



**County Employees Retirement System
Ad Hoc Employer Reporting Review Committee - Special Meeting
October 13, 2025 at 3:00 PM ET
Live Video Conference/Facebook Live**

AGENDA

- | | |
|---|-----------------------|
| 1. Call to Order | Steven Webb |
| 2. Legal Public Statement | Eric Branco |
| 3. Roll Call | Sherry Rankin |
| 4. Public Comment | Sherry Rankin |
| 5. Employer Reporting, Compliance and Education (ERCE) | Ryan Barrow |
| a. Employer Reporting Compliance Audits & Coaching – Rebecca Adkins | D’Juan Surratt |
| b. Current Employer Audit Status: Coaching/Audit/Legal | Michael Board |
| c. Litigation Costs and HR Staffing Update | |
| 6. APA Referral | Ed Owens, III |
| 7. Chief Auditor Investigation | Kristen Coffey |
| a. Background | |
| b. Work Completed To Date | |
| c. Review of Comparable Systems | |
| d. Plan to Implement Comprehensive Audit Plan | |
| 8. Next Steps | Ed Owens, III |
| 9. Adjourn | Steven Webb |

****Committee Action May be Taken***



Employer Reporting Compliance Audits & Coaching

September 29, 2025



Rebecca Adkins, Deputy Executive Director



LEGISLATIVE AUTHORITY

“The Authority shall perform audits on a percentage of employers ...” per KRS 61.5991 (House Bill 8)

- (2) (a) Notwithstanding any other provision of statute to the contrary, the Authority shall:
1. Have full power, including any authority under KRS 61.685, to audit an employer who is subject to the provisions of this section to ensure compliance and accuracy of the data required to be reported by the employer in accordance with this section; and
 2. Perform audits on a percentage of employers who are subject to the reporting requirements of this subsection, as determined by the board, for the purpose of ensuring that all eligible employees are being reported and contributions are being paid in accordance with KRS 61.510 to 61.705. The system shall have full power and authority, including any authority and power granted under KRS 61.675 and 61.685, to accomplish the audits required by this subparagraph. An audit time frame and schedule shall be adopted by the board, made available to impacted employers, and reported to the Public Pension Oversight Board.



LEGISLATIVE AUTHORITY

“The system may at any time conduct an audit of the employer ...” per KRS 78.625 (5) and KRS 61.675 (2)

- (5) The system **may** at any time conduct an audit of the employer **in order to determine if the employer is complying with the provisions of KRS 78.510 to 78.852.** The system shall have access to and may examine all books, accounts, reports, correspondence files, and records of any employer. Every employer, employee, or agency reporting official of a county, as defined in KRS 78.510(3), having records in its possession or under its control, shall permit access to and examination of the records upon the request of the system.

- (2) The system **may** at any time conduct an audit of the employer **in order to determine if the employer is complying with the provisions of KRS 16.505 to 16.652, 61.610 to 61.705, or 78.510 to 78.852.** The system shall have access to and may examine all books, accounts, reports, correspondence files, and records of any employer. Every employer, employee, or agency reporting official of a department or county, as defined in KRS 78.510(3), having records in his possession or under his control, shall permit access to and examination of the records upon the request of the system.

HISTORY OF EMPLOYER REPORTING

2013

REPORTING REQUIREMENTS CHANGED

- Increased from 7 fields to 53 fields
- Emphasis on learning the new reporting process - key
- Focus on error corrections
- Long term goal is to transfers error correction to employers
- Compliance coaching is the solution

2014

AUDIT AND COMPLIANCE

- ERCE senior staff perform compliance duties
- No random audits performed
 - Not proven to be effective in finding compliance issues or payments due KPPA.
 - Duplicative of State Auditor and external auditor function.
- In 2018, ERCE and Internal Audit together developed an audit plan for employers that ERCE has followed since that time. This plan was reviewed by Chief Auditor and recently confirmed that there were no concerns with the plan.
- House Bill 8 (2022 Session) requires random contract reporting audits:
 - 102 KERS NHAZ employers
 - Sept 2022, the KRS Board defined as 5% (or 5 audits) per year. These are random and have identified no compliance issues.

2025



IDENTIFYING POTENTIAL ISSUES

KPPA identifies issues that may warrant a compliance audit through multiple sources, including but not limited to:

- Referrals from the Auditor of Public Accounts
- Notification from the Office of the Attorney General
- KPPA's Office of Legal Services
- Information obtained by ERCE staff
- Tips received from members
- News sources
- The new approach will add to this list
 - Annual Attestation by the Employer
 - Review of existing external audits of each employer



SOLUTION BEGAN IN 2023

STAFFING AND RESOURCES



- Error correction by employers would allow for the reallocation of staff but will not be implemented for 3 to 5 years. Therefore, additional resources were requested and hired this summer.
- KPPA Board approved requesting a CAP increase of fourteen in Sept 2023
 - The request specifically included ERCE staff to address this situation by increase capacity for compliance audits, contract audits, etc..
- Personnel approved the CAP increased in early 2025 without any direct funds attached so it had to be addressed within the approved budget.
- Three Retirement System Counselors (RSC I) were hired in **June of 2025**
- Once the three new counselors are trained, senior counselors will be reallocated for audits (i.e. manager plus two staff) this fall.
- ERCE Compliance Senior Audit and Coaching staff will prioritize
 - Annual Employer Attestation & Questionnaire
 - Expanding Coaching for reporting Officials
 - Review external audits for issues





GOALS OF THE PLAN

ERCE COMPLIANCE AUDIT TEAM

Shifting the compliance audit process to a specific and well trained ERCE team will address several issues:

- Quickly address known compliance issues. Staff count has been increased by three in ERCE to provide additional resources for compliance audits and related training
- Implementing an annual attestation by each employer to identify:
 - Potential compliance issues with employer reports
 - Missing or inaccurate documentation or other legal issues
- Integrating education, coaching and building trust between ERCE and the reporting official!
- Emphasizing proactive education and compliance on relevant employer issues such as dissolution and reemployment exemption certifications
- Leveraging existing external audits performed for each employer to avoid duplicating audits. This is frustrating to the employer and very taxing on limited resources for the employer and KPPA since each employer has external audits performed with referrals from the State Auditor and external auditors.





APA AUDITS OF COUNTIES

Based on Internal Audit review of APA audits of fiscal courts, county sheriffs and county clerks:

	FY 2021	FY2022	FY2023	FY2024	Total
Yes	2	2	3	2	9
Potential	24	28	17	4	73
None	313	311	311	51	986
Not Available	21	19	28	303	371
Total	360	360	359	360	

- 360 agencies for four years (2021-2024) were audited by the Auditor of Public Accounts (APA)
- 1,439 reports searched by IA and included in the details of their report
- 1,068 reports reviewed – 371 reports (mostly from 2024) were not available
- **Only 4 employers (1.1% of the 360)** had confirmed issues (“yes” column) over nine separate reports.
- 45 (12.5%) of the 360 were identified as potential issues but were not referred by the APA for specific reasons. These 45 expanded over 73 reports.

Importantly – Any employer issues will be investigated, coached and invoiced the full amount including interest.



APA AUDITS OF COUNTIES

Information on the four or just over 1%:

Barren and Clay CO Fiscal Courts were reported via MEMO to CEO, Ed Owens III.

Recovery of unreported funds is important but the overall impact to the CERS funds is anticipated to be minimal.

If an employer is uncooperative or nonresponsive, the issue is escalated to Legal.

- Barren County Fiscal Court (2023 and 2024) – only 2024 was referred to KPPA by the APA
 - 78 employees (Haz and NH) with total payroll of \$322,100 and employer contributions of \$108,300.
 - 2024 – retirement reports did not properly reconcile with payroll. APA noted that some of these issues were already corrected. ERCE is auditing. Any funds due will be recovered including interest.
- Clay County Fiscal Court (2022, 2023, and 2024) – all three years were referred to KPPA by APA
 - 30 employees with total payroll of \$105,500 and employer contributions of \$26,700.
 - 2022 was merely late reporting which had already been resolved with existing processes.
 - 2023 and 2024 were reporting issues. ERCE is auditing. Any funds due will be recovered including interest.



APA AUDITS OF COUNTIES

Information on the four or just over 1%:

Recovery of unreported funds is important but the overall impact to the CERS funds is anticipated to be minimal.

If an employer is uncooperative or nonresponsive, the issue is escalated to Legal.

- Jackson County Fiscal Court (2021 and 2023) – none of these were referred to KPPA by APA
 - 103 employees with total payroll of \$279,200 and employer contributions of \$68,100.
 - This employer is chronically late in reporting due to a known fraud issue. KACo is assisting the Judge Executive. The employer has been actively working to resolve these issues. All late reporting penalties have either been waived (23) or paid (23). In 2024 and 2025, Jackson Co has paid another 19 late reporting penalties.
 - ERCE staff is working closely with the employer, is actively coaching and re-training, and documents have been requested for a compliance audit.
- Morgan County Fiscal Court (2021 and 2022) – none of these were referred to KPPA by APA
 - 51 employees (NH with 1 Haz) with total payroll of \$158,000 and employer contributions of \$38,000.
 - The 2021 and 2022 findings referenced penalties to KPPA for late reporting. KPPA addressed and resolved issued before the APA audit began. The 2023 audit had no retirement related findings indicating that the **coaching** from ERCE and the employer's attention to the issue resolved that issue.
 - While coaching, ERCE staff identified two other reporting issues – bonus pay and unreported parttime employees. ERCE is auditing 2023 to present.



APA AUDITS OF COUNTIES

45 of 360 had potential issues (12%) with the majority related to payroll controls. Most, or all, employers would contend that controls are outside of KPPA's purview. Here are two examples of APA noted issues that were not reported to KPPA and on which employer concerns with any additional KPPA audit are anticipated:

- Breckenridge County Clerk (2021-002) finding is that there are inadequate controls on timesheets.
- Ballard County Clerk (2022-006) the county clerk does not keep a ledger for leave balances, so the balances may be incorrect, but the employer is exclusively responsible for accurate reporting.
- Like most APA findings, neither example was referred to KPPA since we are responsible to ensure employers comply with statutory reporting requirements.

KPPA believes as well that the data from Internal Audit's review of APA audits supports the premise that random audits are ineffective. Repetition of these audits is unnecessary and an unproductive use of limited resources.

- Internal Audit examined 1,068 reports and found three (Morgan Co is not an issue) issues.
- Ideally, KPPA conducts compliance audits for known issues vs. duplicating services by other entities, like the APA.





SOLUTION IN PROGRESS

ACTION TAKEN

- Internal Audit was consulted to confirm the audit process identified in 2018 remains sound. Confirmed in 2025.
- Increased CAP to allow for three additional ERCE employees to create a team dedicated to consistent compliance audits was received in early 2025 and acted upon this summer.
- Hired three additional ERCE employees to allow senior staff to move over and focus first on coaching and then auditing.
- Provide an email group for the APA or any employer's external auditor to send KPPA referrals. This will ensure all parties are timely alerted. (KPPA_audit_referrals@kyret.ky.gov)

NEXT STEPS

- Institute an annual attestation to identify both reporting compliance and legal issues
- Continue to evaluate referrals from the APA and external Auditors.
- Review relevant external audits for each agency to detect potential compliance issues.





KENTUCKY PUBLIC PENSIONS AUTHORITY

Ryan Barrow, Executive Director

1260 Louisville Road • Frankfort, Kentucky 40601
kyret.ky.gov • Phone: 502-696-8800 • Fax: 502-696-8822



October 7, 2025

Office of Auditor of Public Accounts
Attn: Allison Ball
209 St. Clair Street
Frankfort, KY 40601

RE: APA Audits of Participating Employers of CERS members

Dear Auditor Ball,

KPPA acknowledges receipt of two recent referrals from your office: Barren County Fiscal Court 2024 (received May 14, 2025) and Clay County Fiscal Court 2024 (received July 22, 2025). Specific to those referrals, the Director of Employer Reporting, Compliance and Education (ERCE) and his staff are conducting internal compliance audits and coaching the reporting officials for both entities. Please find attached a memo from the KPPA Director of ERCE dated August 26, 2025, providing an update on these audits. Additionally, KPPA staff are actively conducting audits on Jackson County Fiscal Court and Morgan County Fiscal Court, which are expected to be completed soon. To assist in our coordination, please advise if there are any other audit findings that have been, or should be, referred to KPPA for further review or investigation.

To streamline futural referrals, we request that all APA and external auditor referrals be sent to the following centralized email address. This distribution group includes the Executive Management, the ERCE audit team, the CEOs of CERS and KRS, and other key staff involved in the audit and compliance process.

KPPA_audit_referrals@kyret.ky.gov

As we continue to refine these processes, I welcome your feedback and suggestions. We will also request a future meeting to focus on improving and streamlining the referral and audit coordination process.

Respectfully,

Ryan Barrow /s/

Ryan Barrow
Executive Director

Attachments

cc: Lorrann Hart Ferguson
Ed Owens, CERS CEO
John Chilton, KRS CEO



KENTUCKY PUBLIC PENSIONS AUTHORITY

Ryan Barrow, Executive Director

1260 Louisville Road • Frankfort, Kentucky 40601
kyret.ky.gov • Phone: 502-696-8800 • Fax: 502-696-8822



To: Ed Owens III, CERS CEO
Ryan Barrow, KPPA Executive Director

From: D’Juan Surratt, KPPA Director of Employer Reporting, Compliance and Education

Date: 8/26/2025

Re: CERS Employer Compliance Audits – Status

Pursuant to KRS 78.625 (5) KPPA has the authority to conduct an audit of an employer on behalf of CERS. KPPA identifies issues that may warrant a compliance audit through multiple sources including but not limited to:

- APA referrals
- Notification from the Office of the AG
- KPPA legal
- Information gathered by ERCE reps
- Tips from members
- News sources

Focusing on the two following CERS employers referred to KPPA by the APA and are undergoing full compliance audits.

V026 – Clay County Fiscal Court (CCFC)

Active Nonhazardous Employees	30
Total Monthly Salary	\$105,500
Total Monthly Contributions (EE, ER, HIC)	\$26,700

- **August 2023** – APA referred CCFC to KPPA due to finding 2022-005. This finding found that CCFC did not remit monthly payments to KPPA timely. However, KPPA was already aware of this issue and actively working on compliance. CCFC had been assessed late reporting penalties of \$6,045 that were paid in full 11/06/2024. The finding was not regarding the accuracy of the report but rather the timing of submission.
- **November 2024** – July through September 2024, CCFC was again late filing reports to KPPA. In November, ERCE contacted, via emails and calls, CCFC repeatedly through October 2024. ERCE sent a letter in November to CCFC regarding missing reports from July 2024 through September 2024. In addition, it required they pay all outstanding invoices and submit payroll records for July 2024 through August 2024 as KPPA planned to review the accuracy.

- **December 2024** – APA referred CCFC to KPPA due to finding 2023-008. This time the APA found that CCFC reported inaccurate retirement contributions.
- **July 2025** – APA referred CCFC to KPPA due to finding 2024-008 which is a recurrence of the 2023-008 finding.

In progress: ERCE is performing a full compliance audit on CCFC for FY 2023 through current. Depending on the findings, KPPA may also request records prior to FY 2023. The agency reporting official will be coached appropriately to ensure continued compliance. Similar to the prior issue that has been resolved, the ERCE audit will determine the amount of funds due to KPPA along with interest and that amount will be billed and collected or turned over to KPPA legal.

V005 – Barren County Fiscal Court (BCFC)

	Nonhaz	Haz
Active Employees	52	26
Total Monthly Salary	\$199,100	\$123,000
Total Monthly Contributions (EE, ER, HIC)	\$50,100	\$58,200

- **May 2025** – APA referred BCFC to KPPA due to finding 2024-012. The APA found that BCFC did not properly reconcile retirement reports with payroll. They did note that some of these issues were already corrected.

In progress: ERCE is performing a full compliance audit on CCFC for FY 2024 through current. Depending on the findings, KPPA may also request records prior to FY 2024. The ERCE audit will determine the amount of funds due to KPPA along with interest and that amount will be billed and collected or turned over to KPPA legal.

Summary

For both employers, the ERCE compliance audit will identify any necessary corrections to the member accounts. If required, adjustments or omitted service billings will be created to make both the members and the CERS plan whole. The agency reporting official will be coached appropriately to ensure continued compliance. Both agencies are relatively small having less than 100 employees so the financial impact to the system is anticipated to be minimal but will be pursued in the same manner and audit process as all employers with reporting issues.



KENTUCKY PUBLIC PENSIONS AUTHORITY

Ryan Barrow, Executive Director

1260 Louisville Road • Frankfort, Kentucky 40601
kyret.ky.gov • Phone: 502-696-8800 • Fax: 502-696-8822



To: Ryan Barrow, KPPA Executive Director

From: D’Juan Surratt, KPPA Director of Employer Reporting, Compliance and Education

Date: 9/30/2025

Re: CERS Employer Compliance Audits – Status

Pursuant to KRS 78.625 (5) KPPA has the authority to conduct an audit of an employer on behalf of CERS. KPPA identifies issues that may warrant a compliance audit through multiple sources including but not limited to:

- APA referrals
- Notification from the Office of the AG
- KPPA legal
- Information gathered by ERCE reps
- Tips from members,
- News sources

The following two CERS employers are currently undergoing full compliance audits.

V055 – Jackson County Fiscal Court (JCFC)

Active Nonhazardous Employees	103
Total Monthly Salary	\$279,137
Total Monthly Contributions (EE, ER, HIC)	\$68,092

- **December 2018** – JCFC had not submitted reports for nine months due to not having sufficient funding. The Judge Executive advised KPPA that the reporting official was relieved of duty for cause. The Judge Executive obtained a \$500,000 loan from Kentucky Association of Counties (KAC) to report and pay contributions for the 9 missing reports and paid 23 late reporting penalties the agency had accumulated. Due to the employer working with KPPA on catching up the reports, KPPA decided to waive the late reporting penalties.
- **November 2023 through September 2025** – ERCE continues to work with JCFC regarding late reporting issues and has been in communication with the Judge Executive and Reporting Official regarding this issue. In addition, ERCE has been training and coaching the reporting official to try and minimize the errors reported. During this period, JCFC has accumulated 19 late reporting penalties in which they have paid them all in full.

In progress: ERCE is performing a full compliance audit on JCFC for FY 2023. Depending on the findings, KPPA may also request records prior to FY 2023. The agency reporting official will continue to be coached appropriately to ensure continued compliance. ERCE will determine the amount of funds due to KPPA along with interest and that amount will be billed and collected or turned over to KPPA legal.

V088 – Morgan County Fiscal Court (MCFC)

	Nonhaz	Haz
Active Employees	50	1
Total Monthly Salary	\$154,152	\$3,760
Total Monthly Contributions (EE, ER, HIC)	\$36,298	\$1,644

- **Background** - The APA findings for MCFC in FY 2021 & FY 2022 referenced penalties to KPA for late reporting. This issue was addressed and resolved before the APA audit began. The FY 2023 audit had no retirement related findings
- **July 2024** – ERCE received a Form 7250 for a Premium Pay payment. MCFC reported the Premium Pay payment as Regular Wages, however it should have been reported as a Bonus payment. ERCE requested a full listing of who received this payment, the amount of the payment and the date of the payment so adjustments can be completed on the member accounts.
- **August 2024** – ERCE completed the adjustments. However, requested information from the agency as some members listed were not reported to KPPA. Per MCFC, the members were part-time, therefore were not reported. ERCE advised pursuant to 105 KAR 1:140 all employees including part-time should be reported.
- **February 2025** – Manager of the File/Web team reached out to the agency regarding missing records.

In progress: ERCE is performing a full compliance audit on MCFC for FY 2023 through current due to KPPA not receiving the missing records. ERCE will determine the amount of funds due to KPPA along with interest and that amount will be billed and collected or turned over to KPPA legal.

Summary

For both employers, ERCE will identify any previously unresolved corrections to the member accounts. If required, adjustments or omitted service billings will be created to make both the members and the CERS plan whole. The agency reporting official will be coached appropriately to ensure continued compliance. Both agencies are relatively small with JCFC having 103 employees and MCFC having 51 employees, so the financial impact to the system is anticipated to be minimal but will be pursued in the same manor and audit process as all employers with reporting issues.



Identifying Potential Issues

- **1,450 participating employers.**
- Approximately **70-75%** of employers receive coaching from ERCE on monthly reporting errors.
- Approximately **7-7.5%** of employers receive more structured support
- **Five** CERS compliance audits were completed since 2021. Four CERS compliance audits are currently in progress.
- However, only **two** compliance audit cases involved escalating to legal staff to demand monthly reports and contributions owed.





KENTUCKY PUBLIC PENSIONS AUTHORITY

Ryan Barrow, Executive Director

1260 Louisville Road • Frankfort, Kentucky 40601
kyret.ky.gov • Phone: 502-696-8800 • Fax: 502-696-8822



To: Ryan Barrow, KPPA Executive Director

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

Date: October 7, 2025

Re: Legal Matters & Costs Associated with CERS Employer Audits

House Bill 484 of the 2020 session of the Kentucky General Assembly became effective on April 1, 2021. That bill created the Kentucky Public Pensions Authority (KPPA) and split the governance of the County Employees Retirement System (CERS) and the Kentucky Employees Retirement System (KERS) and State Police Retirement System (SPRS) into two separate boards of trustees.

Since that date, the KPPA Office of Legal Services has received seventeen (17) total referrals from the Division of Employer Reporting, Compliance, and Education (ERCE) for collection. Of those, two (2) referrals resulted from an ERCE audit due to a CERS employer not correctly reporting employees for a specific period of time. The KPPA Office of Legal Services has been involved in numerous other CERS employer matters during this time period, the vast majority of which involved general legal advice to ERCE for coaching with employers. ERCE obviously resolves many employer matters before the need to escalate them to KPPA legal staff arises. This includes matters resulting from an ERCE audit due to incorrect reporting.

Regardless of how the matter originated or made its way to the KPPA Office of Legal Services, none of these matters incurred outside legal costs. They were/are all handled internally by KPPA Legal staff existing budget and expertise. None of these matters have resulted litigation initiated by KPPA¹. They have been resolved with a negotiated settlement. Of the seventeen (17) referred matters, eleven (11) have finally resolved, with six (6) still pending. KPPA legal staff have collected a total of \$1,174,866.73 from the eleven (11) matters that have been finalized. That figure represents 96.6% of the amount referred for collection.

¹ The Kentucky River Regional Jail (KRRJ) litigation was initiated by a group of KRRJ employees who named KPPA as a defendant. KPPA did receive permission from CERS to file a cross-claim on its behalf during the September 13, 2023 CERS Board meeting. This is also being handled by KPPA legal staff with no external legal cost.



KENTUCKY PUBLIC PENSIONS AUTHORITY

Ryan Barrow, Executive Director

1260 Louisville Road • Frankfort, Kentucky 40601
kyret.ky.gov • Phone: 502-696-8800 • Fax: 502-696-8822



MEMORANDUM

To: Ryan Barrow
Executive Director

From: Lori Casey
Human Resources

Date: October 6, 2025

Subject: ERCE HR Update

In January 2025, the full-time CAP was increased from 270 full-time employees to 284. That gave the agency the flexibility needed to add additional positions in the Division of Employer Reporting, Compliance & Education (ERCE) to address some priorities.

In June 2025, three Retirement System Counselor I's were hired in the ERCE division to work on the day to day work. This freed up three other, more experienced, staff members to focus on employer audits. These consist of the following: the Retirement Programs Manager for File/Web, a Retirement Benefit Consultant and a Retirement System Counselor IV.

Please let me know if you need any additional information.



ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

May 14, 2025

CEO Ed Owens III
Kentucky Public Pension Authority
1260 Louisville Road
Frankfort, KY 40601

Sent via email: Ed.Owens@kyret.ky.gov

Re: Referral of Finding in the Audit of the Barren County FC 2024

Dear CEO Owens III:

Enclosed is a copy of the above-referenced audit report. The Auditor of Public Accounts publicly released this report on May 7, 2025. We are referring Finding 2024-012 for your review and determination whether further investigation by your office is warranted.

Please keep the Auditor of Public Accounts advised of any action taken by your office as to these matters. Please contact me if you need more information or require further assistance.

Sincerely,

Alexander Magera

Alexander Magera
General Counsel





ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

July 22, 2025

CEO Ed Owens III
Kentucky Public Pension Authority
1260 Louisville Road
Frankfort, KY 40601

Sent via email: Ed.Owens@kyret.ky.gov

Re: Referral of Finding in the Audit of the Clay County FC-SA 2024

Dear CEO Owens III:

Enclosed is a copy of the above-referenced audit report. The Auditor of Public Accounts publicly released this report on July 16, 2025. We are referring Finding 2024-008 for your review and determination whether further investigation by your office is warranted.

Please keep the Auditor of Public Accounts advised of any action taken by your office as to these matters. Please contact me if you need more information or require further assistance.

Sincerely,

Alexander Magera

Alexander Magera
General Counsel





September 22, 2025

Ms. Allison Ball
Auditor of Public Accounts
209 St. Clair Street
Frankfort, KY 40601-1817

RE: Referral of APA Audits

Dear Auditor Ball,

Thank you for the referral of two (2) APA audits to my attention. The Barren County FC-SA 2024 (May 14, 2025), and the Clay County FC-SA 2024 (July 22, 2025). My understanding is this represents the third straight year a referral has been made to KPPA regarding the Clay County Fiscal Court. The prior referral notices were not addressed to me nor was I made aware of them by KPPA staff.

The referral letters noted above, signed by the General Counsel for the APA, indicated I should make your office aware of steps we were taking to address the deficiencies noted in your audits related to pension payments matching the payrolls of the respective organizations. Please allow this letter to serve as the CERS Board response to the legitimate questions raised by your referrals.

The first step we took was to ask the KPPA Chief Auditor to look at every APA audit performed of county governments since 20RS HB 484 established a new governance board for CERS. The APA audits 360 CERS employers which represents one-third of the approximately 1200 CERS employers.

Looking at the APA audits, as there currently is not a formalized mechanism to deal with the other CERS employers, we concluded there were a few dozen employers that needed additional attention from Employer Reporting, Compliance and Education (ERCE), the KPPA entity currently charged with completing employer audits. However, ERCE has just hired three (3) of four (4) persons to form an employer audit team since the first referral letter was sent to me and I inquired about how we intended to address the issue.

The CERS Board understands the critical importance of ensuring that all contributions due the CERS system are collected for the benefit of all our members. Therefore, we are offering an alternative plan to the one ERCE wants to employ. Our Board has taken the further step to create an Ad Hoc Employer Reporting Committee, ratified on September 8, 2025, to oversee the implementation of the strategy we seek to implement for Employer Audits.

Our position, which will need a legislative assist, will be to establish the employer audit team not under ERCE, but under the Chief Auditor. The Chief Auditor has presented a plan where the same number of auditors (4) would touch all 1200 employers of the CERS system on a rotating five-year (5) basis. We believe auditors should perform audits. Our board has further authorized me to seek the needed legislative changes to implement our vision of CERS employer audits.

We are very much a work in progress. It was important that you know we heard the import of your referrals, and we immediately have sought to address the concerns contained therein. If you have questions of me, feel free to contact me anytime. Again, thank you for the referrals.

Sincerely,

Ed Owens, III
CEO, CERS Board of Trustees

Cc: Lisle Cheatham, Chairman, CERS Board of Trustees
Ryan Barrow, Executive Director KPPA
Steve Webb, Chairman, CERS Ad Hoc Employer Reporting Committee

CERS Ad Hoc Employer Reporting Review Committee Meeting - Chief Auditor Investigation

Across the board there were repeated findings about a lack of internal controls at the county governments.

Retirement Related Finding									
County	Entity	FY 2021	FY 2022	FY 2023	FY 2024	Notes			
Adair County	Fiscal Court	None	Not Available	Not Available	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Allen County	Fiscal Court	None	None	None	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Anderson County	Fiscal Court	None	Not Available	None	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Ballard County	Fiscal Court	None	None	None	None				
	County Clerk	None	Potential	None	Not Available	2022-006 Leave Balances			
	Sheriff	None	None	None	Not Available				
Barren County	Fiscal Court	None	None	Yes	Yes	2023-001 Lack of Controls Over Acct Functions	2024-012 Retirement Reports		
	County Clerk	None	None	None	None				
	Sheriff	None	None	None	None				
Bath County	Fiscal Court	Not Available	Not Available	None	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Bell County	Fiscal Court	None	Not Available	Not Available	Not Available				
	County Clerk	None	None	None	None				
	Sheriff	None	None	None	Not Available				
Boone County	Fiscal Court	Not Available	None	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Bourbon County	Fiscal Court	None	None	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Boyd County	Fiscal Court	None	None	None	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Boyle County	Fiscal Court	None	None	Not Available	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Bracken County	Fiscal Court	None	None	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Breathitt County	Fiscal Court	None	Potential	Potential	Not Available	2022-004 Payroll Disbursements	2023-004 Payroll Processing		
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	Not Available	Not Available				

CERS Ad Hoc Employer Reporting Review Committee Meeting - Chief Auditor Investigation

Retirement Related Finding									
County	Entity	FY 2021	FY 2022	FY 2023	FY 2024	Notes			
Breckinridge County	Fiscal Court	Not Available	None	None	None				
	County Clerk	Potential	Potential	Potential	Not Available	2021-002 Payroll Processing	2022-001 Payroll Processing	2023-002 Payroll Processing	
	Sheriff	None	None	Potential	Not Available	2023-001 Did Not Account for Payroll Property			
Bullitt County	Fiscal Court	Potential	Potential	Not Available	Not Available	2021-001 Timesheets Do Not Reflect Actual Hours Worked	2022-005 Timesheets Do Not Reflect Actual Hours Worked		
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Butler County	Fiscal Court	None	None	Not Available	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Caldwell County	Fiscal Court	None	Potential	Potential	Not Available	2022-001 Lack of Oversight of Acct and Financial Mgt. Practices	2023-001 Lack of Oversight of Acct and Financial Mgt. Practices		
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Calloway County	Fiscal Court	None	Not Available	Not Available	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Campbell County	Fiscal Court	None	None	None	Not Available				
	County Clerk	Potential	Potential	None	Not Available	2021-003 Inadequate Internal Controls Over Payroll	2022-003 Inadequate Internal Controls Over Payroll		
	Sheriff	None	None	None	Not Available				
Carlisle County	Fiscal Court	None	Not Available	Not Available	Not Available				
	County Clerk	Potential	None	None	Not Available	2021-001 Payroll Expenses Not Supported			
	Sheriff	None	None	None	Not Available				
Carroll County	Fiscal Court	None	None	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	Not Available	None	None	Not Available				
Carter County	Fiscal Court	None	None	None	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Casey County	Fiscal Court	None	None	Not Available	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Christian County	Fiscal Court	None	None	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Clark County	Fiscal Court	Not Available	Not Available	Potential	Not Available	2023-003 Improper Internal Controls Over Payroll			
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Clay County	Fiscal Court	None	Yes	Yes	Yes	2022-005 Retirement Reports and 2022-008 Payroll	2023-004 Retirement Surplus and 2023-008 Retirement Reports	2024-008 Retirement Reports	
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				

CERS Ad Hoc Employer Reporting Review Committee Meeting - Chief Auditor Investigation

Retirement Related Finding									
County	Entity	FY 2021	FY 2022	FY 2023	FY 2024	Notes			
Clinton County	Fiscal Court	None	None	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Crittenden County	Fiscal Court	None	Not Available	Not Available	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Cumberland County	Fiscal Court	None	None	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Daviness County	Fiscal Court	Not Available	None	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Edmonson County	Fiscal Court	None	None	None	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Elliott County	Fiscal Court	None	None	None	None				
	County Clerk	Potential	Potential	Potential	Not Available	2023-001 County Clerk Not Fulfilling Duties of the Clerk	2022-001 County Clerk Not Fulfilling Duties of the Clerk and 2022-004 Annual Settlement Not Presented	2021-001 County Clerk Not Fulfilling Duties of the Clerk and 2021-004 Annual Settlement Not Presented	
	Sheriff	None	None	None	Not Available				
Estill County	Fiscal Court	Potential	None	Not Available	Not Available	2021-003 Inadequate Internal Controls Over Payroll			
	County Clerk	Potential	Potential	Potential	Not Available	2021-001 Former Clerk Not Fulfilling Duties of the Clerk and 2021-012 Miscalculated Payroll Withholdings	2022-001 Former Clerk Not Fulfilling Duties of the Clerk and 2022-004 Inadequate Controls Over Payroll	2023-001 Former Clerk Not Fulfilling Duties of the Clerk and 2023-005 Inadequate Controls Over Payroll	
	Sheriff	None	None	None	Not Available				
Fayette County	Fiscal Court	Not Available	Not Available	Not Available	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Fleming County	Fiscal Court	None	Not Available	None	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Floyd County	Fiscal Court	None	None	None	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Franklin County	Fiscal Court	None	None	Not Available	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Fulton County	Fiscal Court	Potential	Potential	None	Not Available	2022-001 Inadequate Controls Over Acct and Financial Reporting and 2022-003 Lack of Oversight of Payroll	2021-001 Inadequate Controls Over Acct and Financial Reporting and 2021-006 Lack of Oversight of Payroll		
	County Clerk	None	None	None	Not Available				
	Sheriff	Potential	None	None	Not Available	2021-006 Payroll Withholdings Not Remitted			

CERS Ad Hoc Employer Reporting Review Committee Meeting - Chief Auditor Investigation

Retirement Related Finding								
County	Entity	FY 2021	FY 2022	FY 2023	FY 2024	Notes		
Gallatin County	Fiscal Court	None	None	None	Not Available			
	County Clerk	None	None	None	Not Available			
	Sheriff	None	None	None	Not Available			
Garrard County	Fiscal Court	None	None	None	None			
	County Clerk	None	None	None	Not Available			
	Sheriff	Potential	Potential	None	Not Available	2022-002 Inadequate Controls Over Payroll	2021-003 Inadequate Controls Over Payroll	
Grant County	Fiscal Court	None	None	None	None			
	County Clerk	None	None	None	Not Available			
	Sheriff	None	None	None	Not Available			
Graves County	Fiscal Court	None	None	None	None			
	County Clerk	None	None	None	Not Available			
	Sheriff	None	None	None	Not Available			
Grayson County	Fiscal Court	None	None	Not Available	Not Available			
	County Clerk	Potential	Potential	None	Not Available	2022-001 Not Compensating Employees for Hours Worked	2021-001 Not Compensating Employees for Hours Worked	
	Sheriff	Potential	None	None	Not Available	2021-003 Did Not Compensate Employees for Overtime		
Green County	Fiscal Court	Not Available	None	None	None			
	County Clerk	Potential	None	None	Not Available	2021-007 Inadequate Controls Over Payroll		
	Sheriff	Potential	Potential	None	Not Available	2022-003 Payroll did not Operate Effectively	2021-004 Payroll did not Operate Effectively	
Greenup County	Fiscal Court	None	None	None	None			
	County Clerk	None	None	None	Not Available			
	Sheriff	None	None	None	Not Available			
Hancock County	Fiscal Court	Not Available	Not Available	None	None			
	County Clerk	None	None	None	Not Available			
	Sheriff	None	None	None	Not Available			
Hardin County	Fiscal Court	None	None	None	None			
	County Clerk	None	None	None	Not Available			
	Sheriff	None	None	None	Not Available			
Hartan County	Fiscal Court	None	None	None	None			
	County Clerk	None	None	None	Not Available			
	Sheriff	None	None	None	Not Available			
Harrison County	Fiscal Court	None	None	None	Not Available			
	County Clerk	None	None	None	Not Available			
	Sheriff	None	None	None	Not Available			
Hart County	Fiscal Court	None	None	Not Available	Not Available			
	County Clerk	None	None	None	None			
	Sheriff	None	None	None	Not Available			
Henderson County	Fiscal Court	Not Available	Potential	Potential	None	2023-001 Inadequate Controls Over Payroll	2022-003 Inadequate Controls Over Payroll	
	County Clerk	None	None	None	Not Available			
	Sheriff	None	None	None	Not Available			

CERS Ad Hoc Employer Reporting Review Committee Meeting - Chief Auditor Investigation

Retirement Related Finding						Notes			
County	Entity	FY 2021	FY 2022	FY 2023	FY 2024				
Henry County	Fiscal Court	Potential	Potential	Not Available	Not Available	2022-001 Inadequate Controls Over Acct and Financial Management	2022-001 Inadequate Controls Over Acct and Financial Management		
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Hickman County	Fiscal Court	None	Not Available	Not Available	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Hopkins County	Fiscal Court	None	None	Potential	Not Available	2023-003 Inadequate Controls Over Payroll			
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Jackson County	Fiscal Court	Yes	Potential	Yes	Not Available	2023-001 Lack of Internal Control System (including payroll) and 2023-011 Inadequate Controls Over Payroll	2022-001 Lack of Internal Control System (including payroll) and 2022-011 Inadequate Controls Over Payroll	2021-005 Inadequate Controls Over Payroll	
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	Potential	Not Available	2023-005 Lack of Controls over Payroll Process			
Jefferson County	Fiscal Court	Not Available	Not Available	Not Available	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Jessamine County	Fiscal Court	None	None	None	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Johnson County	Fiscal Court	Not Available	None	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Kenton County	Fiscal Court	None	None	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Knott County	Fiscal Court	None	None	None	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Knox County	Fiscal Court	None	None	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
LaRue County	Fiscal Court	None	None	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Laurel County	Fiscal Court	None	None	None	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Lawrence County	Fiscal Court	Not Available	None	Not Available	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				

CERS Ad Hoc Employer Reporting Review Committee Meeting - Chief Auditor Investigation

Retirement Related Finding								
County	Entity	FY 2021	FY 2022	FY 2023	FY 2024	Notes		
Lee County	Fiscal Court	None	None	None	Not Available			
	County Clerk	None	None	None	Not Available			
	Sheriff	None	None	None	Not Available			
Leslie County	Fiscal Court	Potential	Not Available	Not Available	Not Available	2021-013 Payroll Revolving Account Did Not Reconcile to Zero		
	County Clerk	None	None	None	Not Available			
	Sheriff	None	None	None	Not Available			
Letcher County	Fiscal Court	None	None	None	Not Available			
	County Clerk	None	None	None	Not Available			
	Sheriff	None	None	None	Not Available			
Lewis County	Fiscal Court	None	Not Available	Not Available	Not Available			
	County Clerk	None	None	None	Not Available			
	Sheriff	None	None	None	Not Available			
Lincoln County	Fiscal Court	Not Available	None	Not Available	Not Available			
	County Clerk	None	None	Potential	Not Available	2023-002 Inadequate Controls Over Payroll		
	Sheriff	None	None	None	Not Available			
Livingston County	Fiscal Court	None	None	None	Not Available			
	County Clerk	None	None	None	Not Available			
	Sheriff	Potential	None	None	Not Available	2021-002 Internal Control Deficiencies Over Payroll		
Logan County	Fiscal Court	None	None	None	None			
	County Clerk	None	None	None	Not Available			
	Sheriff	None	None	None	Not Available			
Lyon County	Fiscal Court	None	None	None	None			
	County Clerk	None	None	None	Not Available			
	Sheriff	None	None	None	Not Available			
Madison County	Fiscal Court	None	None	None	Not Available			
	County Clerk	None	None	None	Not Available			
	Sheriff	None	None	None	Not Available			
Magoffin County	Fiscal Court	None	Not Available	Not Available	Not Available			
	County Clerk	None	Potential	None	Not Available	2022-004 Late Remitting State Payroll Withholdings		
	Sheriff	None	None	None	Not Available			
Marion County	Fiscal Court	Not Available	None	None	Not Available			
	County Clerk	None	None	None	Not Available			
	Sheriff	None	None	None	Not Available			
Marshall County	Fiscal Court	None	None	None	Not Available			
	County Clerk	None	None	None	Not Available			
	Sheriff	None	None	None	Not Available			
Martin County	Fiscal Court	None	None	None	Not Available			
	County Clerk	None	Potential	Not Available	Not Available	2021-002 Deficit in Official Bank Account		
	Sheriff	None	None	None	Not Available			

CERS Ad Hoc Employer Reporting Review Committee Meeting - Chief Auditor Investigation

Retirement Related Finding									
County	Entity	FY 2021	FY 2022	FY 2023	FY 2024	Notes			
Mason County	Fiscal Court	None	None	None	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
McCracken County	Fiscal Court	None	None	None	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
McCreary County	Fiscal Court	Potential	Potential	Potential	Not Available	2023-001 Payroll Revolving Account, Not Reconciled and 2023-004 Internal Controls Over Payroll Not Effective	2022-001 Payroll Revolving Account, Not Reconciled	2021-001 Payroll Revolving Account, Not Reconciled	
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
McLean County	Fiscal Court	Potential	Potential	None	Potential	2024-002 Payroll Revolving Account, not Reconciled	2022-003 Payroll Revolving Account, not Reconciled	2021-002 Payroll Revolving Account, not Reconciled	
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Meade County	Fiscal Court	None	None	None	Not Available				
	County Clerk	Potential	Potential	None	Not Available	2022-001 Lack of Segregation of Duties over Payroll	2021-001 Lack of Segregation of Duties over Payroll		
	Sheriff	None	None	None	Not Available				
Menifee County	Fiscal Court	None	None	None	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	Not Available	Not Available				
Mercer County	Fiscal Court	None	None	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Metcalfe County	Fiscal Court	None	None	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Monroe County	Fiscal Court	None	None	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Montgomery County	Fiscal Court	None	None	None	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Morgan County	Fiscal Court	Yes	Yes	None	Not Available	2022-010 Inadequate Payroll Procedures	2021-008 Inadequate Payroll Procedures		
	County Clerk	None	None	None	Not Available				
	Sheriff	None	Potential	None	Not Available	Procedure #13 Compliance Procedure			
Muhlenberg County	Fiscal Court	Not Available	Potential	None	Not Available	2022-5 Payroll Revolving Account Not Reconciled			
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Nelson County	Fiscal Court	None	None	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	Potential	None	None	Not Available	Procedure #13 Compliance Procedure			

CERS Ad Hoc Employer Reporting Review Committee Meeting - Chief Auditor Investigation

Retirement Related Finding									
County	Entity	FY 2021	FY 2022	FY 2023	FY 2024	Notes			
Nicholas County	Fiscal Court	None	None	None	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Ohio County	Fiscal Court	None	None	None	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Oldham County	Fiscal Court	None	None	None	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Owen County	Fiscal Court	None	None	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Owsley County	Fiscal Court	None	Potential	Potential	Potential	2024-004 Inadequate Controls Over Payroll	2023-006 Inadequate Controls Over Payroll	2022-005 Inadequate Controls Over Payroll	
	County Clerk	None	Potential	Potential	Not Available	2023-001 Internal Control System Severely Deficient	2022-001 Internal Control System Severely Deficient		
	Sheriff	None	None	None	Not Available				
Pendleton County	Fiscal Court	None	None	None	Not Available				
	County Clerk	None	None	None	None				
	Sheriff	None	None	None	Not Available				
Perry County	Fiscal Court	None	None	Not Available	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Pike County	Fiscal Court	None	None	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Powell County	Fiscal Court	None	None	Potential	Not Available	2023-004 Lack of Oversight of Timesheets			
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Pulaski County	Fiscal Court	None	None	None	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	None				
Robertson County	Fiscal Court	Not Available	Potential	None	Not Available	2022-004 Payroll Revolving Account Not Reconciled			
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Rockcastle County	Fiscal Court	None	None	None	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Rowan County	Fiscal Court	Not Available	Potential	None	None	2022-001 Inadequate Controls Over Revolving Accounts			
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				

CERS Ad Hoc Employer Reporting Review Committee Meeting - Chief Auditor Investigation

Retirement Related Finding									
County	Entity	FY 2021	FY 2022	FY 2023	FY 2024	Notes			
Russell County	Fiscal Court	Not Available	Not Available	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	None				
Scott County	Fiscal Court	None	None	None	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Shelby County	Fiscal Court	None	Not Available	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Simpson County	Fiscal Court	None	None	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Spencer County	Fiscal Court	None	None	None	Not Available				
	County Clerk	None	none	None	Not Available				
	Sheriff	None	None	None	Not Available				
Taylor County	Fiscal Court	None	None	None	Potential	2024-003 Payroll Revolving Account Not Reconciled			
	County Clerk	Potential	Potential	No	Not Available	2022-003 Inadequate Controls Over Payroll	2021-003 Inadequate Controls Over Payroll		
	Sheriff	None	None	None	Not Available				
Todd County	Fiscal Court	None	None	Potential	Not Available	2023-002 Inadequate Controls Over Payroll			
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Trigg County	Fiscal Court	Potential	Potential	Potential	Potential	2024-007 Inadequate Controls Over Payroll and 2024-008 Payroll Revolving Account Not Reconciled	2023-007 Inadequate Controls Over Payroll and 2023-008 Payroll Revolving Account Not Reconciled	2022-007 Inadequate Controls Over Payroll and 2022-008 Payroll Revolving Account Not Reconciled	2021-005 Inadequate Controls Over Payroll and 2021-007 Payroll Revolving Account Not Reconciled
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Trimble County	Fiscal Court	None	None	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Union County	Fiscal Court	Not Available	None	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Warren County	Fiscal Court	None	None	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Washington County	Fiscal Court	Potential	None	None	None	2021-001 Payroll Revolving Account Not Reconciled			
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Wayne County	Fiscal Court	None	None	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	None				

CERS Ad Hoc Employer Reporting Review Committee Meeting - Chief Auditor Investigation

Retirement Related Finding									
County	Entity	FY 2021	FY 2022	FY 2023	FY 2024	Notes			
Webster County	Fiscal Court	Not Available	None	None	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Whitley County	Fiscal Court	None	Not Available	Not Available	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Wolfe County	Fiscal Court	None	None	Not Available	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Woodford County	Fiscal Court	None	None	None	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				

	FY 2021	FY2022	FY2023	FY2024	Total
Yes	2	2	3	2	9
Potential	24	28	17	4	73
None	313	311	311	51	986
Not Available	21	19	28	303	371
Total	360	360	359	360	



KENTUCKY PUBLIC PENSIONS AUTHORITY

Ryan Barrow, Executive Director

1260 Louisville Road • Frankfort, Kentucky 40601
kyret.ky.gov • Phone: 502-696-8800 • Fax: 502-696-8822



MEMORANDUM

TO: Kristen Coffey, Chief Auditor

FROM: Jillian Hall, Staff Attorney, Office of Legal Services
Beth Camic, Staff Assistant, Office of Legal Services

DATE: August 8, 2025

SUBJECT: Potential Information Disclosures/Breaches Affecting the Kentucky Public Pensions Authority ("KPPA"), Fiscal Year 2025 Quarter 4

DATA ON POTENTIAL DISCLOSURES/BREACHES FY 2025 4TH QUARTER

Total Disclosures/Breaches Reports Investigated: 11

<u>Total Number Investigated</u>	<u>Type</u>
1	Implicated HIPAA/HITECH
0	Implicated state law
7	Implicated KPPA Data Disclosure Notification Policy
3	Found not to be a disclosure/breach

Total Members Affected by Potential Disclosures/Breaches: 1498

Total Potential Disclosures/Breaches by Source of Disclosure/Breach

<u>Total Number of Disclosures/Breaches</u>	<u>Source</u>
7	KPPA, KRS, or CERS
1491	External (e.g., vendor, business associate)

Total Potential Disclosures/Breaches by Method of Disclosure/Breach

<u>Total Number of Disclosures/Breaches</u>	<u>Method</u>
2	Email
2	Mail
3	Self-Service
0	Phone
0	Fax
1	Other

SYNOPSSES ON POTENTIAL DISCLOSURES/BREACHES FY 2025 2nd Quarter

KPPA, KRS, and CERS Disclosures/Breaches

- **Federal law (HIPAA/HITECH):** There were **no** potential breaches of protected health information by the KPPA.
- **State law (KRS 61.931, et seq.):** There was **no** potential “security breach” of “personal information” as defined by state law by the KPPA.
- **KPPA Internal Data Disclosure Notification Policy:** The following disclosures occurred under the KPPA’s Data Disclosure Notification Policy.

Background: Non-KPPA member called to report receiving mail for a KPPA member for a while. Caller stated the KPPA member has not lived at that address for 20+ years.

Root Cause: Lack of Change of Contact Information

Follow Up: Deactivated member’s address and attempted to find current address. KPPA sought an affidavit from the member who received the disclosed information attesting they did not copy or otherwise retain the information of the compromised member.

Background: Two instances of a KPPA staff member inadvertently including an outside party on an internal email outlining a member’s health insurance premiums.

Root Cause: Human Error. Email auto populated an outside email address.

Follow Up: KPPA immediately contacted the recipient and instructed them on proper destruction of the email. A disclosure notification letter was sent to the affected member. KPPA is seeking an affidavit from the member who received the disclosed information attesting they did not copy or otherwise retain the information of the compromised member.

Background: KPPA staff flagged an account for suspicious activity regarding a direct deposit change request. Staff contacted member and confirmed changes were not authorized. The account was reverted to previous banking information and no benefit payment was missed. The unauthorized party was also able to view documents in the member’s self-service which included personal information regarding a beneficiary.

Root Cause: An unknown bad actor changed the member’s banking information by using information obtained outside of KPPA including the member’s banking information.

Follow Up: KPPA sent out required notices under internal policy and sent documentation to the member and beneficiary regarding the incident along with identity theft guidance. The member’s self-service account was locked down. Future

KPPA Audit Committee Meeting - Legal Updates

account changes are restricted to management only and must be notarized or dropped off in person with a valid ID.

Background: One instance of a Member calling to report receiving within their own mail from KPPA documents for another member.

Root Cause: Mailing issue – likely automatic mailer issue.

Follow Up: KPPA sent out required notices to the affected member and recipient. Disclosure notification letters were sent to the affected members. KPPA obtained an affidavit from the member who received disclosed information attesting they did not copy or otherwise retain the information of the compromised member.

Background: A KPPA member called to report unauthorized contact information changes to their account. Due to security measures in place by KPPA, the member promptly received an email notification stating their information had been updated.

Root Cause: An unknown bad actor changed the member's contact information by using information obtained outside of KPPA. The member also noted they recently experienced identity theft outside of KPPA.

Follow Up: KPPA sent out required notices under internal policy and sent documentation to the member. The member's self-service account was locked down. Future account changes are restricted to management only and must be notarized or dropped off in person with a valid ID.

Background: When submitting a Notice of Filing for an administrative hearing, KPPA inadvertently included two pages of another member's exhibit list.

Root Cause: Human error.

Follow Up: The disclosed documents were stricken from the Administrative Record. A disclosure notification letter was sent to the affected member. KPPA is seeking an affidavit from the member's counsel who received the disclosed information attesting they did not copy or otherwise retain the information of the compromised member.

External Disclosures/Breaches

The KPPA received one notification from a KPPA vendor or business associate this quarter that a security breach or disclosure had occurred.

Background: On May 27, 2025, KPPA was notified by a vendor that a cybersecurity event involving a subcontractor's services had impacted 1,491 KPPA members.

Root Cause: Cybersecurity event.

Follow Up: The subcontractor immediately implemented emergency response protocols, contacted the FBI, and notified affected members and other required agencies. The contracted entity and its subcontractor are evaluating additional security enhancements to reduce the likelihood of a similar cybersecurity event in the future. The contractor notified affected members and offered 2-year free credit and identity theft monitoring service.

RECOMMENDATION

This memorandum is provided for informational purposes only.



KENTUCKY PUBLIC PENSIONS AUTHORITY

Ryan Barrow, Executive Director

1260 Louisville Road • Frankfort, Kentucky 40601
kyret.ky.gov • Phone: 502-696-8800 • Fax: 502-696-8822



MEMORANDUM

TO: Kristen Coffey, Chief Auditor

FROM: Stephanie Hold, Investigator, Office of Legal Services

DATE: August 26, 2025

SUBJECT: Tips Received Regarding Fraud, Waste, and Abuse

The information contained in this memo concerns tips regarding potential fraud, waste and abuse received by the Kentucky Public Pensions Authority (KPPA), including updates on all open cases and cases closed since the last meeting of the Kentucky Public Pensions Authority Audit Committee (Audit Committee).

OPEN FRAUD TIP CASES

Since the Audit Committee met on May 29, 2025, the KPPA received one (1) new fraud tip, which is currently being investigated by the Office of Legal Services.

As of the date of this memo, the KPPA has six (6) cases in open status. The following chart provides current information for all open cases as of the date of this Memorandum:

Date Reported	Allegation(s)	Current Action
12/13/2022	Failure of an employer to report all employees in regular fulltime positions	The Office of Legal Services is investigating.
01/22/2024	Disability retirement fraud.	The Office of Legal Services is investigating.
06/12/2024	Employer not making the required retirement contributions for employees.	The Office of Legal Services is working with ERCE and obtaining additional information.
06/16/2024	Prearranged agreement to return to work for the same employer and failure to have the required break in service.	The allegation related to the member was substantiated and the Office of Benefits has taken action; however, the Office of Legal Services is investigating employer reporting issues uncovered as a result of the investigation.

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Date Reported	Allegation(s)	Current Action
02/18/2025	Prearranged agreement to return to work for the same employer.	The Office of Legal Services is investigating.
07/25/2025	Prearranged agreement to return to work for another participating agency.	The Office of Legal Services is investigating.

FRAUD TIPS CLOSED SINCE LAST MEETING

As of the date of this memo, two (2) cases have been closed since the last meeting of the KPPA Audit Committee. The following case(s) were closed since the last meeting:

Date Reported	Allegation(s)	Disposition
11/02/2023	Employer not making the required retirement contributions for employees since January 2021.	The Office of Legal Services initially assisted ERCE in obtaining documents. Currently, there is no need for additional investigative work, so closing the tip and ERCE is taking the lead to resolve any outstanding employer contribution issues.
05/02/2025	Member failed to adhere to the required break in service.	After reviewing employer payroll data, there was no evidence to indicate the member worked past his retirement date.

RECOMMENDATION

This memorandum is provided for informational purposes only.



Kentucky Public Pensions Authority

Division of Internal Audit



To: County Employees Retirement System Board of Trustees

From: Kristen N. Coffey, CICA
KPPA Chief Auditor

Date: September 8, 2025

Subject: History of Anonymous Tips

When I was first hired as Division Director of Internal Audit, one of my responsibilities was to provide an update at the quarterly Audit Committee meetings regarding the status of the anonymous tips received.

At no time since I have been employed with KPPA has Internal Audit been given the authority or responsibility to investigate the KPPA related tips received from the tipline. When I was first hired, I would review the received tips and determine the next action to be taken:

1. If the tip was not related to KPPA, for example it was related to social security fraud, I would record the tip, then mark it as closed with an explanation.
2. If the tip was related to KPPA, I forwarded it to Office of Legal Services for review by the Legal Investigator.

To prepare for the quarterly update, I would reach out to Legal Services and request a detailed update regarding the status of each tip received – specific action taken, detailed results of the investigation, and final resolution. If the resolution was that the tip had been turned over to the Employer Reporting, Compliance, and Education (ERCE) team, I followed up with those individuals to get an update on the specific action they had taken and what, if any, resolution had been reached. Eventually, a shared spreadsheet was created so that Legal Services staff could add detailed notes related to each tip so that I would not have to reach out for an update before each quarterly meeting. I then drafted a status update memorandum to the Audit Committee members based on the information in the shared file. At the Audit Committee meetings, there were often questions related to specifics of the investigation or the status of open items. I was unable to answer these questions during the meetings because I was not the one completing the investigations.

After working in this manner for a couple of years, I requested a meeting with KPPA management to discuss the investigation and reporting of anonymous tips. I indicated that to respond adequately to the needs of the Audit Committee one of two things should happen:

1. Internal Audit be granted the authority and responsibility to complete the investigations so that I (or my team) could fully respond to question from the Audit Committee, or

2. Legal Services take over reporting the status update to the Audit Committee so they would be available to address questions from Committee members.

It was determined at that time that Legal Services would take on all responsibility for investigating and reporting the status of the anonymous tips.

When I was responsible for reporting the status, Legal Services would send the updates to me via a memorandum. Once Legal Services took over the reporting, the memorandum they created was still addressed to me, rather than the Audit Committee members. However, this memo is no longer sent to me for review or feedback. Instead, it is sent directly for inclusion in BoardBooks. Likewise, when it was determined that Legal Services would provide an update on disclosures, they utilized the same memorandum template which is addressed to the Chief Auditor. However, this memo is also not sent to me for review or feedback.

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[Baldwin's Kentucky Revised Statutes Annotated](#)[Title VIII. Offices and Officers](#)[Chapter 61. General Provisions as to Offices and Officers; Social Security for Public Employees; Employees Retirement System \(Refs & Annos\)](#)[Kentucky Public Pensions Authority](#)

KRS § 61.505

61.505 Kentucky Public Pensions Authority; purpose; membership, vacancies, compensation, and meetings; authority granted powers and privileges of corporation; executive director, chief auditor, and employees; expenses; authorization of administrative expenses; duties of members

[Currentness](#)

(1) There is created an eight (8) member Kentucky Public Pensions Authority whose purpose shall be to administer and operate:

(a) A single personnel system for the staffing needs of the Kentucky Retirement Systems and the County Employees Retirement System;

(b) A system of accounting that is developed by the Authority for the Kentucky Retirement Systems and the County Employees Retirement System;

(c) Day-to-day administrative needs of the Kentucky Retirement Systems and the County Employees Retirement System, including but not limited to:

1. Benefit counseling and administration;

2. Information technology and services, including a centralized website for the Authority, the Kentucky Retirement Systems, and the County Employees Retirement System;

3. Legal services;

4. Employer reporting and compliance;

5. Processing and distribution of benefit payments, and other financial, investment administration, and accounting duties as directed by the Kentucky Retirement Systems board of trustees or the County Employees Retirement System board of trustees;

6. All administrative actions, orders, decisions, and determinations necessary to carry out benefit functions required by the Kentucky Retirement Systems and the County Employees Retirement System statutes, including but not limited to administration of reduced and unreduced retirement benefits, disability retirement, reemployment after retirement,

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service purchases, computation of sick-leave credit costs, correction of system records, qualified domestic relations orders, and pension spiking determinations; and

7. Completing and compiling financial data and reports;

(d) Any jointly held assets used for the administration of the Kentucky Retirement Systems and the County Employees Retirement System, including but not limited to real estate, office space, equipment, and supplies;

(e) The hiring of a single actuarial consulting firm who shall serve both the Kentucky Retirement Systems and the County Employees Retirement System;

(f) The hiring of a single external certified public accountant who shall perform audits for both the Kentucky Retirement Systems and the County Employees Retirement System;

(g) The promulgation of administrative regulations as an authority or on behalf of the Kentucky Retirement Systems and the County Employees Retirement System, individually or collectively, provided such regulations are not inconsistent with the provisions of this section and [KRS 16.505](#) to [16.652](#), 61.505, [61.510](#) to [61.705](#), and [78.510](#) to [78.852](#), necessary or proper in order to carry out the provisions of this section and duties authorized by [KRS 16.505](#) to [16.652](#) and [61.510](#) to [61.705](#);

(h) A system of contracting management for administrative services; and

(i) Other tasks or duties as directed solely or jointly by the boards of the Kentucky Retirement Systems or the County Employees Retirement System.

(2) The eight (8) member Kentucky Public Pensions Authority shall be composed of the following individuals:

(a) The chair of the Kentucky Retirement Systems board of trustees;

(b) The chair of the County Employees Retirement System board of trustees;

(c) The investment committee chair of the Kentucky Retirement Systems board of trustees, unless the investment committee chair is also the chair of the board of trustees in which case the chair of the Kentucky Retirement Systems shall appoint an individual who serves on the investment committee;

(d) The investment committee chair of the County Employees Retirement System board of trustees, unless the investment committee chair is also the chair of the County Employees Retirement System board of trustees in which case the chair of the County Employees Retirement System shall appoint an individual who serves on the investment committee;

(e) Two additional (2) trustees of the Kentucky Retirement Systems board of trustees selected by the chair of the Kentucky Retirement Systems board of trustees of which one (1) shall be a trustee who was elected by the membership of one (1) of

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the systems administered by Kentucky Retirement Systems and one (1) shall be a trustee of Kentucky Retirement Systems who was appointed by the Governor; and

- (f) Two additional (2) trustees of the County Employees Retirement System board of trustees selected by the chair of the County Employees Retirement System board of trustees of which one (1) shall be a trustee who was elected by the membership of the County Employees Retirement System and one (1) shall be a trustee of the County Employees Retirement System who was appointed by the Governor.
- (3) The Kentucky Public Pensions Authority is hereby granted the powers and privileges of a corporation, including but not limited to the following powers:
- (a) To sue and be sued in its corporate name;
- (b) To make bylaws not inconsistent with the law and in accordance with its duties as provided by this section;
- (c) To conduct the business and promote the purposes for which it was formed;
- (d) To carry out the obligations of the Authority subject to KRS Chapters 45, 45A, 56, and 57;
- (e) To purchase fiduciary liability insurance; and
- (f) The Kentucky Public Pensions Authority shall reimburse any Authority member, officer, or employee for any legal expense resulting from a civil action arising out of the performance of his or her official duties. The hourly rate of reimbursement for any contract for legal services under this paragraph shall not exceed the maximum hourly rate provided in the Legal Services Duties and Maximum Rate Schedule promulgated by the Government Contract Review Committee established pursuant to [KRS 45A.705](#), unless a higher rate is specifically approved by the secretary of the Finance and Administration Cabinet or his or her designee.
- (4) Any vacancy which may occur in an appointed position on the Kentucky Public Pensions Authority shall be filled in the same manner which provides for the selection of the particular member of the Authority. No person shall serve in more than one (1) position as a member of the Authority and if a person holds more than one (1) position as a member of the Authority, he or she shall resign a position.
- (5) (a) Membership on the Authority shall not be incompatible with any other office unless a constitutional incompatibility exists. No Authority member shall serve in more than one (1) position as a member of the Authority.
- (b) An Authority 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.
- (c) A current or former employee of the County Employees Retirement System, Kentucky Retirement Systems, or the Kentucky Public Pensions Authority shall not be eligible to serve as a member of the Authority.

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- (6) Kentucky Public Pensions Authority members who do not otherwise receive a salary from the State Treasury shall receive a per diem of eighty dollars (\$80) for each day they are in session or on official duty, and they shall be reimbursed for their actual and necessary expenses in accordance with state administrative regulations and standards, except that the members shall not receive a per diem or receive reimbursements on the same day they receive a per diem or reimbursements for service to the Kentucky Retirement Systems board of trustees or County Employees Retirement Systems board of trustees.
- (7) (a) The Authority shall meet at least once in each quarter of the year and may meet in special session upon the call of the chair or the executive director of the Authority.
- (b) The Authority shall elect a chair and a vice chair. The chair shall not serve more than four (4) consecutive years as chair or vice chair of the Authority. The vice chair shall not serve more than four (4) consecutive years as chair or vice chair of the Authority. A member who has served four (4) consecutive years as chair or vice chair of the Authority may be elected chair or vice chair of the Authority after an absence of two (2) years from the positions.
- (c) A majority of the Authority members shall constitute a quorum and all actions taken by the Authority shall be by affirmative vote of a majority of the Authority members present.
- (d) The Authority shall post on the Authority's website and shall make available to the public:
1. All meeting notices and agendas of the Authority. Notices and agendas shall be posted to the Authority's website at least seventy-two (72) hours in advance of the Authority's meetings, except in the case of special or emergency meetings as provided by [KRS 61.823](#);
 2. All Authority minutes or other materials that require adoption or ratification by the Authority. The items listed in this subparagraph shall be posted within three (3) business days of adoption or ratification of the Authority;
 3. All bylaws, policies, or procedures adopted or ratified by the Authority; and
 4. A listing of the members of the Authority and membership on each committee established by the Authority.
- (8) (a) The Kentucky Public Pensions Authority shall appoint or contract for the services of an executive director and a chief auditor and fix the compensation and other terms of employment for these positions without limitation of the provisions of KRS Chapter 18A, 45A, and [KRS 64.640](#). The executive director shall be the chief administrative officer of the Authority, the Kentucky Retirement Systems board of trustees, and the County Employees Retirement System board of trustees. The chief auditor shall report directly to the Kentucky Public Pensions Authority members to perform internal audit functions as directed by the Authority. The executive director and chief auditor shall work cooperatively with the chief executive officers of the Kentucky Retirement Systems and the County Employees Retirement System. The Authority shall annually conduct a performance evaluation of the executive director and chief auditor.

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- (b) The Kentucky Public Pensions Authority shall authorize the executive director, or the chief auditor in the case of employees under the direct supervision of the chief auditor, to appoint the employees deemed necessary to transact the duties of the Authority for the purposes outlined in subsection (1) of this section. After April 14, 2022, approval by the Authority shall be required for a petition to the secretary of the Personnel Cabinet for the creation of any new unclassified position pursuant to [KRS 18A.115\(1\)\(e\), \(g\), \(h\), and \(i\)](#).
- (c) Effective April 1, 2021, the Kentucky Public Pensions Authority shall assume responsibility of administering the staff of the Kentucky Retirement Systems in order to provide the services established by this section.
- (d) 1. All employees of the Kentucky Public Pensions Authority, except for the executive director, the chief auditor, and no more than six (6) unclassified employees of the Office of Investments employed pursuant to [KRS 18A.115\(1\)\(e\), \(g\), \(h\), and \(i\)](#), shall be subject to 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.
2. The employees exempted from the classified service under this paragraph shall not be subject to the salary limitations specified in [KRS 64.640\(2\)](#) and [\(3\)](#).
3. The Kentucky Public Pensions Authority shall adopt a written salary and classification plan fixing a range of compensation and written terms of employment for any of the unclassified employees of the Office of Investments it authorizes under this paragraph. The Authority shall authorize the executive director to appoint up to six (6) unclassified employees of the Office of Investments subject to the compensation ranges and terms of employment the Authority has established. The Authority may amend the written salary and classification plan adopted under this paragraph at any time.
- (e) The Authority shall annually review, approve, and submit a report to the Public Pension Oversight Board detailing the number of employees of the Authority, the salary paid to each employee, and the change in the salaries of each individual employed by the Authority over the prior year.
- (f) The Authority shall require the executive director and the employees as it thinks proper to execute bonds for the faithful performance of their duties notwithstanding the limitations of KRS Chapter 62.
- (g) Notwithstanding any other provision of statute to the contrary, including but not limited to any provision of KRS Chapter 12, the Governor shall have no authority to change any provision of this section by executive order or action, including but not limited to reorganizing, replacing, amending, or abolishing the membership of the Kentucky Public Pensions Authority.
- (9) All employees of the Authority shall serve during its will and pleasure. Notwithstanding any statute to the contrary, employees shall not be considered legislative agents under [KRS 6.611](#).
- (10) The Attorney General, or an assistant designated by him or her, may attend each meeting of the Authority and may receive the agenda, board minutes, and other information distributed to Authority members upon request. The Attorney General may act as legal adviser and attorney for the Authority, and the Authority may contract for legal services, notwithstanding the limitations of KRS Chapter 12 or 13B.

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- (11) (a) 1. All expenses incurred by or on behalf of the Kentucky Public Pensions Authority shall be paid by the systems administered by the Kentucky Retirement Systems or the County Employees Retirement System and shall be prorated, assigned, or allocated to each system as determined by Kentucky Public Pensions Authority.
2. Until June 30, 2024, any additional initial costs determined by the Authority to be attributable solely to establishing a separate County Employees Retirement System board and the Kentucky Public Pensions Authority as provided by this section and [KRS 78.782](#) shall be paid by the County Employees Retirement System. Until June 30, 2024, any additional ongoing annual administrative and investment expenses that occur after the establishment of a separate County Employees Retirement System board and the Kentucky Public Pensions Authority that are determined by the Authority to be a direct result of establishing a separate County Employees Retirement System board and the Kentucky Public Pensions Authority shall be paid by the County Employees Retirement System. Beginning on and after July 1, 2024, any annual administrative and investment expenses shall be prorated, assigned, or allocated to each system as determined by the Kentucky Public Pensions Authority as provided by subparagraph 1. of this paragraph but without attribution to the establishment of a separate County Employees Retirement System board and the Kentucky Public Pensions Authority.
3. In order to evaluate the results of establishing a separate County Employees Retirement System board and the Kentucky Public Pensions Authority, on or before November 15, 2022, and on or before November 15 following the close of each successive fiscal year, the Kentucky Public Pensions Authority shall report to the Public Pension Oversight Board the annual administrative and investment expenses of the Kentucky Retirement Systems and the County Employees Retirement System. The report shall include but not be limited to the process or manner the Authority used to prorate, assign, or allocate to each system its share of the expenses, the amount of expenses prorated, assigned, or allocated to each system itemized by category, and any efforts by the systems or the Authority to reduce administrative costs and staffing needs.
- (b) Any other statute to the contrary notwithstanding, authorization for all expenditures relating to the administrative operations of the Kentucky Public Pensions Authority, the Kentucky Retirement Systems, and the County Employees Retirement System shall be contained in the biennial budget unit request, branch budget recommendation, and the financial plan adopted by the General Assembly pursuant to KRS Chapter 48. The Kentucky Public Pensions Authority shall approve the biennial budget unit request prior to its submission by the Authority. The request from the Kentucky Public Pensions Authority shall include any specific administrative expenses requested by the Kentucky Retirement Systems board of trustees or the County Employees Retirement System board of trustees pursuant to [KRS 61.645\(13\)](#) or [78.782\(13\)](#), as applicable, that are not otherwise expenses specified by paragraph (a) of this subsection.
- (12) (a) An Authority member shall discharge his or her duties as a member of the Authority, including his or her duties as a member of a committee of the Authority:
1. In good faith;
 2. On an informed basis; and
 3. In a manner he or she honestly believes to be in the best interest of the County Employees Retirement System and the Kentucky Retirement Systems, as applicable.

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- (b) An Authority member discharges his or her duties on an informed basis if, when he or she makes an inquiry into the business and affairs of the Authority, system, or systems or into a particular action to be taken or decision to be made, he or she exercises the care an ordinary prudent person in a like position would exercise under similar circumstances.
- (c) In discharging his or her duties, an Authority member may rely on information, opinions, reports, or statements, including financial statements and other financial data, if prepared or presented by:
1. One (1) or more officers or employees of the Authority whom the Authority member honestly believes to be reliable and competent in the matters presented;
 2. Legal counsel, public accountants, actuaries, or other persons as to matters the Authority member honestly believes are within the person's professional or expert competence; or
 3. A committee of the Authority of which he or she is not a member if the Authority member honestly believes the committee merits confidence.
- (d) An Authority member shall not be considered as acting in good faith if he or she has knowledge concerning the matter in question that makes reliance otherwise permitted by paragraph (c) of this subsection unwarranted.
- (e) Any action taken as a member of the Authority, or any failure to take any action as an Authority member, shall not be the basis for monetary damages or injunctive relief unless:
1. The Authority member has breached or failed to perform the duties of the member's office in compliance with this section; and
 2. In the case of an action for monetary damages, the breach or failure to perform constitutes willful misconduct or wanton or reckless disregard for human rights, safety, or property.
- (f) A person bringing an action for monetary damages under this section shall have the burden of proving by clear and convincing evidence the provisions of paragraph (e)1. and 2. of this subsection, and the burden of proving that the breach or failure to perform was the legal cause of damages suffered by the Kentucky Retirement Systems or County Employees Retirement System, as applicable.
- (g) In discharging his or her administrative duties under this section, an Authority member shall strive to administer the systems in an efficient and cost-effective manner for the taxpayers of the Commonwealth of Kentucky and shall take all actions available under the law to contain costs for the trusts, including costs for participating employers, members, and retirees.

Credits

HISTORY: [2024 c 55, § 1, eff. 7-15-24](#); [2023 c 28, § 1, eff. 6-29-23](#); [2022 c 216, § 2, eff. 4-14-22](#); [2021 c 102, § 76, eff. 4-1-21](#); [2020 c 79, § 2, eff. 4-1-21](#)

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LRC NOTES

Legislative Research Commission Note (4-1-21): This statute was created by Section 2 of 2020 Ky. Acts ch. 79. Section 45 of that Act reads as follows: “All administrative decisions made by the Kentucky Retirement Systems board of trustees prior to April 1, 2021, on behalf of the County Employees Retirement System, including but not limited to approval for hazardous positions, administrative decisions, and disability determinations, shall be implemented on April 1, 2021, and shall not be reversed except under the authority granted by [KRS 78.510](#) to [78.852](#) to the County Employees Retirement System board of trustees or the Kentucky Public Pensions Authority as granted by Section 2 of this Act [this statute], as applicable, except that the retiree health plans established for the plan year beginning January 1, 2021, through December 31, 2021, by the Kentucky Retirement Systems board of trustees for recipients of the County Employees Retirement System shall not be altered by the County Employees Retirement System board of trustees for that specific plan year. All administrative regulations promulgated by the Kentucky Retirement Systems board of trustees prior to April 1, 2021, on behalf of the County Employees Retirement System shall continue to apply to the County Employees Retirement System on or after April 1, 2021, and shall not be reversed except under the authority granted by [KRS 78.510](#) to [78.852](#) to the County Employees Retirement System board of trustees.”

Legislative Research Commission Note (4-1-21): This statute was created by Section 2 of 2020 Ky. Acts ch. 79. In that Act, Section 48 (effective 4/7/2020) reads as follows: “Notwithstanding any other provision of statute to the contrary, including but not limited to any provision of KRS Chapter 12: (1) The Governor shall have no authority to change any provision of [KRS 16.505](#) to [16.652](#), [61.510](#) to [61.705](#), and [78.510](#) to [78.852](#) as it relates to reorganizing, replacing, amending, or abolishing the membership of the County Employees Retirement System board of trustees as provided by Section 3 of this Act, the Kentucky Retirement Systems board of trustees as provided by [KRS 61.645](#), or the Kentucky Public Pensions Authority as provided by Section 2 of this Act [this statute]; and (2) Effective April 1, 2021, the board of trustees of the Kentucky Retirement Systems and the County Employees Retirement System shall include the number and composition of the boards established by Sections 3, and 4, 46, and 47 of this Act, as applicable respectively.”

KRS § 61.505, KY ST § 61.505

Current through the 2025 Regular Legislative Session and the Nov. 5, 2024 election. Some sections may be more current, see credits for details.

End of Document

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