

Date: May 15, 2019
To: Board of Retirement
From: James Wilbanks, Ph.D., Executive Director
Subject: Audit & Budget Committee Charter Amendments

Attached you will find proposed amendments to the Audit & Budget Committee Charter. The focus of these changes is to change the purpose of the committee from overseeing both the audit and budget proposal, to a singular focus on audit oversight. The committee would be renamed the Audit Committee and would no longer review the budget proposal prior to submission to the Board.

Going forward, the annual fiscal year budget proposal will be distributed to the Board at least two weeks prior to consideration by the Board. Trustees will have the opportunity to pose questions or suggest changes to the budget prior to the completion of the final budget proposal. The final budget proposal will continue to be included on a regular Board of Retirement meeting agenda where it must be publicly addressed and approved. These changes in the budget adoption process are addressed in the proposed amendment to the Budget Adoption Policy for consideration later in the meeting.

I recommend the Board adopt the amended committee charter as presented.

AUDIT & ~~BUDGET~~ COMMITTEE CHARTER

I. PURPOSE AND BACKGROUND

The Board of Retirement has established an Audit ~~and Budget~~ Committee to assist the Board in overseeing the Audit ~~and Budget~~ functions within MCERA. The Audit ~~and Budget~~ Committee will make recommendations on matters pertaining to the annual financial audit ~~and budget~~ of MCERA to the Board of Retirement. The Board Chair will appoint four members of the Board to the Audit ~~and Budget~~ Committee and designate one member to serve as the committee chair.

II. COMMITTEE RESPONSIBILITIES

The Audit ~~and Budget~~ Committee will, from time to time, as determined to be in the best interest of MCERA:

1. Examine and recommend to the Board for approval the objectives and scope of the annual financial audit, including the audit plans of the external financial auditor, the duties and responsibilities of the external financial auditor, and the timing and engagement fee of the annual financial audit;
2. Meet with the external financial auditor to review and discuss the annual financial statements;
3. Review the findings of the external financial audit and review the Management Letter, and any response thereto;
4. Meet with the Retirement Administrator, at least annually, to discuss the effectiveness of the internal financial and operational control policies;
5. Review the engagement of the external financial auditor at least every three years and make recommendations to the Board as to the appointment or recruitment of the external financial auditor;
6. Review the findings or comments of any regulatory agencies concerning financial statements or other information of MCERA;
- ~~7. Review the proposed fiscal year budget prior to presentation to the Board of Retirement;~~
- ~~8.~~7. Review, at least every three years, the performance and independence of the external financial auditor, including the impact of any non-audit services performed for MCERA by the auditors, or any affiliate thereof, on such independence;
- ~~9.~~8. Review any significant changes in accounting practices or policies that may have an impact on

MCERA or the Fund; and

10.9. Any other duties assigned to the Committee by the Chair of the Board.

III. CHARTER REVIEW

This Charter is subject to change in the exercise of the Board's judgment. The Board shall review this Charter at least every three years to ensure that it remains relevant and appropriate and consistent with state and federal laws and regulations.

IV. POLICY HISTORY

This Charter was adopted by the Board of Retirement on February 20, 2013.

This Charter was reviewed and amended by the Board of Retirement on April 16, 2014.

This Charter was reviewed and amended by the Board of Retirement on May 18, 2016.

This Charter was reviewed by the Board of Retirement on April 18, 2018.

This Charter was amended by the Board of Retirement on May 15, 2019.