



### **Purpose**

The Board of Trustees has oversight of the System's financial reporting, compliance with laws and policies, and risk management activities. The Audit Committee assists the Board in fulfilling its fiduciary oversight responsibilities by participating in the selection and evaluation of the System's independent auditor and, if applicable, the internal auditor<sup>1</sup>; keeping informed of legal and accounting developments affecting the presentation and reporting of financial information; independent validation of Board approved performance measures for vital functions; obtaining information or briefings from the internal and external auditors; and working with the executive team to develop recommendations and advice for the Board.<sup>2</sup>

### **Committee Composition**

The Audit Committee shall consist of at least three members of the Board appointed annually by the Board Chair at, or shortly after, the first board meeting of each year. The Board Chair shall designate one of the Committee members as the Committee Chair. Approval by the full Board is not required for these appointments to take effect. If a vacancy occurs on the Committee reducing its total membership to less than three, the Board Chair will make a new appointment as soon as possible. Committee members shall hold over until the Board Chair makes new appointments. Members are eligible for reappointment. The Committee may appoint one or more non-trustee advisors knowledgeable in accounting and audit disciplines. Advisors participate in discussions but do not vote.<sup>3</sup>

### **Authority<sup>4</sup>**

The Committee has the authority to review background data, historical information, consultants' reports, auditors' reports, and any other documents it deems reasonably necessary to form an opinion on the issues it is reviewing. The Committee may ask any questions of the staff and firms that provide services to the Board. If it deems necessary, the Committee has the authority to hire external auditors and professional consultants to form an opinion on the issues for which it is responsible, if the costs of such services have been included in an operating budget approved by the Board. If approved under the annual operating budget, the Committee shall develop and oversee any special audit plan activities necessary for the Board to have independent validation of overall risk management, including controls and reporting. When an internal auditor is employed or an external auditor is assigned work, each will report directly to the Committee and has direct access to the Board with a dotted line to the Executive Director for administrative purposes.

### **Responsibility<sup>5</sup>**

The Committee has the following responsibilities:

1. Recommend audit services/approve key decisions

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<sup>1</sup> MPERS may contract for internal audit services as necessary.

<sup>2</sup> The executive team consists of the Executive Director, Assistant Executive Director, General Counsel, Chief Financial Officer and Chief Investment Officer.

<sup>3</sup> Authoritative information related to the functions of an audit committee sourced for this policy and available to the Committee include publications by the Government Accounting Standards Board (GASB), the American Institute for Certified Public Accountants (AICPA), the Government Finance Officers Association (GFOA), and the Association of Public Pension Fund Auditors (APPFA).

<sup>4</sup> Revised June 17, 2021.

<sup>5</sup> In November of 2020, the Board adopted a number of recommendations of Funston Advisory Services, one which was to reorganize the Board's various charters by the powers of the Board. The reorganizational changes to this charter were adopted by the Board on June 17, 2021. Further changes were made to this policy related to special audit plan information at the board meeting on June 17, 2021.

- Makes recommendations to the Board about suitable firms to perform the independent financial audit, internal audit functions, actuarial audit, technology audit, or similar audit services.
  - Identify, with the assistance of staff or auditors, the components of Board-approved vital functions to be reviewed by the internal or external auditor each fiscal year.
  - Request other special audit activities, as necessary, in order to maintain minimum standards to provide the Board with independent reassurance that oversight, internal controls, and reporting are adequate.
2. Oversee performance and report to stakeholders
- Oversees the reporting of financial information in the Comprehensive Annual Financial Report to ensure integrity of the System's financial statements, in accordance with appropriate standards.
  - Oversee the approved internal audit activities and results.
  - Evaluates as necessary the performance of any System independent auditors or actuaries.
  - Evaluates as necessary any reports of a consultant conducting an actuarial, internal or technology audit.
  - Meets as desired by the Committee with the System's independent auditor, actuarial auditor, any consultant or staff providing an internal or technology audit, outside counsel, or any member of the executive team individually or collectively regarding System risk management, internal controls, financial reporting, and any difficulties or restrictions affecting their performance. The Committee may, in whole or in part, participate with kickoff meetings, exit meetings, etc., to maintain engagement with these important functions.<sup>6</sup>
  - Reviews, in conjunction with the appropriate parties, the adequacy of internal controls and reviews audit scope and plan for completeness of coverage and effective use of audit resources.
  - Committee will be made aware of changes and developments regarding pension laws and regulations affecting accounting, actuarial, audit, or tax matters, or accounting, actuarial and audit standards, and may meet with members of the executive team and others, as necessary, to formulate proposals for the Board's consideration for corresponding changes in System laws, rules, or policies.
  - Monitors the System's compliance with applicable laws, regulations, internal policies, and board governance policies and recommends actions and procedures to assist the System, the Trustees, and the staff to maintain compliance.
  - Monitors the Board and management's response to findings and recommendations by the independent auditor, the actuarial auditor, internal or technology auditor, and the state auditor.<sup>7</sup>
  - Resolves any disagreements between management or the Board with the independent auditor, or any internal auditor (staff or outside provider).
  - Reviews any alleged or apparent misconduct or grievance coming to its attention, referred by the Board, or brought before it by a whistleblower or others.
  - Monitors the Board's Code of Conduct policy for compliance on an annual basis.
  - Reviews annually MPERS' cyber and data security plans and performance reports.<sup>8</sup>
  - Reviews this charter on a periodic<sup>9</sup> basis to ensure it remains appropriate and up to date.
  - Reports to the Board on its activities, findings, and recommendations.

## Meetings

Meetings will be held in accordance with the open meetings laws of the state of Missouri.<sup>10</sup> The Committee is expected to meet at least one time per year or as needed. Any committee member or Board Chair may initiate a meeting of the Committee and staff shall assist in providing proper notice of a meeting. Any trustee, unless personally conflicted in a

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<sup>6</sup> Revised February 25, 2016.

<sup>7</sup> Revised February 25, 2016.

<sup>8</sup> Revised February 26, 2021.

<sup>9</sup> Revised February 25, 2016.

<sup>10</sup> This includes closed meeting procedures where appropriate.

matter, may attend the Committee's meetings and participate in discussions; however, only committee members may vote. The Committee may meet with any persons identified under the Committee's responsibilities and do so individually and in closed executive session as permitted by law.<sup>11</sup>

The Committee shall vote on all recommendations requiring Board approval and at the request of committee members, dissenting opinions shall be reflected in the minutes/summary of the committee meeting.<sup>12</sup>

### **Staffing**

The Executive Director shall assure appropriate staff members are assigned to assist the Committee and support the Committee's activities by scheduling meetings, preparing meeting materials, drafting minutes or committee reports, performing research and rendering other types of assistance as reasonably requested by the Committee.

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<sup>11</sup> Revised February 25, 2016.

<sup>12</sup> Revised February 26, 2021.