

# TEACHERS' RETIREMENT BOARD

## AUDITS AND RISK MANAGEMENT COMMITTEE CHARTER

### INTRODUCTION

The Audits and Risk Management Committee has been established to assist the California Teachers' Retirement Board in fulfilling its fiduciary oversight responsibilities for the:

**Financial Reporting Process,  
System of Risk Management,  
System of Internal Control,  
Internal Audit Process, and  
External Audit of the Financial Statements.**

### AUTHORITY

1. Appoint, provide for the compensation of, and oversee the work of the independent certified public accounting firm employed by CalSTRS to audit the financial statements.
2. Retain and oversee consultants, experts, independent counsel, and accountants to advise the Committee on any of its responsibilities or assist in the conduct of an investigation.
3. Seek any information it requires from employees--all of whom are directed to cooperate with the Committee's requests, or the requests of internal or external parties working for the Committee. These parties include the internal auditors, all external auditors, consultants, investigators and any other specialists working for the Committee.
4. All Committee actions must be ratified or adopted by the Board to be effective.

### COMPOSITION

The Committee shall be composed of a minimum of three (3) members, appointed by the Chairperson of the Board.

Each Committee member will be independent from management and, within a year of appointment or one year from the adoption of this charter, whichever is later, will become financially literate. At least one member should be designated as the "audit committee financial expert," as defined by the Securities and Exchange Commission and including an understanding of generally accepted accounting principles for public pension funds issued by the Governmental Accounting Standards Board.

### MEETINGS

The Committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require. The Committee will invite members of management, external auditors, internal auditors and/or others to attend meetings and provide pertinent information, as necessary. Subject to open meeting laws, the Committee will hold executive sessions and private meetings with auditors.

## RESPONSIBILITIES

The Audits and Risk Management Committee shall have responsibility for the following:

1. Overseeing the integrity of all financial information reporting.
2. Providing the policy and framework for an effective system of risk management, and providing the mechanisms for periodic assessment of the system of risk management.
3. Overseeing the assessment of internal administrative and accounting controls by both the external independent financial statement auditor and internal auditors.
4. Ensuring management maintains an effective system of internal controls and provides the mechanisms for periodic assessment of the system of internal controls.
5. Overseeing the appointment and work of the Director of Audit Services and the work of Audit Services.
6. Serving as the primary liaison and providing the appropriate forum for handling all matters related to audits, examinations, investigations or inquiries of the California State Auditor and other appropriate State or Federal agencies.
7. Ensuring the independence of the external auditor and approve all auditing, other attestations services and pre-approve non-audit services performed by the external auditor.
8. Reporting to the Board on all activities, findings and recommendations of the Committee.

*Revised September 7, 2005*