

# OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

## Question and Answer Document

### Auditing Services

#515-17-211

1. Why is OPERS going out for proposal?  
It is OPERS policy to go out to RFP when the contract period has been completed.
2. What were the audit fees for the work related to GASB Statement No. 68 for the fiscal year ended June 30, 2016?  
\$17,000  
What were the audit fees for the annual report for OPERS for June 30, 2016?  
OPERS \$39,000  
URSJJ \$23,000  
Deferred Comp Plan \$10,500  
Savings Incentive Plan \$10,500
3. Were there any adjustments proposed by the auditors for FY 2016?  
No
4. When did the interim fieldwork occur? How many auditors were out in the field during interim? For how many days?  
June 6 to June 24, 2016. 2 auditors for 15 days.
5. When did final fieldwork occur? How many auditors were out in the field during final fieldwork? For how many days?  
August 22 to September 23, 2016. 2 to 3 auditors for 24 days.
6. How soon after year end can the auditors be in the field?  
7 weeks
7. When will the Schedule of Employer Allocations and Schedule of Collective Pension Amounts available to the auditors for review for FY 2016 and ideally, when would OPERS desire the schedules be available during the engagement? Would the successor auditor be expected to audit the FY 2016 Schedules or is the current auditor expected to audit them?  
OPERS generally prefers this work to be done during December. OPERS will have the schedules available during the first week of December with the expectation that the auditor will complete their audit work by the end of December. The FY16 schedules have already been audited.
8. If OPERS could change one thing about the audit process what would that be?  
Have the audits completed on time (Thursday before board meeting in October).
9. What was OPERS' experience this year in implementing GASB Statement No. 72, *Fair Value Measurement and Application*?  
OPERS' Master Custodian bank – Northern Trust – has “Level Determination Reporting” to assist us in GAAP fair value reporting. The current auditor provided us with note disclosures related to GASB 72.

10. What is OPERS' expectation of the audit process, such as length of time the audit team would spend on site for interim and final fieldwork?  
OPERS has no expectations as to how long the audit team will be on site.
11. What controls are in place to monitor and record calls and distributions for real estate and private equity investments? (internal or outside consultants?)  
OPERS has no private equity investments. OPERS has one real estate holding, a local office building that is managed by Price Edwards. OPERS is responsible for transferring rental receipts to the Master Custodian bank and funding disbursement requests.
12. What reconciliation procedures are performed between the different investment managers and custodian and how often for each of the Plans?  
OPERS does monthly reconciliations of investment manager holdings to the Master Custodian bank records.
13. Where are the official books and records of the Plan located? Are they part of on-site systems or held at the custodian?  
Northern Trust Company is our Master Custodian bank and is the book of record for Plan assets for OPERS and URSJJ. General ledger records and supporting documentation are kept on-site.
14. Are there going to be any significant changes to the system that would significantly change its investment vehicles or benefits provided (changes in defined benefits for pensions or postemployment benefits other than pensions)? If so, what are they?  
During FY2016, the OPERS plan was closed to new state employees with no previous OPERS service. These new hires participate in the Pathfinder defined contribution plan. The Pathfinder plan is not part of this RFP.  
Interim work is just beginning on GASB 74 and 75 related to OPEB. We would expect participation and guidance in the planning and implementation process from the external auditor.
15. Does OPERS intend on changing custodians during the course of the proposed engagement or have custodians changed during the current fiscal year for any of the Plans?  
The contract with our Master Custodian bank for OPERS and URSJJ was for an initial period of July 1, 2014 to June 30, 2015 and may be extended for four succeeding terms of one year. At the end of that contract period the services will be rebid as is our policy.  
The contract with Empower for the Deferred Comp and Savings Incentive Plans will be rebid at the end of the contract period, as is our policy, during the Fall of 2017.
16. What controls are in place to monitor the opportunistic investments against potential losses in accordance with the "Prudent Person" rule? Any type of stop-loss policy for these?  
The portfolio is managed according to the Statement of Investment Policy which is approved by the Board of Trustees. A copy of the Investment Policy is available on the OPERS website [www.opers.ok.gov](http://www.opers.ok.gov)
17. What are the key qualities that OPERS is expecting from their auditors?  
OPERS is looking for pension plan expertise, open and clear communication, efficiency in the audit engagement and timely reporting from our auditor. In addition, OPERS would look for assistance with interpretation and implementation guidance relating to new GASB pronouncements. Refer to the RFP for additional requirements.
18. With regard to the current auditors test census data at OPERS employers, how many employers were tested? Were all members of the system available sampled from or just certain classes?  
Non-state agencies are tested on a rotational basis with nine selected each year. OMES, as the payroll processor for substantially all state employers, is tested every year.
19. Have any 'hard to value' investments such as investments in private equity, limited partnerships, real estate, natural resources, derivatives and similar been 'written down' or 'written off' in the past 3 years? Are private equity investment subject to limitations on withdrawals?  
No.

20. Are any of the hard to value investments audited financial statements prepared in a basis of accounting other than US GAAP?  
**No.**
21. It appears OPERS utilizes an outsourced internal auditor. What were some of the projects performed during 2016 and so far this year by the firm and reported to the Board of Trustees? What is the status of the contract and are those auditors excluded from bidding on this RFP?  
**Finley and Cook is under contract with OPERS as the internal audit firm. Finley and Cook's audit program is approved annually by the Board of Trustees. There have been no special projects outside of the normal audit program. Because of their internal audit relationship with OPERS, they were not invited to bid on the external audit.**
22. Does OPERS have a policy to have an independent actuary re-perform the actuary calculation? If so, how often and when was the last one performed?  
**The current external audit firm utilizes an outside actuary firm for purposes of reviewing Cavanagh Macdonald's work annually in conjunction with the financial statement audit.**
23. In terms of the Uniform Retirement System for Justices and Judges, (URSJJ,) where are the records kept for census data testing?  
**Payroll is processed by OMES and supporting documentation (personnel records, etc.) is kept at the agency level.**
24. In terms of the State Deferred Compensation Plan (DC) and the State Incentive Plan (SIP,) which custodians are used to manage the investments of both plans?  
**The OPERS Board of Trustees selects the investment options that are offered in both plans and is assisted by the Investment Consultant. All investments are offered through a group annuity contract with Empower Retirement as Recordkeeper. Great West Trust Company is the Trustee/Custodian.**
25. On OPERS' website, there is a reference to the Pathfinder 401(a) and 457(b) Plans. Both commenced operations on November 1, 2015 and are separately audited. Are these plans in scope of the proposed engagement and what are both Pathfinder Plans reporting responsibility to OPERS?  
**The Pathfinder plans are not in the scope of this audit. Financial statements for Pathfinder are prepared by OPERS and presented to the Board of Trustees routinely throughout the year.**
26. Please clarify how OPERS intends to evaluate our proposal. What sort of aspects are to be reviewed and what would be the scoring mechanism?  
**RFPs will be evaluated based on the items listed under "bid proposals."**
27. With regard to the Schedule of Employer Allocations, does OPERS anticipate any material differences in the employer allocation percentages between 2015, 2016 and 2017?  
**No**
28. Does OPERS receive payments made by employers to satisfy contribution requirements that are identified by the plan terms as plan member contributions? **Yes**  
If yes, do employers in the State of Oklahoma classify these amounts as employee contributions and therefore, the employer allocation percentages are not adjusted?  
**No, any employee contributions paid by the employer (i.e. not withheld from employee's pay) are treated as employer contributions by OPERS. Plan members are not entitled to contributions paid by the employer on behalf of the employee.**
29. Has any employer asked the current auditor or OPERS for additional opinions on internal departments for the employer allocations for separately audited business-type activities, component units or similar (i.e. the Oklahoma Insurance Department as a component of the State of Oklahoma)?  
**No**

30. When is the anticipated date of the next OPERS Experience Study?

The experience study will be for the period ended June 30, 2016 and is expected to be completed in May 2017.

31. Looking forward, what is the status of OPERS' implementation of GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*? Has OPERS' actuary been engaged to develop a total OPEB liability for the Supplemental Medical Insurance Premium? What has been the interaction with employers with regard to the change in accounting principle? How does OPERS envision working with their auditors to successfully implement this (and other GASB) standards?

We are in the preliminary stages of implementation of this GASB and would expect to work closely with the audit team to implement this pronouncement. Currently, the OPERS actuary provides information to the Board of Trustees that states the amount of cash flow for medical premiums that needs to be segregated for the upcoming fiscal year. Additionally, the actuary certifies that the medical benefits are subordinate to the pension benefits. OPERS is just now to the point of evaluating the requirements of GASB 74 and will be working on an implementation plan. We expect the auditor to be able to provide expertise and guidance in this effort.

32. **IMPORTANT NOTICE** – Due to an oversight the following two forms (“Certification for Competitive Bid and/or Contract” and “Supplier Contract Certification”) were not sent with the RFP but need to be returned with RFP responses.