



**College Pension
Board of Trustees**



**Municipal Pension
Board of Trustees**



**Public Service Pension
Board of Trustees**



**Teachers' Pension
Board of Trustees**

Interplan Audit Committee Mandate and Terms of Reference

**Approved by:
College Pension Board of Trustees
Municipal Pension Board of Trustees
Public Service Pension Board of Trustees
Teachers' Pension Board of Trustees**

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Definitions

<i>Administration</i>	Staff of the College, Municipal, Public Service and Teachers' Pension Board Secretariats
<i>Boards</i>	The Board of Trustees of each of the College, Municipal, Public Service and Teachers' Pension Plans
<i>Committee</i>	The Interplan Audit Committee of the College, Municipal, Public Service and Teachers' Pension Boards of Trustees
<i>GAAP</i>	Generally accepted accounting principles (GAAP) are the standard framework of guidelines for financial accounting; also known as accounting standards or standard accounting practice
<i>In-Camera</i>	Denotes a session attended by members of the Committee without Administration or Management
<i>Management</i>	Staff of BC Pension Corporation which is the administrative agent for the Plans
<i>Member</i>	A duly appointed Member of the Interplan Audit Committee
<i>Pension Plans or Plans</i>	The College, Municipal, Public Service and Teachers' Pension Plans

I. Mandate (the authority to act)

The Committee's mandate is to act on behalf of the Boards of Trustees of the College Pension Plan, the Municipal Pension Plan, the Public Service Pension Plan, and the Teachers' Pension Plan (the "Boards") as the Interplan Audit Committee to assist the Boards in meeting the following responsibilities the Boards have in respect of the financial administration of their pension plans:

- ensuring that there is proper financial reporting and accountability to the Board¹ in a timely manner and at a reasonable cost;
- ensuring annual financial statements of the pension plan are prepared in accordance with generally accepted accounting principles (GAAP);
- ensuring an independent audit is performed on the financial statements; and
- approving the audited financial statements.

The Committee's primary duties and responsibilities are to:

- review the audited financial statements and recommend to the respective Boards for their approval;
- review and report to the Boards on the independence and performance of the pension plans' external auditors;
- consider and report to the Boards on the principal financial statement risks that could impact the financial reporting of the pension plans; and
- recommend the appointment of the external auditors to the Boards.

The Committee's secondary duties and responsibilities are to:

- address other matters referred to it by the Board(s).

II. Terms of Reference (define how an organization's mandate will be met)

1. Membership Requirements & Composition

- (a) Each Board will nominate two of its trustees to the Committee. Wherever possible, at least one of each Board's nominees will possess financial expertise as defined in subsection (g). Wherever possible, Boards will change only one appointed trustee in any one year. A Member may be nominated by only one Board.
- (b) Wherever possible, recognizing the requirement that each Member be financially literate as defined in subsection (g), each Board will nominate trustees who do not also serve on the boards of the Pension Corporation or the BC Investment Management Corporation (BCI). Should an existing Member of the Committee be appointed by their nominating Board to serve on either of the Pension Corporation or BCI boards, then that trustee's term on the Committee will expire on the date they become a member of one of those boards. The expiry of the term on the Committee

¹ The term "Board" refers to the appropriate Board of Trustees for the matter being considered.

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will require the nominating Board to put forward a replacement for the Committee. The Board may nominate the same trustee whose term expired or a different one.

- (c) Upon receiving notice of a Board's trustee nomination to the committee, each Board will, at its next scheduled board meeting, determine its acceptance or objection to such appointment. Notice by the Board making the trustee nomination to the committee shall include the qualifications and suitability of the nominated trustee, for the other Boards' consideration. Following each Board's meeting, that Board's decision regarding the nominated trustee will be communicated to the other Boards. A Board's nominee(s) to the Committee may attend scheduled Committee meetings as a Member prior to their appointment being ratified by the other Boards, subject to the nominee signing an acceptance of appointment as defined in subsection (e).
- (d) In the event that one or more of the Boards objects to an appointment, the Member's appointment to the committee shall be rescinded and the chair of the objecting Board will provide reasons to the chair of the nominating Board.
- (e) Each individual appointed to the Committee by the Boards will sign an acceptance of appointment, which confirms his or her agreement to be bound by this Mandate and Terms of Reference, and to keep in confidence all information disclosed to him or her in the course of his or her duties. Upon signing such an acceptance, the individual will become a Member of the Committee.
- (f) The Members will appoint a voting chair and vice chair from among themselves. The appointed chair and vice chair cannot be from the same Board. When the chair is absent from a meeting or absents him/herself from a discussion or a vote due to a conflict of interest, the vice chair will act in the chair's absence.
- (g) Each Member must be financially literate, being defined as having the ability to read and understand basic financial statements. The Committee will annually confirm that at least two Members have financial expertise, and will identify the Members who have such financial expertise. Financial expertise ordinarily comprises certification or past employment experience in finance or accounting or related services. The Members with financial expertise must have an understanding of financial statements and GAAP, experience with internal controls, and an understanding of audit committee functions. Should the Committee not have two Members with financial expertise, the Committee will report back to the Boards.
- (h) Each Member must be willing to devote the time necessary to understand the financial reporting process for the pension plans and prepare for, attend and participate in meetings and deliberations. Members should also possess an inquiring attitude, objectivity and sound judgement.

2. Meetings

- (a) When at all possible, the Committee will make decisions based on a consensus. If a consensus is not possible, the Committee will make decisions by way of majority vote. In the event of a tie vote, the chair will have a second vote.
- (b) The Committee will meet at least 3 times a year. The Committee chair will approve an agenda in advance of each meeting. The chair will determine the time and location of each meeting. The chair may require that a meeting be held within 14 days of written notification to the other Members to that effect. When the chair is vacant, these responsibilities will be assumed by the vice chair.
- (c) A meeting quorum will consist of at least one Committee Member from each Board appointed under Section II(1). In the event that a Committee Member recuses himself/herself from a matter

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in accordance with Section II(8)(g) because of a possible conflict of interest, the Member will continue to be considered present for purposes of quorum.

- (d) The Committee will meet in-camera at some point during each of its regularly scheduled meetings.
- (e) At each meeting where the Committee is reviewing draft audited financial statements, the Committee, with Administration, will meet with the external auditors and with management of the Pension Corporation, individually.
- (f) The Committee, with Administration, will meet at least annually with each of the Pension Corporation, the appointed actuary, and BCI, individually.
- (g) Each Board, on written direction from the respective Board chair, will be entitled to make a request to send trustees to attend a Committee meeting for specific items as non-voting guests. Where the items relate directly to the financial statements of one or more of the pension plans, including the notes thereto, the guest(s) should, where possible, be financially literate as defined in Section II(1)(g). The Committee chair will vet all requests, and the applicable Board chair will be advised of the decision. Guest trustees will sign a confidentiality agreement similar to that contained in the acceptance of appointment referenced in Section II(1)(e).

3. Financial Reporting Review Procedures

- (a) In consultation with the Pension Corporation, BCI, and the external auditors, the Committee will annually:
 - consider and report to the Boards on the integrity of the pension plans' financial reporting processes and internal controls;
 - consider and report to the Boards on the significant financial statement risk exposures and the steps taken by the Pension Corporation and BCI to monitor, control and report such exposures; and
 - review and report to the Boards on significant findings prepared by the external auditors together with Management's responses.
- (b) The Committee will review, for the purpose of financial disclosure, any legal matters or other contingencies that could have a significant impact on the pension plans' financial statements.
- (c) The Committee will review the pension plans' annual audited financial statements prior to recommending them to the Boards. Prior to making such recommendations, the Committee will review significant issues regarding accounting principles, practices, and Management estimates and judgements, including valuation estimates for private market investments used for the Municipal and Teachers' pension plans.
- (d) The Committee will review and approve changes to the management representation letter provided to the external auditors.

4. External Auditor

- (a) The Committee will annually recommend to the Boards the appointment of the external auditors.
- (b) The Committee will recommend to the Boards, when circumstances warrant, the discharge or replacement of the external auditors.

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- (c) The Committee will assist the Boards in the hiring of external auditors by making recommendations to the Boards concerning their selection and compensation.
- (d) The Committee will conduct an annual performance assessment of the external auditor and provide feedback. A more rigorous review will be conducted every five years, and will include consideration of whether a request for proposals (RFP) from the marketplace is appropriate at that time.
- (e) The Committee will review and approve the external auditors' audit plan for each pension plan.
- (f) Prior to releasing the year-end pension plan financial statements to the Boards, the Committee will review the external auditor's findings. The Committee will report the findings to the relevant Boards.
- (g) On behalf of the Committee, the chair will follow a Board-approved process to assess all proposed non-audit services to be performed by the external auditors for either the Committee or the respective Boards and report out to the Committee at a subsequent meeting on the services approved. The Chair retains the discretion to refer any service request received to the full Committee for review and approval.

5. Service Providers

- (a) The Committee will invite the Pension Corporation at least annually to report on processes under their control that may affect the financial statements of the pension plans as they relate to financial reporting, the financial reporting process and accounting compliance. Such processes will at least include procedures over:
 - existence, completeness and accuracy of contributions;
 - completeness, existence and accuracy of benefit payments;
 - valuation and accuracy of accrued pension benefits; and
 - accuracy of investments, investment income and cash.
- (b) The Committee will invite the appointed actuary at least annually to report on processes under their control that may affect the financial statements of the pension plans. Such processes will at least include procedures over:
 - valuation and accuracy of accrued pension benefits.
- (c) The Committee will invite BCI at least annually to report on:
 - (i) Processes under their control that may affect the financial statements of the plans. Such processes will at least include procedures over:
 - valuation, existence and accuracy of investments; and
 - existence and accuracy of investment income and cash.

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- (ii) Findings of their annual rate of return audit², as provided by BCI's external auditors.
 - (iii) Changes to the scope or frequency of their annual rate of return audit, if applicable.
- (d) The Committee will report the results of the aforementioned actions to the Boards.

6. Use of Resources

The Committee will annually submit as part of the Boards' budgeting process a funding request to carry out its mandate.

- (a) The annual funding request will include:
- (i) an amount for professional or other expert resources;
 - (ii) an amount for Committee education; and
 - (iii) any other amounts the Committee believes are necessary to discharge its mandate to be allocated in a manner approved by the Committee.
- (b) Within the annual funding approved by the Boards:
- (i) The Committee may retain special legal, accounting, consulting or other experts it deems necessary in the performance of its duties. Any decision to act in this manner must be communicated to the Boards.
 - (ii) The Committee will determine the appropriate use of the Committee education amount and allocate it among individual Members and the Committee as a whole. Eligible educational activities will be determined by the Committee and may include courses, conferences, books, subscriptions, and any other costs it considers educational. The Committee chair has delegated authority to approve Committee member requests to use education funding. Committee members must submit requests to the Committee chair for decision in advance of registering for an event or otherwise using education funding. Criteria the chair will use in considering requests include: the member's attendance at committee meetings, past courses/conferences attended by the member, and the Committee's ongoing commitment to ensuring all members receive relevant education and professional development to assist them in meeting their responsibilities for financial statement audit oversight. The Committee Chair will report at each meeting on approvals granted since the last meeting. The Committee will report annually to the Boards on how the education amount was used.
- (c) In unusual circumstances, the Committee may request additional funding from the Boards outside of the budget process.

7. Allocating Committee Costs

- (a) The costs of the Committee will normally be shared equally by the Boards. In exceptional circumstances, and after consultation with a Board, that Board may be charged directly for costs incurred. Exceptional circumstances exist when an issue affects only specific Boards and the Committee agrees it does not have broader implications.
- (b) The costs associated with non-voting guests' attendance at meetings will be borne by the Board choosing to send the non-voting guest(s).

² BCI engages an external auditor to perform an annual rate of return audit on the performance results of BCI's eight largest clients, including the College, Municipal, Public Service and Teachers' Pension Plans.

8. Other Audit Committee Responsibilities

- (a) The Committee Members will annually assess the effectiveness of the Committee against the Committee's Mandate and Terms of Reference and report the results of the assessment to the Boards.
- (b) The chair will annually assess the effectiveness of the Committee Members against the Committee's Mandate and Terms of Reference and report the results of the assessment to the Boards. Each Committee Member will annually complete an individual self-assessment against the Committee's Mandate and Terms of Reference. The chair will report the results of the self-assessments to the Boards.
- (c) The Committee Members will annually assess the effectiveness of the chair against the Committee's Mandate and Terms of Reference.
- (d) The Committee will ensure its Members receive appropriate financial orientation and training so that they can carry out their responsibilities under the Mandate and Terms of Reference.
- (e) The Committee will maintain minutes of meetings and report to the Boards.
- (f) The Committee will annually review its Mandate and Terms of Reference and recommend changes to the Boards, as required.
- (g) Any Committee Member who believes that he/she may have a possible conflict of interest in connection with a matter being presented for consideration or approval by the Committee should recuse him/herself from participating in the matter. The recusal of any Committee Member should be documented in the respective minutes of the Committee meeting.