter?

Commented [CK(18): Does this need to be more defined – weekly, monthly, quarterly, etc.?

Commented [CK(19): Mr. Chilton asked if this is a task all Internal Audit staff or just the Chief Auditor. Audit standards require the Chief Audit Executive to have these meetings, but we can change this to include all of internal audit staff if that is preferable.

External Audit

1. Oversee the work of any registered Certified Public Accounting (CPA) firm employed by KPPA.
2. Understand the scope of external auditors' review of internal controls over financial reporting and obtain reports on significant findings and recommendations, together with management's responses.
3. Pre-approve the scope of all financial audit and non-financial audit services provided by external auditors, including coordination of audit effort with the Division of Internal Audit.
4. Review the findings of any examinations by regulatory agencies and any auditor observations.
5. Evaluate the performance of the external auditors and exercise final approval on the appointment or discharge of the auditors.
6. Ensure recommendations from external auditors are closed in a reasonable time. Recommendations may be closed for one of the following reasons – recommendation implemented, recommendation no longer applicable, or KPPA management accepts risk and recommendation will not be implemented.
- 6.7. Resolve any disagreements between KPPA, CERS, and/or KRS management and the external auditor regarding financial reporting.
- 7.8. Receive communications from external auditors that are required by the AICPA Standards to be received by "Governing Boards."
- 8.9. Evaluate and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the external auditors and KPPA, CERS, and KRS, including non-audit services. Discuss any identified the relationships with the external auditors.
- 9.10. At least annually, meet with the external auditors to discuss any matters that the Audit Committee or external auditors believe should be discussed privately.

Commented [CK(20): Mr. Chilton suggested that CERS and KRS be removed from the statement.

Commented [CK(21): Mr. Chilton asked if this sentence is necessary.

I believe that this is necessary because the Audit Committee is tasked with ensuring the independence of the external auditors. If there is a conflict, perceived or actual, it should be discussed and the action taken to resolve the conflict should be documented.

Commented [CK(22): Mr. Chilton asked if this is done in a Closed Session. I will have to defer to Legal for that answer.

Commented [CK(23): Mr. Chilton stated the following, "This is not necessary because CERS and KRS Boards only set investment and actuarial policies, nothing more"

Reporting

1. As needed or upon request. Regularly report Joint Audit Committee activities, issues, and related recommendations to the CERS and KRS Boards of Trustees for informational purposes ratification.
2. As needed, report Joint Audit Committee recommendations to KPPA for implementation.
- 3.2. Review any other reports issued by the KPPA management staff that relate to the responsibilities of the Joint Audit Committee.

Commented [CK(24): Mr. Chilton indicated this is redundant. The previous statement above refers only to approval of the Charter for the Division of Internal Audit and not the Audit Committee Charter.

Commented [CK(25): Mr. Chilton asked if this is necessary. This is required by the Audit Standards followed by KPPA.

Mr. Chilton asked if this is a self-audit. Yes, this can be done by the members of the Audit Committee.

Other

1. At least Annually, review and assess the adequacy of the Charter for the Audit Committee.
2. At least annually, confirm annually that all responsibilities outlined in this Charter have been completed.
3. At least annually, Evaluate the Joint Audit Committee's and individual members' performance on a regular basis.

- 4. Facilitate open channels of communication between ~~the Chief Auditor, the Division of Internal Auditor,~~ external auditors, ~~and the KPPA Authority, CERS, and KRS.~~
- 5. ~~At each meeting, approve any unapproved minutes from prior Audit Committee meetings.~~
- 5.6. Meet with the CEOs of the CERS and KRS, KPPA management, ~~Chief Auditor, internal and external auditors,~~ outside counsel, or others as necessary.
- 6.7. Perform other activities related to this Charter as requested ~~by the Authority. Requests to perform additional activities can be made by the KPPA Board.~~

Commented [CK(26)]: Mr. Chilton asked if CERS and KRS should be removed.

VII. Responsibilities of Other Parties

- 1. The auditors (internal and external) are responsible for planning and conducting audits.
- 2. The ~~Authority, CERS and KRS Boards of Trustees are~~ responsible for ratifying actions taken by the ~~Joint~~ Audit Committee.
- 3. KPPA management is responsible for ~~ensuring implementing internal and external audit recommendations are closed in a timely manner approved by the Joint Audit Committee and ratified by the CERS and KRS Boards of Trustees. Recommendations may be closed for one of the following reasons - recommendation implemented, recommendation no longer applicable, or KPPA management accepts risk and recommendation will not be implemented.~~
- 4. KPPA staff is responsible for the selection and hiring of the external auditor. ~~The Chief Auditor shall be a part of the team that reviews bids for the external audit contract. The Chief Auditor can serve either as an evaluating member of the team or as a Technical Advisor.~~
- 5. KPPA management is responsible for preparing and fairly presenting the financial statements in accordance with GAAP for governmental entities as issued by GASB, maintaining effective internal control over financial reporting, and ensuring ~~KPPA compliances~~ with applicable laws, regulations, and other requirements.
- 6. The CERS and KRS Boards of Trustees are responsible for approval of the Annual ~~Comprehensive Financial~~ Report.
- 7. ~~KPPA - The Authority~~ is responsible for final approval and publishing of the Annual ~~Comprehensive Financial~~ Report.

Commented [CK(27)]: Mr. Chilton requested clarification on whether this means all actions.

Commented [CK(28)]: Mr. Chilton indicated that these reports are the responsibility of the Authority and not CERS and KRS.

VIII. Approvals

We, the undersigned, do certify that this Charter was approved on the 28th day of June, 2023.

Commented [CK(29)]: Date of the final meeting where we will request ratification of the approval of the charter.

~~Joint~~ Audit Committee Chair _____ Date _____

Board Chair _____ Date _____
Kentucky Public Pensions Authority

History: Initial Approval Date: June 28, 2023
Amended:

DRAFT