

FINANCE COMMITTEE CHARTER

INTRODUCTION

- 1) The Board is responsible for the oversight of the financial and operational controls of KCERA, the accuracy of financial and actuarial reporting released by KCERA, the budgeting of KCERA's resources, and the general safekeeping of KCERA's assets. To assist the Board with the above responsibilities, the Board has established a Finance Committee, to be comprised of not less than four trustees and one alternate member.
- 2) The duties of the Finance Committee and the manner in which it will operate are set out below.

COMMITTEE OPERATIONS

- 3) The Finance Committee shall operate as follows:
 - a) The presence of a majority of Finance Committee members shall constitute a quorum.
 - b) All actions of the Finance Committee shall be by an affirmative vote of the majority of the members present at a meeting of the Finance Committee, provided a quorum is present.
 - c) All actions of the Finance Committee shall be approved by the Board to be effective, unless otherwise provided herein.
 - d) The Finance Committee shall meet at least annually or as deemed necessary by the Finance Committee or Chair of the Finance Committee, in consultation with the Chief Executive Officer.
 - e) The meetings of the Finance Committee shall be open to the public and noticed and held in accordance with the Brown Act.
 - f) The Finance Committee shall keep minutes of its meetings.
 - g) The Chief Executive Officer shall serve as the staff contact for the Committee.

COMMITTEE RESPONSIBILITIES

Risk Management

- 4) The Finance Committee shall require Management to implement and maintain appropriate internal controls pertaining to financial statements, actuarial valuation reports, operating budgets, and operational risk. The Finance Committee shall meet

regularly with Management to discuss the effectiveness of such controls and procedures.

Accounting and Audit Functions

5) The Finance Committee shall:

- a) Recommend material accounting, financial, and operational control policies to the Board for approval.
- b) Examine and approve the objectives and scope of financial audits, including the audit plans of the financial auditor, the duties and responsibilities of the financial auditor, and the timing and estimated budget of the annual financial audit.
- c) At least annually, meet with the financial auditors and Management to review the audit process.
- d) Meet with the financial auditor to discuss the annual financial statements, review the findings of the financial auditor, and review any response thereto by Management.
- e) Review and recommend to the Board for approval the Management Discussion and Analysis section of the Plan's Annual Comprehensive Financial Report (ACFR) and all other financial information contained in the ACFR.
- f) Review the engagement of the financial auditor at least every five (5) years with regards to performance, internal quality control procedures, fees, qualifications, and independence; and make recommendations to the Board.
- g) Serve as the primary liaison, on behalf of the Board, for all matters related to financial audits, examinations, investigations, or inquiries from financial authorities.
- h) Review and respond to the findings or comments of any regulatory agencies concerning financial information of KCERA and management's response thereto.
- i) Review any claims or contingencies that could have a material effect on the financial condition of KCERA and the manner in which they have been disclosed in the financial statements.
- j) Review the appropriateness of accounting policies and financial reporting practices, any significant proposed changes thereto, and any new or pending developments in accounting and reporting standards that may have an impact on KCERA.
- k) Pre-approve all non-audit services, if any, to be provided by the financial auditor.
- l) Coordinate special investigations or audits of KCERA, as necessary, and ensure the Board is kept informed of such investigations or audits.
- m) Review any internal audit plans that may be established.

Actuarial and Funding Matters

6) The Finance Committee shall:

- a) Recommend to the Board any actuarial or funding-related policies requiring Board approval.
- b) Review the objectives, scope, and process for actuarial valuations, including the actuarial plans of the actuary, and meet with the actuary to review and discuss the annual actuarial valuation report.
- c) Recommend to the Board the annual actuarial valuation.
- d) Annually recommend to the Board, upon the advice of the actuary or other experts, as necessary, changes in the rates of interest, in the rates of contributions of members, and in county and district appropriations as necessary (§31453).
- e) Review the triennial actuarial experience of KCERA.
- f) Initiate and coordinate an actuarial audit periodically.¹
- g) Review any significant changes in actuarial practices or policies that may have an impact on KCERA.

Budgeting

7) The Finance Committee shall:

- a) Review the Operating Budget and recommend it to the Board for approval.²
- b) Authorize, at its discretion, transfers from any approved contingency allocations and report to the Board on any such transfers in a timely manner.
- c) Periodically review the budget process and format with Management.

Service Providers

8) The Finance Committee shall:

- a) Recommend to the Board for approval, the appointment of the financial auditor and the actuarial auditor.
- b) Select and appoint, as necessary, other specialists to advise the Finance Committee or assist in the conduct of any special audits or investigations.

¹ The *Reporting & Monitoring Policy* requires that actuarial audits occur every 3-5 years.

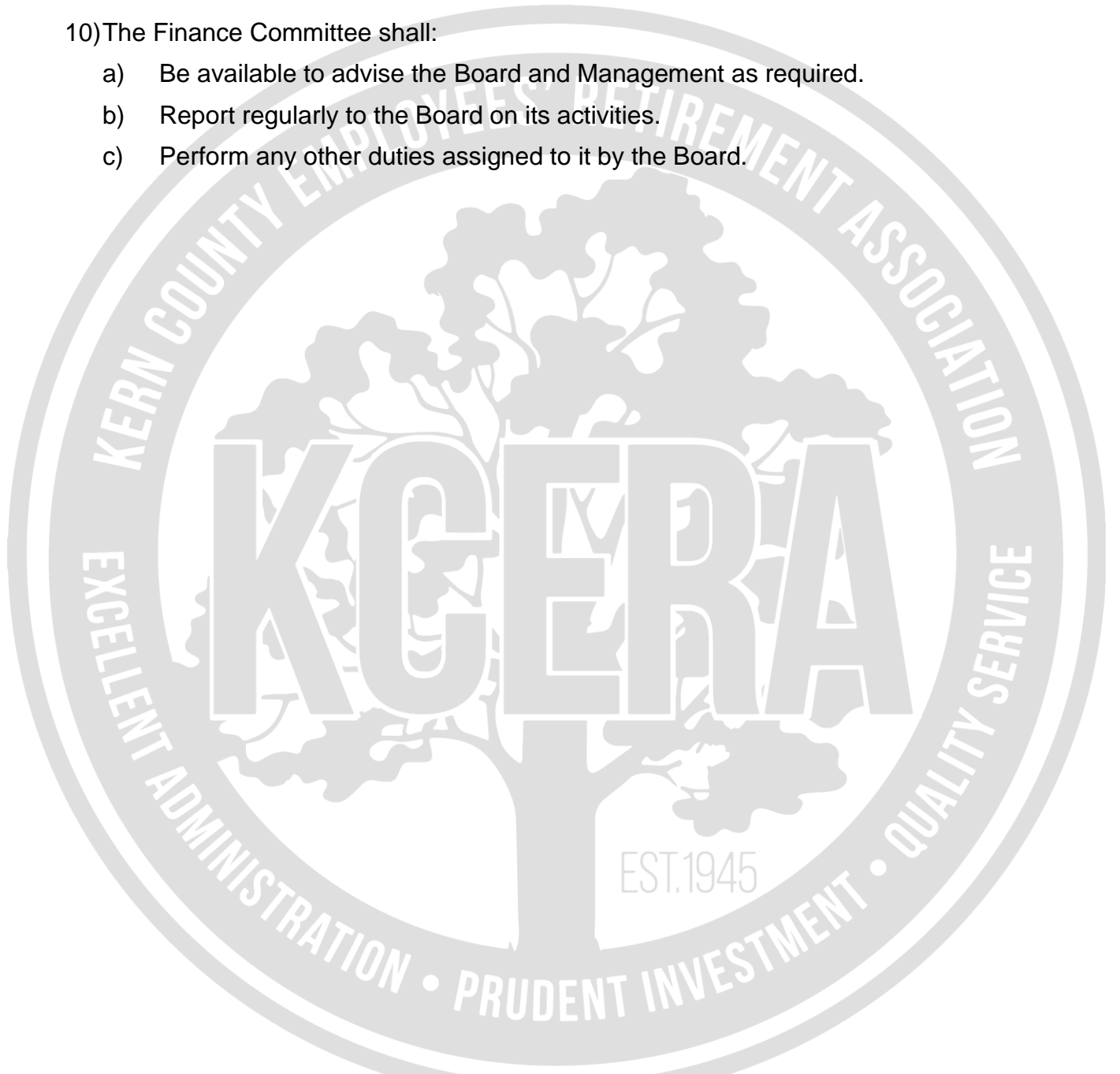
² The Board annually adopts an Operating Budget that is comprised of two components: the administrative budget and non-administrative expenses. Both components will be charged against the earnings of the Fund. The administrative expenses incurred in any year, however, shall not exceed 0.21% of actuarial accrued liabilities, unless the Board finds that additional expenditures are necessary to meet its fiduciary obligations. Financial impacts to current or future budgets are reserved for the Finance Committee. As set forth in the Chief Executive Officer Charter and Administrative Committee Charter, the development and establishment of human resource staff positions are delegated to the Chief Executive Officer and reported to the Administrative Committee in the Human Resources Report.

Other Duties

9) The Finance Committee shall receive exception reports from Counsel regarding the filing of Statements of Economic Interests by trustees and shall advise the Board accordingly.

10) The Finance Committee shall:

- a) Be available to advise the Board and Management as required.
- b) Report regularly to the Board on its activities.
- c) Perform any other duties assigned to it by the Board.



POLICY REVIEW AND HISTORY

11) This charter shall be reviewed at least every five years.

12) This charter was:

- a) Adopted by the Board on September 12, 2012.
- b) Amended on April 13, 2016; August 11, 2021; April 13, 2022; and December 14, 2022.