

Texas Municipal Retirement System

Charter for the Internal Audit Committee

This charter has been created and adopted by resolution of the Board of Trustees (Board) of the Texas Municipal Retirement System (System or TMRS).

I. Purpose

The primary purpose of the Audit Committee (Audit Committee or Committee) is to assist the Board in fulfilling its fiduciary responsibilities with respect to:

- a. the internal audit process, and
- b. any special investigations or assignments.

II. Composition

A. To the extent feasible, members of the Committee shall be selected who have a working familiarity with basic finance and accounting practices, to be able to understand and make informed decisions regarding issues raised by the internal auditor. The Committee may retain special legal, accounting or other consultants or experts it considers necessary in the performance of its duties.

B. The Audit Committee will be composed of two (2) members of the Board of Trustees, appointed by the Board Chair.

C. Appointments by the Board Chair are subject to Board approval, and the Board Chair will appoint the Audit Committee Chair. Members of the Committee will generally serve one-year terms but may be reappointed. The TMRS Board Chair will review the composition of the Committee each December and will make appointments or reappointments to be effective in January. The TMRS Board Chair will fill any vacancies, as needed, with Board approval at its next meeting. Interim appointments are permitted to serve immediately, pending Board approval.

D. The following Resource Team will attend and participate in Audit Committee meetings at the pleasure of the Committee:

- Executive Director
- Internal Auditor and, as needed, the General Counsel and/or Fiduciary Counsel.

E. The Audit Committee Chair will appoint a member of the TMRS staff to serve as Secretary to the Committee.

III. Meetings

A. It is anticipated that the Audit Committee will meet quarterly; but the Audit Committee shall have the authority to convene fewer or more meetings, as circumstances

require. A quorum of the Committee shall consist of two members. Concurrence of two members is required to adopt recommendations or take other Committee action. Unless otherwise specified by the Committee, meetings are not open to the public.

B. The Committee may hold meetings in person or by telephone or video conference call.

C. The Audit Committee Chair and TMRS Staff will develop the meeting agendas. Meeting agendas will be provided in advance to Committee members and the Resource Team, along with appropriate briefing materials. The Committee will report on its activities to the Board through the Committee minutes and special presentations as necessary.

D. Committee members are expected to attend all meetings in person or via telephone or video conference calls. The Committee may invite members of management, consultants or others to attend meetings and provide pertinent information, as necessary.

E. Closed Session

1. The internal auditor may make a request to the Audit Committee Chair to meet in Closed Session with the Committee (i.e. with Committee members only) if there are significant matters that need to be addressed involving the office of the Executive Director or any other part of the organization.

2. The Committee may meet in Closed Session concerning personnel matters such as the hiring or dismissal of the internal auditor.

3. The Committee may meet in Closed Session with its legal counsel to discuss pending or contemplated litigation, or to receive legal counsel's advice on other legal matters.

4. At such Closed Session meetings, the Committee may have present, at its request, members of staff, legal counsel, consultants, or such other advisers it deems necessary.

IV. Responsibilities and Duties

To fulfill its responsibilities, the Audit Committee will carry out the following duties:

A. Internal Audit

1. Review and recommend to the Board for its approval, the annual internal audit plan.

2. Review the internal auditor's work plan and receive regular updates on the status of ongoing audits.

3. Review draft and final internal audit reports and ensure that recommended improvements and changes as approved by the Board are properly implemented.

4. Review performance and compensation of the internal auditor, as well as the effectiveness of the internal audit function annually and make recommendations as needed to the Board, including, if warranted, compensation adjustments for the internal auditor.

5. Review and recommend to the Board the appointment, replacement, reassignment, or dismissal of the internal auditor.

6. Review internal auditor staffing and resource needs and recommend changes as needed to the Board.

B. Investigations and assignments

1. Institute and oversee special investigations, as needed.

2. Institute and oversee special assignments, as needed.

V. Charter Review and History

This charter will be reviewed annually to ensure that it remains relevant and appropriate.

The Board adopted this charter on March 21, 2014.

Modifications/changes to this charter are as follows:

Date:

Change made: