MINUTES OF MEETING
KENTUCKY PUBLIC PENSIONS AUTHORITY
AUDIT COMMITTEE SPECIAL CALLED MEETING
JUNE 10, 2026, 2:00 P.M., E.T.
VIA LIVE VIDEO TELECONFERENCE

At the June 10, 2026, Special Called Meeting of the Audit Committee of the Kentucky Public Pensions Authority, the following Committee members were present: William Summers, V (Chair), George Cheatham, Lynn Hampton, Larry Totten, Patricia Carver, and Steve Webb. Staff members present were CERS CEO Ed Owens III, KRS CEO John Chilton, Ryan Barrow, Michael Lamb, Odette Gwandi, Victoria Hale, Nathan Goodrich, Stephanie Hold, Kristen Coffey, Madeline Evans, James Westbay, William Prince, Zachary Curtis, Wes Crosthwaite, Connie Davis, Phillip Cook, Sherry Rankin, and Mary Hill.

1. Mr. Summers called the meeting to order.

2. Ms. Hale read the ***Opening Video Teleconference Statement***.

3. Ms. Rankin ***called roll***.

4. Ms. Rankin noted that there were no ***Public Comments*** received.

5. Mr. Summers introduced agenda item ***Approval of February 24, 2026, KPPA Audit Committee Minutes.*** *(Video 00:05:44 to 00:06:17).* Ms. Hampton made a motion to approve the February 24, 2026, minutes. Mr. Cheatham seconded the motion. The motion passed unanimously.

6. Mr. Summers introduced agenda item ***Office of Legal Services Updates*** *(Video 00:06:21 to 00:09:06).* Mr. Goodrich stated the legal team reviewed fourteen (14) potential breaches, nine (9) of which were found to be a breach and seven (7) of those implicated KPPA's data disclosure notification policy. Of these, there were no HIPAA or state law breaches, however. The breaches were found to have occurred due to system errors which resulted in mail being sent to the wrong members. Mr. Summers then introduced Stephanie Hold

to discuss anonymous tips. Ms. Hold stated there were five (5) new tips received, with two (2) closed after review and three (3) currently pending. Two (2) pending tips involve prearranged agreements, and one involves retirement credit allegations. Two (2) additional open tips involve employer contributions and disability fraud allegations. Four (4) tips were closed since the last audit meeting. One (1) involved an employer not making required contributions, now addressed by ERCE. Another one concerned fraud allegations about a beneficiary change and is being monitored by IT security. One (1) related to an alleged eviction and was closed due to no involvement of a KPPA member. Lastly, a potential Medicaid fraud case was passed on with correct contact information to the tipster in order for the tipster to make the complaint with the correct agency.

*** Dr. Carver entered the meeting at this time. ***

7. Mr. Summers introduced agenda item ***Update on Retirement Allowance Account Research*** *(Video 00:09:27 to 00:35:34).* Mr. Lamb presented research findings on the Retirement Allowance Account ("RAA"), confirming it is an equivalent of a governmental accounting fund balance and has been correctly accounted for since the systems' inception. It was clarified that "retained earnings" is the private sector equivalent of "fund balance." Mr. Cheatham raised questions about clearing the audit items and the recommendations from the Finance Cabinet, suggesting a legislative adjustment may be necessary. Mr. Lamb clarified that his memo was intended to show that the recommendations from Internal Audit were concluded and KPPA remains in compliance. He also stated that after conversations with the Finance Cabinet, he does not believe they have any specific recommendations regarding the RAA and that their mention of legislative action was merely guidance in the event that KPPA felt it should take that step.

   After a brief discussion and a clarification that this item was not included for action, but for informational purposes only, it was determined that the particular audit item can likely be closed. However, there are additional audit findings that are still being researched and will be presented at the next Audit Committee meeting. Mr. Cheatham posed a question about the balances and control of trust accounts and Mr. Lamb gave a brief explanation of how those trust accounts are maintained and accounted for, including the clearing account which is monitored every day. There was further discussion and clarification regarding the differences between bank and accounting accounts and how those accounts are maintained. Mr. Lamb stated that he will reach out to the Finance Cabinet for some clarification and a written opinion, specifically regarding the JP Morgan accounts.

8. Mr. Summers introduced agenda item ***Update on Office Space Utilization Project*** *(Video 00:35:39 to 00:52:34).* Ms. Coffey presented a response to a memo regarding the office space utilization review, initially managed by KPPA management and audited independently. Ms. Coffey stated that the memo given to her did not address all items initially requested by the Audit Committee and wanted clarification on how to proceed. It was clarified that there were no changes made to the original request and the project needed more time to complete. After a brief discussion about further clarifying the initial request and its scope, it was determined that there were to be no immediate actions until the report was completed and reviewed. At that time, it will be presented to the Audit Committee for further review.

9. Mr. Summers introduced agenda item ***KPPA Audit Committee Administrative Updates*** *(Video 00:52:50 to 01:05:15)*. Mr. Prince stated the signed independent audit statements were included in the materials for review and then moved on to the internal audit budget. Mr. Westbay noted that the budget had approximately 31% left as of March 31st. As there were no questions, Ms. Coffey then presented the internal audit budget for FY27 for approval. She noted there was a 5% increase in the budget over the prior year, largely attributed to travel for the internal audit team to co-host a conference with Teachers' Retirement System ("TRS") in November. Mr. Lamb clarified for Mr. Totten that while the internal audit budget is incorporated into the KPPA budget as a whole, it is presented to the Committee in order for the Committee to stay aware of Internal Audit's specific budgeting. Following the presentation, Mr. Summers requested a motion to approve the Internal Audit budget for fiscal year 2027, as presented, and to forward it to the KPPA Board for approval. Mr. Totten made the motion and Mr. Hampton seconded. A vote was held and the motion passed unanimously.

   Mr. Summers introduced Mr. Curtis to discuss the status of current internal audit projects. Mr. Curtis stated the fiscal year audit plan includes twenty (20) completed audits, thirty-three (33) audits in progress, and two (2) audits that have been pulled from the fiscal year

27 approved audit plan. Mr. Totten inquired about a portion of the report regarding holiday and non-working hours. Ms. Coffey clarified that while employees do not work on holidays, the hours are required to be accounted for and included within the report.

Ms. Evans was introduced to give a report on the review of the post-retirement audit process. She stated that the report covered seventy-five (75) audits out of 4,607 in FY25, and there were no findings to report. Mr. Summers requested a motion to accept the Issued Report on the 2026-9 Review of the Post-Retirement Audit Process, as presented. Mr. Totten made the motion and Dr. Carver seconded. A vote was held and the motion passed unanimously.

Finally, Ms. Coffey presented a report on an audit of the administrative regulation process. The process was noted as efficient and compliant with statutes and was conducted and completed within twelve (12) days, with no issues found. Mr. Summers requested a motion to accept the Issued Report on the 2026-16 Administrative Regulation Update Process, as presented. Dr. Carver made the motion and Mr. Totten seconded. A vote was held and the motion passed unanimously.

10. There being no further business, Mr. Summers ***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.

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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 June 10, 2026, were approved by the Audit Committee on September 9, 2026.

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Committee Chair

I have reviewed the Minutes of the Audit Committee Meeting on June 10, 2026, for form, content, and legality.

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Executive Director
Office of Legal Services