

StanCERA Internal Governance Committee
Audit Committee Charter

Approved by the StanCERA Retirement Board on June 24, 2008

PURPOSE

The StanCERA Audit Committee Charter assists the StanCERA Retirement Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the operational and financial audit processes and StanCERA's process for monitoring compliance with laws and regulations and the code of conduct.

AUTHORITY

The StanCERA Audit Committee (hereafter "Committee"), which consists of the three Retirement Board members appointed to the StanCERA Internal Governance Committee, has authority to conduct or authorize investigations into any matters within its scope of responsibility. The Committee is empowered to:

- Appoint, compensate, and oversee the work of any registered public accounting firm employed by StanCERA.
- Resolve any disagreements between management and any auditor regarding findings.
- Pre-approve all auditing and investigative services related to the Committee's audit functions.
- Retain services and advice such as legal counsel, accountants or others to assist the Committee in its functions and especially in the conduct of an investigation.
- Seek any and all information that the Committee needs from employees or external parties.
- Meet with StanCERA officials, auditors or outside counsel as necessary.

To assist the Committee in its endeavor to have the best information for financial reporting, all StanCERA employees are instructed to cooperate fully with any and all requests made by the Committee.

COMPOSITION

The Audit Committee shall consist of the three Retirement Board members who are appointed to the Internal Governance Committee. Each year, the StanCERA Retirement Board Chair shall appoint the Committee's members and name the Committee's Chair. Each Committee member will be both independent and financially literate. The Chair shall be a Retirement Board member who has experience with financial audits and is the designated "financial expert" as defined by applicable legislation and regulation. If the Committee finds that it requires a financial expert, it may hire such an advisor to assist the Committee in its work.

MEETINGS

The Committee shall meet at least three times per year with authority to convene additional meetings as circumstances require. Committee members are expected to attend each meeting in person or via teleconference. The Committee will invite members of management, auditors or others to attend meetings to provide pertinent information as necessary. Meeting agendas will be prepared and provided to Committee members in advance along with any appropriate briefing materials for the meeting. Minutes of each meeting will be prepared.

RESPONSIBILITIES

The Committee will have and will carry out the following responsibilities:

Financial Statements

- Review significant accounting and reporting issues including complex or unusual transactions and transactions in highly judgmental areas, recent professional and regulatory pronouncements and understand the impact that these have on the financial statements.
- Review the results of the audit with management and the auditors. Included in this review is the report of any difficulties encountered.
- Review the annual financial statements and consider whether the statements are complete, are consistent with information known to Committee members and that the statements reflect appropriate accounting principles.
- Review other sections of the Comprehensive Annual Financial Report (CAFR) and related regulatory filings (including reports to the State Controller's Office) before the reports are reviewed by the Retirement Board and released to the public. This review will include consideration of the accuracy and completeness of the information presented.
- Review with management and the auditors all matters required to be communicated to the Committee under Generally Accepted Auditing Standards (GAAS).
- Understand how management develops any interim financial information and reports along with the nature and extent of auditor involvement in the preparation of such information and reports.
- Review any interim financial reports with management and the auditors before filing with regulatory agencies to consider whether the reports are complete and consistent with the information known to Committee members.

RESPONSIBILITIES (continued)

Internal Control

- Consider the effectiveness of StanCERA's internal control system, including information technology security and control.
- Understand the scope of the auditors' review of internal control over financial reporting and obtain reports on significant findings and recommendations coupled with management's responses.
- Have operational/compliance audits performed at least once in three years.

Audit

- Review the auditors' proposed audit scope and approach.
- Review the performance of the auditors and exercise final approval on the appointment or discharge of the auditors.
- Review and confirm the independence of the auditors by obtaining statements from the auditors on the relationships between the auditors and StanCERA to include non-audit services and discussing these relationships with the auditors.
- On a regular basis meet separately with the auditors to discuss any matters that the Committee or the auditors believe should be discussed privately.

Compliance

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including any disciplinary action) of any instances of non-compliance.
- Review the findings of any examinations by regulatory agencies and any auditor observations.
- Review the process for communicating the code of conduct to StanCERA staff and for monitoring compliance therewith.
- Obtain regular updates from management and the Association's legal counsel regarding compliance matters.

RESPONSIBILITIES (continued)

Reporting Responsibilities

- Regularly report to the StanCERA Retirement Board about Committee activities, issues and related recommendations.
- Provide an open avenue of communication between the auditors and the StanCERA Retirement Board.
- Review any other reports that StanCERA issues that relate to the Audit Committee's responsibilities.

Other Responsibilities

- Perform other activities related to this Audit Committee Charter as requested by the StanCERA Retirement Board.
- Institute and oversee special investigations as needed.
- Review and assess the adequacy of the Audit Committee Charter annually, request StanCERA Retirement Board's approval for proposed changes and ensure that appropriate disclosures are made as may be required by law or regulation.
- Confirm annually that all responsibilities outlined in this Audit Committee Charter have been carried out.