MINUTES OF MEETING
KENTUCKY PUBLIC PENSIONS AUTHORITY
AUDIT COMMITTEE MEETING
SEPTEMBER 9, 2026, 10:00 A.M., E.T.
VIA LIVE VIDEO TELECONFERENCE

At the September 9, 2026, 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, and Dr. Patricia Carver. Staff members present were CERS CEO Ed Owens III, KRS CEO John Chilton, Ryan Barrow, Erin Surratt, Michael Lamb, Michael Board, Odette Gwandi, Steve Willer, Victoria Hale, Nathan Goodrich, Stephanie Hold, Andrew Kenney, Kristen Coffey, Madeline Evans, William Prince, Zachary Curtis, Dominique McKinley, Anne Baker, Connie Davis, Jason Hargis, Casey Rothenburger, Shaun Case, Sherry Rankin, and Mary Hill. Other attendees included Roger Alfaro and David Preciado with Eide Bailly.

1. Mr. Summers called the meeting to order.

2. Mr. Board read the ***Opening Legal 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 June 10, 2026, KPPA Audit Committee Minutes.*** *(Video 00:06:16 to 00:06:55).* Mr. Totten made a motion to approve the minutes of the June 10, 2026, meeting and it was seconded by Ms. Hampton. A vote was held and the motion passed unanimously.

6. Mr. Summers introduced agenda item ***Office of Legal Services Updates*** *(Video 00:06:57 to 00:12:29).* Mr. Goodrich introduced Andrew Kenney and noted that he would be taking over the disclosures reports in the future. Mr. Goodrich then went on to present the disclosures report, noting that there were twelve (12) investigations of potential

disclosures. Three (3) were found not to be disclosures, while nine (9) implicated the KPPA data disclosure notification policy. None implicated HIPAA, HITEC, or state law. Of the nine (9) incidents, four (4) were due to unknown third parties and five (5) were internal to KPPA, KRS, or CERS. No benefits were affected in any of the incidents.

Ms. Hold presented an update on fraud tips since the last audit committee meeting, reporting four (4) new tips received, with one (1) closed after review and three (3) remaining pending. All three (3) pending tips involved allegations of prearranged agreements to return to work at the same agency. There were four (4) other open tips: one (1) involved employer contribution allegations, two (2) involved prearranged agreements, and one (1) concerned a member allegedly receiving retirement credit for time not worked. Two (2) tips were closed since the last meeting: one (1) related to disability retirement fraud and one (1) related to Social Security disability fraud by a non-KPPA member. It was clarified that, except for the Social Security case, all current tips involve a CERS employer and that both employers and members are provided with information the rules pertaining to retired reemployment.

7. Mr. Summers introduced agenda item ***External Audit Updates*** *(Video 00:12:32 to 00:18:57).* Mr. Lamb presented draft, unaudited financial statements for CERS and KRS as of 6/30/2026, and noted they were currently under external audit by Eide Bailly. He then introduced the Eide Bailly representatives to give an overview of the external audit process, including significant risk areas: management override of internal control, revenue recognition of contributions, net pension and Other Post Employment Benefit ("OPEB") liability disclosures, valuation of alternative investments, and calculation of initial benefit payments. Fieldwork began mid-August and was expected to conclude by early to mid-October, with final reports anticipated in December.

8. Mr. Summers introduced agenda item ***Audit Committee Annual Approval Items*** *(Video 00:19:02 to 01:19:07).* Ms. Coffey presented the proposed internal audit plans for fiscal years 2027 and 2028, and highlighted items carried over, audits in progress, and new audits based on risk assessment. Approval for both years was sought to allow flexibility if projects are completed early. It was noted for Mr. Cheatham that the 2028 plan will be subject to amendments should the need arise based on risk ratings.

Mr. Lamb requested to discontinue the practice of tracking KPPA employee hours spent on audits, citing established baselines and reporting difficulties. Mr. Barrow noted that the longer the process continues, the less accurate the data may be and Ms. Coffey provided insight into the procedures at other agencies she has worked with, stating that the majority of them did not track specific hours this way. After a robust discussion, Mr. Cheatham made a motion to discontinue the time tracking, but to maintain the data already obtained for future reference. Mr. Totten seconded the motion. A vote was held and the motion passed unanimously.

Mr. Summers then requested a motion to approve the Audit Plan for 2027 and 2028 and Mr. Cheatham made the motion. It was seconded by Dr. Carver and passed unanimously. Next, Ms. Evans presented the KPPA Audit Committee and Internal Audit Division Charters for review. Mr. Totten made a motion to approve the KPPA Audit Committee Charter and it was seconded by Mr. Cheatham. A vote was held and the motion passed unanimously.

Regarding the Internal Audit Division Charter, discussion focused on the process for evaluating the Chief Auditor, specifically whether the responsibility should remain with the Audit Committee chair and vice chair, or if input from the full committee or authority (KPPA Board) should be formalized in the charter. Statutory requirements were reviewed, clarifying that the KPPA board (the authority) was responsible for the annual evaluation of both the Executive Director and Chief Auditor, but this authority has been delegated to the Audit Committee chair through the charter. There was consensus that the chair and vice chair should conduct the evaluation, with input from committee members, but some members advocated for this process to be explicitly stated in the charter to ensure clarity for future leadership. A proposed solution was to add language to the charter stating that the chair and vice chair of the Audit Committee shall review the performance of the Chief Auditor with input from committee members, and that the KPPA board may approve or delegate final authority as appropriate. Following much discussion, Mr. Cheatham made a motion to approve the Internal Audit Charter with the proposed language change, and the motion was seconded by Mr. Totten. A vote was held and the motion passed unanimously.

9. Mr. Summers introduced agenda item ***Update on Office Space Utilization Project*** *(Video 01:19:08 to 01:54:05)*. Ms. Surratt presented a comprehensive report on office space utilization, including background on leased space (over 85,000 sq ft across two buildings at $12.50/sq ft), lease terms, and addendums. Analysis showed that a full return to office is feasible with current space but would require modifications and increase utility costs. Electricity and water expenditures decreased by approximately 42.3% from 2019 to 2025 due to telecommuting. The Louisville office lease starts at $26.48 per square foot, escalating to $37.69 per square foot by the end of the lease, with a 4% annual rent increase. This is higher than the Frankfort campus due to it being class A space and having included services.

   Feasibility of consolidating operations into one building, leasing out part of a building, or closing a portion was discussed. Each option would require significant structural changes, capital investment, and could have operational risks. The recommendation from management was to maintain both buildings due to uncertainty over future work arrangements and the risk of insufficient space if a full return to office is mandated. Following the presentation, Mr. Cheatham made a motion to accept the Office Space Utilization Project report as presented and Mr. Totten seconded. A vote was held and the motion passed unanimously.

10. Mr. Summers introduced agenda item ***Chief Financial Officer Updates*** *(Video 01:54:06 to 02:00:30).* Mr. Lamb presented the updated Retirement Allowance Account memo, noting that the only change since the June 10th, 2026 Audit Committee meeting was the removal of inaccurate wording regarding the account's setup under US Code section 26.401(h). The memo addresses an internal audit finding related to JP Morgan. To address an inquiry from Mr. Cheatham, Mr. Lamb clarified that the retirement allowance account has been accounted for correctly since the system's inception, with changes in reporting due to GASB presentation updates. The underlying accounts remain in the general ledger, though they are now presented differently in financial statements. Ms. Hampton made a motion to accept the Finalized Retirement Allowance Account memorandum as presented, and Dr. Carver seconded. A vote was held and the motion passed unanimously.

Mr. Lamb then presented the latest draft report on the JP Morgan audit finding from 2023, clarifying that Committee approval was not being sought at this meeting. The report remains in draft status, with ongoing legal review regarding statutory definitions and account usage. The Committee acknowledged that the issue is still under review and agreed not to pursue approval of the draft report at this time, given ongoing uncertainties and pending legal input.

11. Mr. Summers introduced agenda item ***KPPA Audit Committee Administrative Updates*** *(Video 02:00:37 to 02:02:58).* The internal audit budget for FY 2026 was under budget by 5.9% at year end. The audit team completed all approved projects except one (1), which was delayed due to pending information. Two (2) additional projects from the 2027 plan were started in June but not finished by month's end. The audit team worked almost 100 hours of overtime during the year, averaging less than twenty (20) hours of overtime per employee.

12. Mr. Summers introduced agenda item ***Review of 2023-11 Employer Audits under KRS 61.5991*** *(Video 02:03:00 to 02:10:00).* The internal audit of the employer audit process required under KRS 61.5991 could not be completed due to insufficient documentation; only one (1) out of fifteen (15) audits reviewed had all required documentation. It was confirmed that the audits in question pertain to KERS employers and are mandated by recent legislation (HB 8). The ERCE group is continuing to perform five HB 8 audits per year, with five (5) completed for fiscal year 2025. These are subsequent to the audits reviewed by internal audit. The legislative threshold for reporting was met, but the inability to re-perform testing means the accuracy of information presented to oversight bodies cannot be confirmed. Future audits, including the five (5) completed for fiscal year 2025, will have sufficient documentation for internal audit review, due to changes implemented by the ERCE Audit Group starting in January.

13. Mr. Summers introduced agenda item ***Issued Reports and/or Memoranda*** *(Video 02:10:07 to 02:37:00).* An audit of the Tier 3 opt-in process (2026-7) found no formal findings but identified two (2) opportunities for improvement: KPPA staff potentially provided unsolicited financial advice to members, and Tier 3 opt-in details not being shared with trustees. Management reviewed the issue and determined no financial advice was

given, only information and education. Internal audit recommended additional training and review to ensure staff do not provide financial advice, and management confirmed that annual training and reminders are in place.

An audit of the main remittance process found no findings, observations, or opportunities for improvement. A review of agency critical processes (2026-10) identified two (2) observations: procedures for critical processes were not documented, and tabletop exercises for continuity of operations had not been conducted. Management accepted the risk, stating that current documentation in the Continuity of Operations Plan (COOP) is sufficient.

The annual dependent verification process audit found a few members with dependents incorrectly marked, which was corrected. An opportunity for improvement was identified: KERS is missing a dependent child definition in its statutes. This will be researched by Executive Management, and the Office of Legal Services, with a target completion date of December 31, 2026. An audit of training for infrequently used leave types found no findings or opportunities for improvement and Human Resources was commended for providing necessary documentation with private information redacted.

The system build process audit found no findings or observations. The only opportunity for improvement was to update procedures, which management agreed would be beneficial. The document imaging process audit found no findings or opportunities for improvement but noted one (1) observation: four (4) documents lacked receipt dates or form numbers. Legal will remind mail processors to include these details on paper documents.

Following the audit team's presentation, Mr. Summers requested a motion to approve the Issued Reports and Memoranda as presented. Ms. Hampton made the motion to approve, and it was seconded by Mr. Totten. A vote was held and the motion passed unanimously.

14. There being no further business, Mr. Summers requested a motion to adjourn the meeting. Mr. Totten made the motion and it was seconded by Mr. Cheatham. Mr. Summers declared the meeting ***adjourned.***

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 September 9, 2026, were approved by the Audit Committee on November 17, 2026.

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Committee Chair

I have reviewed the Minutes of the Audit Committee Meeting on September 9, 2026, for form, content, and legality.

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Executive Director
Office of Legal Services