

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,
External Audit of the Financial Statements, and
Engagements with Other External Firms.

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. Request and provide oversight of audit and investigation activities of financial, ethical, and/or fraud matters.
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.

MEETINGS

The Committee will meet at least four times a year, with authority to convene additional meetings as determined by the Committee Chair in consultation with the Board Chair.

RESPONSIBILITIES

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

1. Designating at least one member as the "audit committee financial expert," as defined by the Securities and Exchange Commission. The member's knowledge should include an understanding of generally accepted accounting principles for public pension funds issued by the Governmental Accounting Standards Board. If a financial expert is not available on the Committee, an experienced professional will be selected possessing the qualities listed in the Securities and Exchange Commission (SEC)'s "Audit Committee Financial Expert" definition. Candidates for this non-voting position will be

recommended by Audit Services and CalSTRS Executive Management and approved by the ARM Committee

2. Overseeing the reporting and integrity of all financial information reporting.
3. Providing the policy and framework for an effective system of enterprise-wide risk management, and providing the mechanisms for periodic assessment of the system of risk management.
4. Overseeing the assessment of internal administrative and accounting controls by both the external independent financial statement auditor and internal auditors.
5. Ensuring management maintains an effective system of internal controls and provides the mechanisms for periodic assessment of the system of internal controls.
6. Overseeing the appointment and work of the Director of Audit Services and the work of Audit Services.
7. 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.
8. Ensuring the independence of the external auditor and approve all auditing, other attestations services and pre-approve non-audit services performed by an external audit firm.
9. Reporting to the Board on all activities, findings and recommendations of the Committee.
10. Assess the Committee's effectiveness using the Audit Committee Effectiveness What Works Best Guide published by the IIA research foundation every other year.

Revised April 1, 2009