

Police and Firemen's Retirement System of New Jersey
State of New Jersey
50 West State Street – 9th Floor
P.O. Box 297
Trenton, NJ 08625-0297

May 11, 2020

The effective date of this RFQ is May 11, 2020. The response to the RFQ is to be submitted on or before 5:00 p.m. on June 12, 2020. A firm will be selected based on the criteria set forth in the RFQ.

The PFRSNJ Chairman requests that interested firms submit a proposal in accordance with this RFQ.

The response should be marked as follows: Independent Auditor RFQ

Questions may be submitted no later than May 25, 2020 at 5:00 p.m. to PFRSNJ, Attention: Lisa Pointer, PFRSNJ Board Secretary, at the following address:
Lisa.Pointer@treas.nj.gov

Please note that the "subject" line of your email address must specifically reference the RFQ as follows: "Independent Auditor for PFRS"

Sincerely yours,

Ed Donnelly
PFRSNJ Board Chairperson

Police and Firemen’s Retirement System of New Jersey

**REQUEST FOR AUDITOR QUALIFICATIONS (“RFQ”) AND
REQUEST FOR INDEPENDENT AUDIT FOR FISCAL YEARS
2021 THROUGH 2025 (“RFP”)**

Issue Date: May 11, 2020

I. General Information for the Bidder

A. Invitation to Submit Proposal

The Board of Trustees (the Board) for the Police and Firemen’s Retirement System (“PFRS” or “the System”) is issuing this Request for Proposal (RFP) with the intent to select and hire an independent certified public accounting firm (“Firm” or “Auditor”). The Firm is to perform the following: (1) audit PFRS financial statements; provide audits on an as needed basis of such NJ state agencies, including but not limited to the New Jersey Housing and Mortgage Finance Agency (“HMFA”) that do business with the PFRS; and (3) examine PFRS’s controls for processing contributions received from employers and distributions to members of the pension plan relevant to user entities’ internal control over financial reporting. The Board expects to enter into a Master Services Agreement (“MSA”) with the selected Firm to last for five annual engagements to include the contract term beginning with:

- 1) The financial audit for the year ended June 30, 2021, June 30, 2022, June 30, 2023, June 30, 2024, and June 30, 2025.

B. PFRSNJ Contact Person

Direct all questions and correspondence regarding this RFP to:

Contact Person for All Matters Relating to this RFP	
Name & Title	Lisa Pointer – Board Secretary – PFRSNJ
Email	Lisa.Pointer@treas.nj.gov
Telephone	609-777-4138
Physical Address	50 West State Street, 9 th Floor, Trenton, NJ 08625-0297
Mailing Address	50 West State Street, P.O. Box 297 Trenton, NJ

Only written questions submitted by the question deadline in Section I.C. will be accepted. Written answers to such questions shall be sent to those Firms notifying the Board of its intent to bid.

From the date of the issuance of this RFP until the selection of a Firm is completed and announced, Firms that intend to submit a Proposal should not contact any PFRSNJ staff member or Board member other than to submit written questions to the "Contact Person." Communicating directly or indirectly with any other PFRSNJ staff member or Board member regarding the RFP process during this RFP process may result in immediate disqualification.

C. Proposal Timetable

Proposals are due by **5:00 PM EST on June 12, 2020** marked to the attention of the Contact Person in Section 1.B. It is the responsibility of the Firm to ensure the proposal arrives on or before the time and date in the RFP Schedule below. PFRSNJ reserves the right to reject any or all proposals submitted. To be considered, Firms must meet the requirements as noted in Section IV.

R F P S c h e d u l e		
Deliverable	Date	Time
RFP Issued	May 11, 2020	
Firm Questions on RFP Due to the Board	May 25, 2020	5:00 pm EST
PFRSNJ Answers to RFP Questions Sent to Firms	May 25 through 29 th 2020. Can be extended as needed by the Board	
RFP Submission Due Date	June 12, 2020	5:00 pm EST
RFP Review Panel Selects Top Proposals	June 2020	
Firm On-site Presentation to Board's Internal Audit Committee	Tentative July Board Meeting	
Board Awards the Contract	Tentative July Board Meeting	
Engagement Letter Executed	Tentative July 2020	

II. Description of PFRS and Other Information

A. PFRSNJ Description

The PFRS system was created by the New Jersey Legislature in 2018 and began operations in 2019. It is a reorganization under Chapter 55 of Public Law 2018 of the original Police and Firemen's Retirement System created in 1944. The PFRS retirement system is under the supervision of the PFRSNJ Board of Trustees (Board). PFRS is a statewide governmental pension plan qualified under section 401(a) of the Internal Revenue Code ("IRC") and is not subject to Title I of the Employees Retirement Income Security Act of 1974 (ERISA). PFRS is created by statute N.J.S.A. 43:16A and administered by the Board in accordance with N.J.A.C. 17:4.

PFRS is a statewide agent multiple-employer public employee retirement system that provides retirement, disability, and death benefits to its members and their beneficiaries. At the end of 2019, the PFRS system provides retirement benefits to approximately 40,000 members, and intakes contributions from employers and approximately 40,000 active police and firemen.

Board of Trustees: Chapter 55 places management of the fund with a twelve member Board of Trustees. The Board is composed of union leadership, elected police and fire members, and gubernatorial appointments. The Board delegates the daily administrative functions of the PFRS system to its Executive Director. The Executive Director is responsible for employment of the System's staff and for the operation of the System within the scope of the PFRS Act and the Board's regulations.

Fund Structure

PFRS is a public trust fund that the Board has the responsibility of administering in accordance with the PFRSNJ Act. The Act establishes accounts that comprise the net assets held in trust.

B. Budgetary Basis of Accounting

The Board prepares a detailed operating and capital expenditures budget annually. The budget is prepared on a basis consistent with U.S. generally accepted accounting principles ("GAAP").

C. Federal and State Financial Assistance

The PFRS system does not receive Federal Assistance. It receives employer pension contributions from the State Government.

D. Component Units

The PFRS system has no component units and is not a component unit of any other entity. However, the PFRS's financial statement will be included in the State's Comprehensive Annual Financial Report (CAFR), despite being a stand-alone agency, in, but not of the New Jersey Treasury Department.

E. Joint Ventures

The PFRS system does not participate in joint ventures.

F. Overview of Financial Operations

1) Investments

The PFRS system held investments of \$27 Billion in market value as of December 31, 2019. The asset allocation as of February 29, 2020, compared with current strategic target allocations, is as follows:

Asset Class	Actual Allocation	Target Allocation
Global Growth	57.39	59.00
Real Return	9.48	10.00
Income	18.15	18.00
Defensive	12.36	13.00

Chapter 55, transferred management of the assets of the Police and Firemen's Retirement System from the New Jersey Division of Investments to the Board. The Board members are individual fiduciaries with respect to the System and must discharge their duties solely in the interest of the members and annuitants for the exclusive purpose of providing benefits to members, retirees, and their beneficiaries.

In the present year, many of the functions which will completely be performed by the Board, and its administrative staff, are still being performed by the Division of Pensions and Benefits, and the Division of Investments, both within the Department of the Treasury. Once the Board has the staffing capabilities, the Board will be taking these functions over for itself.

The Board also appoints the investment consultants, investment managers, and Consulting Actuary, and approves the annual operating budget. The State Treasurer appoints the Custodian Bank.

- Responsibility for the investment of PFRSNJ funds is vested in the Board. The Board delegates day-to-day management of the investment program to the Chief Investment Officer (CIO) and investment staff.
- State Street Bank & Trust Company (SSB) serves as the System's Custodial Bank and Accounting Agent, and is the official "book of record" for PFRS investments.
- The System retains professional investment consultants and investment managers to assist PFRSNJ staff with the management of the PFRS investment portfolio.

2) Contributions

The contribution rates for employees are 10 percent of employee gross earnings, and the employers additionally contribute into the system. The contribution rate for each city is determined annually by the System's consulting actuary, using the projected unit cost basis method. Cheiron currently provides actuarial services to the System. The actuarial valuation as of July 1, 2019 was presented at the April 2020 Board meeting.

Employee contributions are withheld from the individual's pensionable compensation and remitted to the Division of Pensions and Benefits on a monthly basis, and is reported to the Division of Pensions and Benefits on a quarterly basis. Employer contributions are paid on an annual basis and are due April 1 each year with a 30 day grace period to April 30.

Contributions Received in Fiscal Year Ending June 30, 2019	
Contributor/Fund	Amount
Employer contributions (pension fund)	\$1.196 billion
Employee or member contributions (pension fund)	\$410 million

3) Benefit Payments

As of December 31, 2019, the PFRS system had approximately 40,000 retirees receiving benefits. Monthly annuity payments are made primarily via ACH direct deposit, with some paper check payments issued, and totaled \$2.56 billion in 2019. Members may qualify for a deferred retirement benefit, service retirement, or special retirement depending on the age of the member and the number of years of service.

Members who become totally and permanently disabled may qualify for an ordinary or accidental disability retirement benefit.

Additionally, members may qualify for line of death benefits if they are killed in the line of duty.

4) Withdrawals

Members who leave covered employment may withdraw their contributions made to PFRS in a lump sum. Withdrawal payments, or refunds, issued during 2019 totaled \$7.4 million.

5) Administrative and Investment Expenses

Administrative expenses, and investment expenses are paid in accordance with the annual operating budget approved by the Board. In 2019, administrative expenses totaled \$10.0 million.

6) Fiscal Year

The fiscal year for the PFRS system begins July 1 and ends June 30 of every calendar year.

7) Financial Reporting

Financial statements are provided to the Board on a quarterly basis, along with budget-to-actual reports for operating expenses. The PFRSNJ Board has implemented all applicable Governmental Accounting Standards Board (GASB) Statements in its Dec. 31, 2016 financial statement.

Additional information on the PFRS system's finances can be found in the Division of Pensions and Benefits Comprehensive Annual Financial Report ("CAFR") found on the Division of Pensions and Benefits Website.

III. Nature of Services Required

The Board by way of the Division of Pensions and Benefits has implemented GASB Statement No. 67, Financial Reporting for Pension Plans as of fiscal year 2014 and GASB Statement No.68, Accounting and Financial Reporting for Pension Plans as of fiscal year 2015. The Board will have a separate external audit unit that audits, on a yearly basis, the census information of a representative group of local townships and municipalities and the State of New Jersey on a rotating basis. Examples of previous year GASB 67 reports are available at <https://www.state.nj.us/treasury/pensions/gasb-notice.shtml>. The applicable funds are PFRS.

For GASB Statement No. 68 the Vendor {Contractor} will be required to issue a separate audit report which will have a schedule of the individual employer allocations and pension amounts for each participating local employer and the State of New Jersey. Examples of these reports are available at <https://www.state.nj.gov/treasury/pensions/gasb-notice.shtml>. The applicable funds are PFRS.

The Board manages the funds of the PFRS System including administration of the system and its assets. It is in but not of the Treasury Department. Currently DOI invests a significant portion of the pension funds' assets in various securities while the remaining funds are held as cash and cash equivalents to pay liabilities. DOI invests the assets of the PFRS through the use of common trust funds. The assets of those pension funds are combined and invested in Common Fund D (publicly traded securities), Common Fund E (alternative asset and global diversified credit funds), and the State of New Jersey Cash Management Fund. P.L. 2017 Ch, 98 created Common Pension Fund L to receive the lottery enterprise contribution on behalf of certain State-administered retirement systems. On a monthly basis, funds are transferred into Common Pension Fund L on behalf of the three participating plans, and then transferred to each of the plans' CMF accounts. Investments managed by DOI are governed by the State Investment Council Regulations, which will be superseded by the Board's own investment regulations.

As with all pension funds, there must be actuarial assumptions that form the basis for the return on investment and the disbursement of benefits. Such is the case for the State funds. DOP&B has contracted with actuaries to perform annual actuarial valuations for each of the pension trust funds, until such time as the Board takes this function over and hires its own independent actuary. The actuaries for the pension trust funds also prepare annual actuarial valuations to meet financial reporting and disclosure requirements under GASB Statement 67 and 68. Experience studies are conducted every three (3) years for all Pension Trust Funds.

The official book of record for the investments of the pension funds and CMF is maintained by the custodian, State Street Bank. The official book of record for all other funds is the DOPB's ledger system.

Audit work under this RFQ may start on approximately May 15 of every year when the first postings become available for the third quarter; audit work cannot begin until the Vendor {Contractor} has met with the Audit Committee. Draft and final financial statements for each respective fund or report are due in accordance with the schedule in Section 3.6. It is not anticipated that any audit work will be performed between December and April of each year of the Blanket P.O., except the Vendor {Contractor} shall be available for questions, consultations, and meetings throughout the year.

3.1 **FUND REPORTS TO BE DELIVERED**

The following listed of deliverable items will also match the Board's Price Sheet:

- A. PFRS CAFR Report;
- B. NJ CMF Fund, PFRSNJ component.
- C. Management Letter;
- D. Independent Letter to State Auditor;
- E. GASB 67 Census Data Testing (PFRS);
- F. GASB 68 Reporting (PFRS);

3.2 **AUDIT PERIOD**

The audit period shall be the State's fiscal year, which starts on July 1 and ends on June 30 of the following calendar year. The first year to be audited shall be the fiscal year starting on July 1, 2020, through June 30, 2021. The entire Blanket P.O. period shall cover audits of the fiscal years ending July 1, 2021 through June 30, 2025

3.3 **AUDIT**

Audits shall be performed in accordance with Generally Accepted Auditing Standards (GAAS) and include the following:

3.3.1 **INDEPENDENT AUDIT REPORT**

The Vendor {Contractor} shall issue its audit opinions, in accordance with the schedule in Section 3.6 of the Bid Solicitation. The Board, DOP&B, and DOI will prepare and provide drafts of all required financial statements and disclosures. The format will be similar to the statements in the audit reports posted on the website at <https://www.nj.gov/treasury/pensions/financial-reports.shtml>

3.3.2 **INDEPENDENCE LETTER**

The Independence Letter, which gives the State Auditor the ability to use the Vendor's {Contractor's} audit produced under this Blanket P.O., should be included with the State CAFR report that is scheduled for submission to the State Contract Manager on or before November 1.

The Vendor {Contractor} shall make arrangements with the prior Vendor {Contractor} that performed the audits of all funds to obtain any documents or information from the prior audit that may be needed to perform the work of this Blanket P.O.

3.3.3 REVIEW OF ACTUARIAL ASSUMPTIONS

The Vendor {Contractor} shall have actuaries on staff to review the actuarial assumptions that appear within the financial statements. The Vendor {Contractor} shall have an audit plan that includes a review of the most recent actuarial assumptions for validity, application, and effect upon the financial statements. Actuarial staff shall be members of either the Society of Actuaries or the Conference of Actuaries in Public Practice. The actuary performing services under this Blanket P. O. shall, at a minimum, be an enrolled actuary under federal law. The Vendor's {Contractor's} actuaries who participate in the review of the actuarial assumptions shall be directly employed by the Vendor {Contractor} and not be subcontractor personnel.

3.3.4 ENTRANCE CONFERENCE

The Vendor {Contractor} shall schedule an entrance conference and meet with the Board to discuss in detail the scope and purpose of the audit. The Vendor {Contractor} shall schedule the meeting within 30 days of Blanket P.O. award.

3.3.5 AUDIT START DATE

The Vendor {Contractor} should plan to start the audit by May 15 of every year unless otherwise notified by the Board of a later start date. The start date for the first year may be later depending on the date of the Blanket P.O. award. Before beginning PFRSNJ's audit each year, the Vendor {Contractor} must first meet with the Audit Committee of the PFRSNJ.

3.3.6 PRESENTATIONS

The Vendor {Contractor} shall present the results of the audit to the PFRSNJ if so requested by the Board.

At least twice each year, the Vendor {Contractor} shall meet with the Audit Committee of the Board. One (1) meeting shall be held prior to the commencement of the annual audit and the other prior to issuance of the final audit report. Additional meetings shall be held upon the request of an Audit Committee Member or the Vendor{Contractor}. The Vendor {Contractor} shall publicly attest to the fairness of the financial statements, if appropriate.

3.3.7 INTERNAL CONTROLS

The Vendor {Contractor} shall perform an annual review and evaluation of PFRSNJ's management and internal accounting controls that shall also include a review of the technology functions and controls.

The Vendor {Contractor} shall assess whether internal controls established by management are functioning and effective.

The Vendor {Contractor} shall make comments and recommendations for the improvement of design and operation of the internal control system through the issuance of management letters, as appropriate.

3.4 **WORKING PAPERS**

The Vendor {Contractor} shall retain all books, records, and other documents relative to this Blanket P.O. for five (5) years following the end of the final audit year. The PFRSNJ and its authorized agents shall have full access to and the right to examine any of the materials during this period at their respective office locations.

The Vendor {Contractor} shall make the working papers and any other information related to the audits available to any future replacement auditing Vendor {Contractor} during the retention period specified herein. There shall be no separate payment to the Vendor {Contractor} for providing access to the working papers as long as that access is requested during the retention period specified herein, even if the Blanket P.O. has expired. Failure to make working papers available on request shall be a Blanket P.O. non-performance item subject to Bid Solicitation Section 5.13.3 Remedies for Failure to Comply with Material Contract Requirements.

Crosswalks shall be part of the Vendor's {Contractor's} working papers and shall be available for review by the PFRSNJ. The Vendor's {Contractor's} audit of the crosswalks shall show the various groupings of account balances on the trial balance and their cumulative dollar amount on each line item of the fund's corresponding financial statements, namely, the Statement of Fiduciary Net Assets for the Pension Trust, and the Agency Funds and the Statement of Changes in Fiduciary Net Assets for the Pension Trust, which are part of the published audit reports.

3.5 **CENSUS DATA TESTING**

The PFRSNJ has implemented GASB Statement No. 67, Financial Reporting for Pension Plans as of fiscal year 2014 and GASB Statement No.68, Accounting and Financial Reporting for Pension Plans as of fiscal year 2015. The Vendor {Contractor} will be responsible for utilizing the standards and procedures applicable to GASB 67 to audit the accuracy of the census data used in the preparation of the actuarial valuation reports. The Vendor {Contractor} shall audit the census audit procedures performed by the External Audit Section within the Division of Pensions and Benefits.

3.6 **AUDIT REPORT DUE DATES**

Audit reports shall consist of the audited financial statements, management's discussion and analysis (MD&A), notes, schedules, and the signed opinion letter from the Vendor {Contractor}.

The Vendor {Contractor} should plan to finish its work on the Board's CAFR and the financial statements by October 15 so final reports can be issued by November 1 and the Funds included in the State's CAFR Financial Report.

In addition, the Vendor {Contractor} shall issue audit reports for the employer and non-employer allocation schedules and related notes to the schedules as required under GASB Statement 68. Separate GASB 68 audit reports shall be issued for the PFRS.

The PFRS is a cost-sharing multiple employer plans.

The audit reports and schedules for the applicable funds should have preliminary drafts no later than October 15 with final reports issued no later than November 1.

The Vendor {Contractor} shall print, bind, and deliver 10 copies and a PDF file of the Pensions and Benefits combined report on November 1 and ten (10) copies and a PDF file of each of the other combined reports and individual reports, if required, except the CMF report, no later than December 1. The Vendor {Contractor} shall provide a PDF file of the CMF report by October 1. All final reports shall be submitted in Excel (statements and schedules) and Word (footnotes) formats so that they can be incorporated into the DOP&B's separately issued individual reports and CAFRs.

All the above reports shall be sent to the Board Secretary, Lisa Pointer.

DOI will publish the audited financial statements of DPO&B on its website each fiscal year along with the Annual Report of the State Investment Council. Examples of prior annual reports can be found at:

http://www.state.nj.us/treasury/doinvest/annual_rpt.shtml

[The CMF audit report and financial statements are also published on DOI's public website as noted in Bid Solicitation Section 1.3.6 above](#)

3.7 WORKING SPACE AT THE PFRSNJ OFFICES

Space will be made available at no charge for the Vendor's {Contractor's} auditors and staff to work in the PFRSNJ offices at 50 West State Street, Trenton, NJ 08625 or, if PFRSNJ moves its office during the term of the Blanket P.O., at the new office location. The space has historically been a conference room with tables and chairs, or work cubicles. The Vendor {Contractor} shall bring its own computers, printers, and other equipment and supplies to perform the audit. Should the Vendor {Contractor} require the use of the Board's internet, the Vendor's {Contractor's} computers and/or laptops shall be certified by DORES, to ensure that all Windows and virus definitions have been updated within the previous 30 days. Vendor {Contractor} shall be responsible for installing such updates on a regular basis for continued use of the Treasury's internet. PFRSNJ will provide two (2) Agency computers in the space available that the Vendor's {Contractor's} staff will use to access mainframe systems and information that is needed to prepare confirmation letters and perform the audits.

3.8 **PREPARATION OF STATEMENTS, NOTES AND SCHEDULES**

The staffs of DOP&B and DOI will prepare the initial drafts of all financial statements, MD&A, notes, and schedules for the CAFR and individual reports and provide them to the Vendor {Contractor}. The Vendor {Contractor} shall print the bound copies and prepare PDF copies of the final audited reports as specified in Bid Solicitation Section 3.6 Audit Report Due Dates.

In performing the audits, the Vendor {Contractor} shall recommend any adjustments or required disclosures to the financial statements, MD&A, notes, and schedules based on the results of the audit and the independent and professional determination of the accuracy of the financial statements of each fund and CAFR.

Such recommended changes shall be brought to the attention of the Board for consideration.

3.9 **PROGRESS REPORTS AND MEETINGS**

Progress meetings/conference calls shall be held on a weekly basis with personnel from the audit firm, the Board, the Audit Committee and/or other appropriate personnel to ensure that all information is received and the audit is moving forward in a timely manner to ensure that the November 1 and October 1 deadlines are met for the Pensions and Benefits combined report and the CMF report, respectively. Additional meetings and/or conference calls between the audit firm and DOP&B and DOI shall be scheduled by the Board on an as needed basis. The meetings shall be held in Trenton with the ability to participate telephonically.

An entrance conference shall be held with the Vendor {Contractor} and the Board to discuss in detail the scope and purpose of this engagement. An initial meeting will occur within 30 days after Blanket P.O. award in Trenton. The Vendor {Contractor} shall ensure that the Engagement Partner, Audit Manager, and Senior Auditor, who will supervise staff during the audit, are all present.

Following the entrance conference and as coordinated by DOI, the Engagement Partner and Manager shall meet with the Audit Committee of the Board prior to the commencement of the audit. Upon completion of the audits and prior to the submission of the final reports, or at any other time so designated by the Board, or deemed necessary by the firm, the Vendor {Contractor} shall meet with the Audit Committee to discuss audit planning, management letters, the drafts and final reports, and other matters discussed in this scope of work.

3.10 **EXTENSIONS OF TIME**

Requests for extensions of time relative to the dates noted in the Bid Solicitation Section 3.6 shall be made to the Board for approval. If the Board does not grant a time extension, the Vendor {Contractor} shall perform the work of the Blanket P.O. within the timeframes specified in Bid Solicitation Section 3.6, and failure to meet those time frames may constitute non-performance in accordance with Bid Solicitation Section 5.13.3.

Regardless of the timing of award of the Blanket P.O., the final audit will still be anticipated by November 1 of the

first year in accordance with Bid Solicitation Section 3.6 despite any compression in the schedule that may result.

3.11 OTHER REQUIRED COMMUNICATIONS

Upon the suspicion or recognition of fraud, major accounting system deficiencies, or material misstatements of accounts, the Vendor {Contractor} shall immediately contact the Board Chairman and the Audit Committee of the Board. No further work shall be performed relating to these items unless instructed to do so by the Board Chairman and the Audit Committee of the Board. The Vendor {Contractor} may be required to provide a written report to the Board Chairman, and the Audit Committee of the Board detailing the nature of the findings in these situations.

If the Vendor {Contractor} determines at any time during the audit that the records are not auditable or lack documentation, which may result in a material effect on the audited schedule(s) and which may lead to a disclaimer of opinion, the Vendor {Contractor} shall immediately notify by telephone or email, the Board Chairman and the Audit Committee of the Board. Within five (5) days of such notification, a follow-up letter is required that details the reasons why the records are not auditable or why a disclaimer of opinion is necessary. The Vendor {Contractor} shall not perform any further work on that program until advised to do so by the Board Chairman and the Audit Committee of the Board.

3.12 LITIGATION

Litigation support price lines are included in the All-Inclusive Hourly Rates tab as part of the State- Supplied Price Sheet. The Vendor {Contractor} shall provide testimony regarding any litigation resulting from work done as part of this Blanket P.O. when requested by the Board, or the Audit Committee of the Board. Litigation support including any testimony support shall be provided at the hourly rates and by the Professional Skills Classifications listed on the State-Supplied Price Sheet lines.

The litigation support charges are subject to approval by the Board, including ratification by the Audit Committee of the Board if necessary, based on the awarded hourly pricing.

3.13 TRAINING AND EDUCATION

The Vendor {Contractor} shall provide training and education to Board and its staff on accounting or auditing standards, as requested.

IV. Detailed Proposal Requirements

A. General Requirement

1) Submission of Proposals

The following material must be received by the Board Secretary Lisa Pointer at Lisa.Pointer@treas.nj.gov electronically and in hard copy by 5:00 p.m. EST on June 12, 2020 for a proposing Firm to be considered:

- **Transmittal Letter.** A signed letter of transmittal briefly stating the Firm's understanding of the work to be done, the commitment to perform the work within the time period, a statement why the Firm believes itself to be best qualified to perform the engagements, and a statement that the proposal is a firm and irrevocable offer.
- **Detailed Proposal.** The detailed proposal (both Technical and Fees) should follow the order set forth in Section IV B and C of this RFP.
- **Sample Engagement Letter.** The Firm should include a copy of a sample engagement letter that would be created, should the Firm be awarded the contract for audit services for the System.
- **Firm Guarantees and Warranties.** The Firm will guarantee to provide the services set forth in Section III: Nature of Services Required and warranty their compliance with Section IV. Detailed Proposal Requirements.
- **Hard Copies of Proposal.** The Firm will provide eight (8) hard copies of the proposal. The electronic copy of the proposal will be the copy of record, and the hard copies should match the electronic copy and not include any additional materials.

B. Technical Proposal Mandatory Requirements

The purpose of the Technical Proposal is to demonstrate the qualifications, competence, and capacity of the Firm. The Technical Proposal should demonstrate the qualifications of the Firm and of the proposed staff to be assigned to this engagement. It should also address items 1 through 7 below.

1) Firm Qualifications

The Firm is required to:

- Provide information related to its experience auditing pension funds; experience auditing defined benefit public pension funds is required.
- Provide a brief profile of the Firm, including the types of services offered, form of the organization (corporation, partnership, sole proprietorship), size and location of the Firm, the size of the Firm's pension audit staff, the location of the office from which the work on these engagements is to be performed, and the number and nature of the professional staff to be employed in this engagement on a full-time basis and on a part-time basis.
- Provide information on the external quality control reviews performed during the last five (5) years (for the office from which the work on this engagement is to be performed), including when the review was performed, and the results. The Firm should also state whether that quality control review included a review of specific public pension engagements.
- Provide information on the results of all federal or state desk reviews or field reviews (e.g., Public Company Accounting Oversight Board) of its audits during the past five (5) years. In addition, the Firm shall provide information on the circumstances and status of any disciplinary action taken or pending against the Firm during the past five (5) years with regulatory bodies or professional organizations.
- Affirm that it is independent of PFRSNJ as defined in GAAS.
- List and describe the Firm's relationships, if any, involving current PFRSNJ employees or Board members for the past five (5) years, with a statement explaining why such relationships do not constitute a conflict of interest relative to performing the proposed audits.
- Affirm it is licensed to practice in New Jersey and is in good standing with the State.
- Affirm that it maintains--or asserts it will obtain if the selected Firm-- insurance coverage.

2) Partner, Supervisory, and Staff Qualifications and Experience

- The Firm shall identify lead individuals by name and title, and include a resume of each. The resumes should indicate whether staff is registered or licensed to practice as a Certified Public Accountant in New Jersey, and/or Certified Information Systems Auditor (or similar information systems certification).
- The Firm shall provide information on the specific public pension plan, government auditing, and SOC 1 Type 2 experience for each person. In addition, include information on relevant continuing professional education for the past three (3) years.
- The Firm shall indicate how the quality of staff over the term of the agreement will be assured. This should include turnover rates experienced on engagements and at the Firm during the last three years.
- The Firm shall provide the Firm's policy for rotation of the audit partner, concurring review partner, manager, supervisory staff, and technical resources.

Engagement and concurring partners, managers, other supervisory staff, and specialists may be changed if those personnel leave the Firm, are promoted or are assigned to another office. These personnel may also be changed for other reasons with the express prior written permission of PFRSNJ. However, in either case, PFRSNJ retains the right to approve or reject replacements.

Consultants and Firm specialists mentioned in response to this RFP can only be changed with the express prior written permission of PFRSNJ, which retains the right to approve or reject replacements. Other audit personnel may be changed at the discretion of the Firm provided that replacements have substantially the same or better qualifications and experience.

3) Business References of Other Audit Clients

- The Firm, or its proposed lead audit partner, must confirm that it has conducted at least two similar engagements for public pension systems with assets of at least \$5 billion in the past five years.
- For the Firm's office that will be assigned responsibility for the audit, list three to five of the most significant engagements performed in the last five years that are similar to the engagements described in this RFP (especially multi-employer public pension systems subject to GASB statements). Each should include the following:
 - Client's name and address
 - Principal client contact name, title, email, and phone number
 - A brief statement on scope of work

By submitting a proposal, the Firm authorizes PFRSNJ to contact the clients listed for comments regarding the audit services.

4) Specific Approach for the Engagements

The proposal should set forth a work plan, including an explanation of the audit methodology to be followed, to perform the services required in Section III of this RFP. Proposers will be required to provide sufficient information on their audit approach and their expertise to conduct a quality audit that encompasses a diversified investment portfolio, annual actuarial valuations for participating employers, as well as tax and information technology implications.

5) Identification of Potential Audit Issues

The proposal should identify and describe any anticipated potential audit issues (including those due to changes to regulations and accounting and auditing standards), the Firm's approach for resolving these problems, and any special assistance requested from PFRSNJ.

6) Attendance at PFRSNJ Board Meetings

The Firm is required to attend PFRSNJ Board meetings to conduct audit planning (typically in July month) and to present the final audit reports in March (month). The Firm should provide an affirmative statement that its representatives (minimum of engagement partner) will attend required Board meetings.

In addition, the Board may request that the Firm attend additional meetings; PFRSNJ will provide at least 30 days prior notice of requested meeting date(s).

7) SAS 114 Board Communication and Client Status Report

The Firm is required to provide sample client documents, including the SAS 114 Board communication and a client status report.

C. Fixed Fees and Hourly Rates

1) Authorized Official

The fee proposal should include a certification that the person signing the proposal is entitled to represent the Firm, empowered to submit the proposal, and authorized to enter a contract with PFRSNJ.

2) Total All-inclusive Fixed Fee Pricing

- The fixed fee proposal should contain all pricing information relative to performing the engagements as described in this RFP on an annual basis for all five years, for the financial audit and attestation examination. The total all-inclusive fixed fee is to contain all direct and indirect costs, including out-of-pocket expenses.
- A similar schedule should be completed for each year of the contract term and for the financial audit and attestation examination engagements. PFRSNJ is not responsible for expenses incurred in preparing and submitting a response to this proposal. Such costs should not be included in the proposal.

3) Hourly Rates of Staff

- The fee proposal should include a schedule of professional hourly rates that support the fixed price.
The schedule should include rates by staff level (partner, manager, supervisory and staff) multiplied by the number of hours anticipated for each.

4) Out-of-Pocket Costs

PFRSNJ will not reimburse for out-of-pocket costs. Out-of-pocket costs should be included in professional fees.

5) Additional Services

If it should become necessary for PFRSNJ to request the Firm to render any additional services to either supplement the services requested in this RFP or to perform additional work as a result of the specific recommendations included in any report issued on this engagement, then such additional work shall be performed only if set forth in a separate engagement letter or statement of work between PFRSNJ and the Firm. Any such additional work agreed to between PFRSNJ and the Firm shall be performed at the same hourly rates as set forth in the schedule of rates.

6) Manner of Payment

Firm shall not invoice PFRSNJ more than monthly. Invoices will be paid within 45 days of receipt.

v. Term of Engagement

A. Engagement Length

- 1) The Board will enter into a five year Master Services Agreement with annual engagements subject to the satisfactory negotiation of terms, including a price acceptable to both the Board and the selected Firm.
- 2) The Board reserves the right to terminate any engagement at any time, including all future engagements, with or without cause, upon 30 days written notice to the Firm, in which event compensation will be paid only for services rendered through the date of termination.

B. Subcontracting

If the Firm plans to subcontract any portion of the audit work, that fact, and the name of the proposed subcontracting Firms, must be clearly identified in the Firm's response to the RFP. The subcontractor must be approved by the Board. Following the award of the audit contract, no additional subcontracting will be allowed without the express prior written consent of the System.

VI. Notice Regarding the New Jersey Law and the New Jersey Open Public Records Act

PFRSNJ is a statewide public retirement system created under the laws of the State of New Jersey, and as such, there are constitutional and statutory limitations on the authority of PFRSNJ to enter into certain terms and conditions. Firms participating in the proposal process understand and agree that PFRSNJ is limited on terms and conditions it may accept, including, but not limited to, terms and conditions relating to liens on PFRS assets and property; granting control of litigation or settlement to another party; liability for acts or omissions of third parties, payment of attorneys' fees, dispute resolution; indemnification obligations; jurisdiction, venue, and confidentiality. The contract will be construed under New Jersey state law.

Firms submitting proposals pursuant to this request should understand and acknowledge that their bids may be subject to release under the New Jersey Open Public Records Act. However, certain information may be confidential and fall under exceptions to disclosure, including, but not limited to proprietary information, trade secrets, audit working papers, and where disclosure might cause substantial competitive harm. If a Firm believes its proposal contains confidential information in those categories, the Firm must specifically document this on either the top or bottom of each page that contains the information the Firm considers confidential, and must describe the specific nature of the exception to the New Jersey Open Public Records Act that the Firm believes applies. A general disclaimer that the bidder's response contains confidential information will not be sufficient to meet this requirement. This will not ensure that these provisions will be determined to be confidential under state law. Firms submitting proposals should be prepared to defend any claimed exemption under the New Jersey Open Public Records Act.