AUDIT COMMITTEE CHARTER

I. PURPOSE AND BACKGROUND

The Board of Retirement has established an Audit Committee (hereafter "Committee") to assist the Board in overseeing the audit activities within MCERA. The Committee serves in an advisory capacity to the Board on matters relating to integrity of the MCERA trust fund's financial reports, operations, and internal controls. The Committee helps promote and enhance effective internal controls for MCERA operations and oversees the relationship between external auditors and management. The Committee will make recommendations to the Board of Retirement on matters pertaining to audit activities, except those matters the Board delegates to the Committee as outlined in Section IV below.

II. COMMITTEE COMPOSITION

The Committee will consist of four Board members. The Board Chair will designate the chair of the committee and appoint committee members to serve one-year terms. Continuance of committee members and appointment of the Chair will be reviewed annually. The quorum for the committee will be a majority of the members. Ideally, committee members should collectively have expertise in accounting, auditing, financial reporting, and internal control. Although these desired traits are not mandatory, members should be sufficiently knowledgeable about these topics to make informed recommendations to the Board.

III. COMMITTEE MEETINGS

The Committee will meet at least two times annually or more frequently as the committee deems necessary. At the first meeting of each calendar year, the committee may establish a meeting schedule for the year and may set additional meetings as the committee deems necessary. All committee members, the Executive Director and Retirement Financial Investment Officer, are expected to attend each meeting and may request the attendance of other staff. Minutes will be prepared for each meeting of the committee. The written minutes will be approved by the Chair and presented to the Board at its next regular meeting.

IV. COMMITTEE RESPONSIBILITIES

The Committee assists the Board fulfill its oversight responsibilities regarding the following audit activities:

Annual Financial Statement Audit

1. Oversee the recruitment of the external financial auditor and make recommendations to the Board as to the appointment and compensation of the external financial auditor;

2. Review and approve 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 of the annual financial audit;

3. Review with staff, external auditors, or other service providers, any significant changes in accounting practices or policies that may impact MCERA or the Fund;

4. Meet with the external financial auditor to review the auditor's opinion, basic financial statements, substantive findings, required communications, Management Letter, and any response thereto;
5. Recommend the audited basic financial statements to the Board of Retirement;
6. 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; and
7. Review the findings or comments of any regulatory agencies concerning financial statements or other information of MCERA.

Internal Audit Activity

1. Review and approve the risk-based internal audit plan. Receive reports to monitor internal audit activities related to the audit plan and approve all major changes to the plan;
2. Approve or recommend to the Board of Retirement the appointments of professional services providers to perform risk management and internal audit activities, including the budget for resources and funding to ensure the scope of governance, risk and control processes are adequately evaluated;
3. Review and accept internal audit reports prepared by the professional service providers to ensure management is adequately responding to the risks and findings outlined in the reports;
4. Monitor and review the status and resolution of audit recommendations to ensure management has adequately and timely addressed the risk(s) identified;
5. Periodically evaluate the effectiveness of the internal financial and operational control policies with the Executive Director;
6. Discuss with the Executive Director, Retirement Financial Investment Officer and other staff and/or consultants as necessary, MCERA's risk assessment and risk management policies and practices, significant financial risk exposures, and the actions staff have taken to limit, monitor or control such exposures;
7. At least annually, the committee will report to the Board on the status of the internal audit activity;

Perform any other activities related to this Charter as requested by the Chair of the Board.

V. 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.

VI. 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.

The Charter was reviewed by the Board of Retirement on June 15, 2022.

The Charter was amended and adopted by the Board on April 16, 2025.