

**New York State and Local Employees' Retirement System  
New York State and Local Police and Fire Retirement System  
New York State Common Retirement Fund**

**Advisory Audit Committee Charter**

**Purpose and Scope of Authority**

The audit committee is established by the Comptroller to provide advisory assistance to the Comptroller in fulfilling his fiduciary responsibilities over the New York State and Local Employees' Retirement System, the New York State and Local Police and Fire Retirement System, and the New York State Common Retirement Fund (hereinafter collectively, "the System") for:

- The audited financial statements of the System and the financial reporting process, including oversight of the independent external auditor.
- The System's disclosure of controls and procedures, the System's internal controls over financial reporting, the internal audit function as it relates to the System, and compliance with the ethical standards adopted by the System.
- The System's compliance with legal and regulatory requirements.

The committee will serve the Comptroller in an advisory capacity only, and all information received or distributed by it will be deemed confidential and not for external use.

**Composition**

The audit committee shall be comprised of no less than three and no more than seven members determined by the Comptroller, one of whom shall reflect the interests of public employees and one of whom shall reflect the interests of public employers. Each committee member will be both financially literate and unaffiliated, and at least one member will be a financial expert.

*Unaffiliated Person* shall mean any person other than: (1) the Comptroller or a family member of the Comptroller, (2) an officer or employee of OSC, (3) an individual or entity doing business with OSC or the System, or (4) an individual or entity that has a substantial interest in an entity doing business with OSC or the fund.

As used herein, *financially literate* shall mean that the member possesses sufficient financial knowledge to ensure that the economic condition of the Fund is understood by the committee and accurately reflected in the financial reports. Financial literacy should include:

- A general understanding of generally accepted accounting principles, governmental accounting standards and financial statements,

- Familiarity with the checks and balances that internal controls and corporate governance processes should provide, including an understanding of internal controls and procedures related to financial reporting,
- The ability to understand the process of evaluating outside audit firms and monitoring their independence and performance,
- An understanding of cash flows and the importance of relating the Fund's cash position to its financial results, and
- An understanding of audit committee functions

For the purposes of this charter, *financial expert* shall have the same meaning as set forth in the SEC Final Rules regarding Audit Committee Financial Experts under Section 407 of the Sarbanes-Oxley Act of 2002 and shall mean a person with all of the five following attributes:

- An understanding of generally accepted accounting principles and financial statements;
- The ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
- Experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the auditee's financial statements, or experience actively supervising one or more persons engaged in such activities;
- An understanding of internal controls and procedures for financial reporting; and
- An understanding of audit committee functions.

Under the Final Rules, and for the purposes of this charter, in order to qualify as a financial expert a person must have acquired the above listed attributes through any one or more of the following:

- Education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions;
- Experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;
- Experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or
- Other relevant experience; and, if other relevant experience is what qualifies the director, that experience must be described.

## **Meetings**

The committee will meet quarterly, or as frequently as circumstances dictate. All committee members are expected to attend each meeting, in person or via tele- or video-conference. The committee may meet periodically with management, the Chief Audit Executive (CAE), and the external auditor. In addition, the annual audited financial statements of the System will be presented to the committee. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes of committee meetings will be taken. All members of the committee will be provided with a copy of such minutes.

## **Advisory Role**

To fulfill its advisory function to the Comptroller, the committee will carry out the following roles:

### External Auditor

- Review the process for selecting the external auditors.
- Review the external auditors' audit plan and engagement letter.
- Review the annual audited financial statements of the System, including the impact of recent regulatory and professional pronouncements.
- Review with management and the external auditors all matters pertaining to the System required to be communicated to the committee under generally accepted auditing standards.
- Understand the scope of the external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations pertaining to the System, together with management's responses.

### Internal Audit

- Review Internal Audit's annual audit plan, charter, activities, staffing, organizational reporting relationship, and reports resulting from its audit engagements pertaining to the System.
- Review, with the Chief Audit Executive, any significant scope restrictions pertaining to the System that are encountered by Internal Audit.
- Review the Quality Assurance Review reports that opine on Internal Audit's compliance with professional auditing standards.

- Develop comments and suggestions for the Comptroller's consideration based on information and reports provided by Internal Audit. However, the Comptroller maintains full authority regarding the activities of Internal Audit, and will take those actions he considers appropriate concerning any comments or suggestions provided by the committee.

### Compliance

- Review the findings of any examinations by regulatory agencies, and any auditor observations pertaining to the System.
- Review internal and external auditors' evaluations concerning communication of ethical standards of the System to staff and the monitoring of compliance therewith.
- Review internal and external auditors' evaluations of the effectiveness of the system for monitoring compliance with laws and regulations.