

**MINUTES OF MEETING
KENTUCKY PUBLIC PENSIONS AUTHORITY
AUDIT COMMITTEE
FEBRUARY 24, 2026, 10:00 A.M., E.T.
VIA LIVE VIDEO TELECONFERENCE**

At the February 24, 2026, Regular Meeting of the Audit Committee of the Kentucky Public Pensions Authority, the following Committee members were present: William O'Mara (Chair), George Cheatham, Lynn Hampton, and William Summers V. Attending on behalf of KRS was Mary Eaves; attending on behalf of CERS was J. T. Fulkerson. Staff members present were CERS CEO Ed Owens III, KRS CEO John Chilton, Ryan Barrow, Erin Surratt, Michael Lamb, Michael Board, Victoria Hale, Nathan Goodrich, Stephanie Hold, Kristen Coffey, Madeline Evans, James Westbay, William Prince, Zachary Curtis, Liza Welch, Stephanie Aldridge, Connie Davis, Shauna Miller, Kathy McNaughton, Phillip Cook, Sherry Rankin, and Mary Hill. Eide Bailly representatives Lealan Miller, Roger Alfaro, and Kellie Burgey were also present.

1. Mr. O'Mara called the meeting to order.
2. Mr. Board read the *Opening Video Teleconference Statement*.
3. Ms. Rankin called roll.
4. Ms. Rankin noted that there were three (3) **Public Comments** received (*Video 00:06:27 to 00:07:08*).

From Rebecca Coley, "*Please, please pass HB 406.*"

From Glenn D. Carty, "*I wish to express my strong support of HB 406 and equally strong opposition to HB 500.*"

From Alberta Webb, "*Please support HB 406. Thank you for the opportunity to voice my wishes.*"
5. Mr. O'Mara introduced the agenda item **Approval of November 18, 2025 KPPA Audit Committee Minutes**. (*Video 00:07:18 to 00:08:14*). Ms. Hampton made a motion to approve the November 18, 2025, minutes. Mr. Fulkerson seconded the motion. Ms.

Hampton further inquired whether Ms. Eaves and Mr. Fulkerson were voting members of the committee. Mr. Board confirmed that both are voting members of this committee. The motion passed unanimously.

6. Mr. O'Mara introduced agenda item ***External Audit Updates (CERS and KRS GASB 68 and GASB 75)*** (Video 00:08:18 to 00:24:58). Mr. Lamb introduced representatives from Eide Bailly. Lealan Miller then introduced Roger Alfaro and Kellie Burgey before reviewing the independent auditor's report. He explained that the reports are important for employers to complete their required reporting. Mr. Miller noted that the report presented is a draft and that minor edits will be made before the final version is presented to the CERS and KRS Boards at their respective March 2026 meetings.

Mr. Miller first reviewed the Schedule of Employer Allocations and the Schedule of Collective Pension Amounts by Employer. He explained that the reports are extensive because KPPA administers pension benefits for both hazardous and non-hazardous employees. He further noted that actuaries rely on census data testing to determine pension liability, and the actuarial reports provide the detailed information used in each schedule. A final review is conducted to confirm the accuracy of the reported data. Mr. Miller reported that, across all four (4) reports, the review of internal controls did not identify any issues requiring attention.

Ms. Eaves asked for clarification regarding to whom the reports are specifically addressed. Mr. Lamb explained that the reports should be addressed to CERS and noted that there are two separate reports, one for KRS and one for CERS. He further explained that while KPPA is responsible for hiring the auditing firm, the reports are prepared specifically for each Board.

Ms. Eaves requested that any references to "the Board" be clarified to specify which Board is being referenced. Mr. Miller stated that his team would review the reports and address her concerns. Mr. Lamb added that each report will be presented to its respective Board for approval at their meetings, after which the approved reports will be submitted to the KPPA Board for publication.

A brief discussion took place regarding whether to vote on the draft reports separately or together. It was agreed that voting on them as a single motion was most practical since the reports will be distributed to the full KPPA Board. Mr. Fulkerson made a motion to accept the CERS and KRS draft proportionate share audits as presented and forward them to the KPPA Board for approval, which Ms. Hampton seconded.

Ms. Eaves suggested amending the motion to specify that KRS and CERS would receive their reports separately before submission to the full KPPA Board for publication. The amendment was agreed upon, and the motion carried. Following the vote, Ms. Eaves requested clarification of the language in the reports to ensure they are addressed to the appropriate Boards of Trustees. Mr. Miller agreed to make these changes in the final draft. At this point, the Eide Bailly representatives left the meeting.

7. Mr. O'Mara introduced agenda item ***Office of Legal Services Updates*** (Video 00:25:06 to 00:30:04). Mr. Goodrich presented the potential disclosure data for FY 2026 2nd Quarter. There were four (4) possible disclosures, two (2) of which were incidents that implicated the disclosure breach policy (though these were not HIPAA, HITECH, or state law disclosures). The other two (2) were found to not be a breach. Both disclosures were handled promptly through the Agency's established processes.

Ms. Hold, the Legal Services Investigator, was introduced to discuss open anonymous fraud tip cases. She provided an update on the fraud tips since the last meeting was held in November, 2025. There have been three (3) tips received, and two (2) tips have been closed since the last meeting. The third open tip is currently being monitored by the Office of Legal Services.

8. Mr. O'Mara introduced agenda item ***KPPA Audit Committee Administrative Updates: Item (a)***. (Video 00:30:19 to 00:40:02). Ms. Coffey presented KPPA Audit Committee Charter, highlighting changes made to align with new national standards. KPPA-specific updates include allowing KRS and CERS to appoint one (1) non-KPPA member to the Audit Committee and specifying the frequency for future Charter reviews and updates.

Ms. Hampton asked for additional context regarding discussions held by the national association before voting to approve the changes. Ms. Coffey stated she would provide Ms. Hampton with all relevant information. Ms. Hampton inquired about the urgency of voting on the changes, and Ms. Coffey explained that it is important for the Agency to remain compliant with national standards implemented in January 2025. Ms. Hampton requested more information on why the changes were made and the process involved, and she moved to table the vote until a later date. Mr. Summers seconded the motion.

Mr. Board noted that, according to the rules, a vote must be taken with no discussion. The motion to table passed unanimously. Ms. Eaves requested clarification on the specific changes and their timing, and Ms. Coffey briefly explained the required updates to ensure compliance with national standards. At this time, Mr. Cheatham noted that he had voted “no” on the motion to table, but his microphone was not on, and he asked that his “no” vote be reflected in the record.

Mr. O’Mara continued agenda item *KPPA Audit Committee Administrative Updates* to address *item (b)* (Video 00:40:03 to 00:45:57), Ms. Coffey presented the Charter for the Division of Internal Audit, reiterating that most changes were made to ensure the Agency’s compliance with national standards. She explained that the KPPA-specific updates in the “Audit Process” section reflect management’s requests to clarify the steps of the audit process. The most significant change allows preliminary findings to be discussed directly with executive management, rather than relying on divisions to relay the information through the chain of command. Other revisions included aligning language with the main Audit Charter and outlining the updated audit process that has been in use since last year.

Ms. Hampton reiterated her request for additional information about the changes and moved to table the vote. Ms. Eaves seconded the motion. A roll-call vote was conducted, with Trustees O’Mara, Eaves, Hampton and Summers voting “yes” and Cheatham and Fulkerson voting “no.” The motion carried, with a plan to provide the requested information and bring the vote back at the next meeting.

Ms. Coffey introduced agenda item *KPPA Audit Committee Administrative Updates item (c)*, (Video 00:46:00 to 01:05:15). Ms. Evans provided a brief update on the Internal Audit

Budget, stating that all line items are on track to being well within their ranges. She then briefly discussed *item (d), Status of Current Internal Audit Reports*. There being no questions, Ms. Coffey moved on to *item (e), Issued Reports and/or Memoranda*, where she provided an update on the Follow-up of Open Internal Audit Findings as of December 31, 2025. She reported that there were thirty-one (31) open items at the end of December 2025. After consulting with the respective departments, nineteen (19) items remained open, all with revised completion dates within calendar year 2026.

Ms. Coffey then presented the *2025-8 Inventory Observation Report*, noting that 2025 marked the first full inventory conducted by KPPA in several years. The report included recommendations for steps to be taken prior to finalizing inventory procedures. Mr. O'Mara requested a motion to accept the Issued Report on the 2025-8 Inventory Observation as presented. Ms. Hampton made the motion, and Ms. Eaves seconded. The motion passed unanimously.

Mr. Cheatham raised a question regarding an earlier audit report noting missing investment documents. Mr. Lamb explained that these documents relate to legacy private equity investors and that the recovery of these documents is an ongoing project. Mr. Barrow clarified that the documents are not contracts but side letters or amendments, and the issue is that they have not yet been incorporated into the current central repository.

Mr. Curtis was introduced to briefly explain the *2026-4 and 2026-5 Member Benefit and Disability Benefit Payment Process* reports. He stated that there were no adverse findings in either report. Ms. Eaves moved to *accept the Issued Report on the 2026-4 and 2026-5 Member Benefit and Disability Benefit Payment Process as presented*. Ms. Hampton seconded, and the motion carried unanimously.

Mr. Prince provided a brief presentation of the *2026-6 Review of the Procurement Process (non-investment)*. He explained that there were two (2) opportunities for improvement relating to frequency of vendor performance evaluations and sharing procurement related information with Trustees. Mr. Fulkerson made a motion to accept the Issued Report on the 2026-6 Review of the Procurement Process (non-investment). Ms. Hampton seconded, and the motion carried unanimously.

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

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CERTIFICATION

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

Recording Secretary

I, as Chair of the Audit Committee of the Kentucky Public Pensions Authority, do certify that the Minutes of the meeting held on February 24, 2026, were approved by the Audit Committee on May 28, 2026.

Committee Chair

I have reviewed the Minutes of the Audit Committee Meeting on February 24, 2026, for form, content, and legality.

Executive Director
Office of Legal Services