



**PROPOSED MINIMUM QUALIFICATIONS FOR
INDEPENDENT FINANCIAL STATEMENT AUDITOR
REQUEST FOR PROPOSAL**

ITEM	PROVISIONS - 2016
1	<p>The firm must be a professional public accounting firm that provides audit and other attest services. Actuarial services may be performed either by the firm, by a joint venture(s) with an actuarial firm(s), and/or by subcontract(s) with an actuarial firm(s). If a joint venture is formed with or a subcontract(s) is (are) used to obtain the services of an actuarial firm(s), the firm(s) offering actuarial services shall meet specific minimum qualifications described later in this Attachment 1. CalPERS reserves the right to approve the joint venture and subcontractor actuarial firm(s). Moreover, to avoid a potential conflict of interest, the actuarial firm under contract with CalPERS may not be used by the audit firm.</p>
2	<p>The firm must have conducted, within the last seven years, at least two audits of defined benefit pension plans with assets that exceeded six billion dollars at the time of the audit. This requirement may be met with two years of auditing the same defined benefit pension plan of a minimum size of six billion dollars. Alternatively, the firm may meet this requirement by simultaneously auditing in each of two years more than one defined benefit pension plan with combined total assets exceeding six billion dollars, provided that one of the individual plans has at least three billion dollars in assets. The firm also must have conducted within the last seven years at least two audits of defined contribution pension plans, multiple diverse health plans and other post-employment benefit (OPEB) plans.</p> <p>Alternatively, a firm without the above firm experience which has acquired personnel who have equivalent experience auditing defined benefit pension plans from previous employers may bid if staff has the following qualifications. The engagement partner who signs the audit opinion meets the specifics of the firm qualification in the prior paragraph as an engagement partner. The audit manager(s) has (have) experience auditing a defined benefit pension plan, defined contribution pensions plan, multiple diverse health plans, and OPEB plans of at least three billion dollars in assets for two years as an audit manager. The on-site supervisor has at least one year experience of auditing a defined benefit pension plan of at least three billion dollars in assets as an on-site supervisor.</p>
3	<p>The firm must have knowledge of the Governmental Accounting Standards and at least one year of experience conducting audits using Governmental Accounting Standards Board Statement No. 67 and Governmental Accounting Standards Board Statement No. 68 (GASB 67 and GASB 68).</p>
4	<p>The firm must have experience in auditing the following classes of investments:</p> <ul style="list-style-type: none"> • Equity securities • Fixed income securities: MBS, ABS, corporate bonds, and structured products • Real estate • Private Equity • Securities lending and collateral • Currencies • Leverage and uses in partnerships • Derivatives - options, swaps, futures, and forwards <p>Experience auditing these investments may be gained at a variety of different entities, such as mutual funds, insurance companies, banks, REIT's, and investment portfolios of a company.</p>
5	<p>The firm must have its own actuarial staff within its organization, or form a joint venture(s) with an actuarial firm(s) and/or subcontract(s) with an actuarial firm(s). The actuaries [staff, joint venture or subcontractor(s)] must have experience in performing actuarial work on:</p> <ul style="list-style-type: none"> [a] two defined benefit pension plans with assets totaling at least ten billion dollars within the last five years, [b] actuarial work in the healthcare industry within the last five years, [c] actuarial work with OPEB plans within the last five years and, [d] actuarial work with a long-term care program within the last five years.



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6	The principal actuary assigned to this audit must have at least five years of experience in the defined benefit pension actuarial area and must be a Fellow or Associate of the Society of Actuaries.
7	The firm must have an established office located within the United States.
8	The firm must be registered by the California Board of Accountancy under the Accountancy Act, Article 4, Section 5072.
9	The Principal/Partner (Engagement Partner) responsible for the CalPERS account, who signs the audit opinion with the firm name and the partner's own name, must be located in the United States and have at least eight years of experience in public accounting. The engagement partner must have been the engagement partner on two audits with assets of at least three billion dollars in aggregate each year of defined benefit pension plans, defined contribution pension plans, multiple diverse health plans, and OPEB plans. This person shall be a Certified Public Accountant in good standing licensed by the State of California, and a copy of the license shall be submitted to CalPERS.
10	The Audit Manager(s) responsible for the CalPERS account must be located in the United States and have at least four years of experience in public accounting. Such experience must include audits of defined benefit pension plans, defined contribution pension plans, multiple diverse health plans, and OPEB plans. This person shall be a Certified Public Accountant in good standing to practice in California and a copy of the license shall be submitted to CalPERS.
11	The On-Site Audit Supervisor directly overseeing the CalPERS account must be licensed by a State located within the United States and have at least two years of professional auditing experience. Such experience must include audits of defined benefit pension plans, defined contribution pension plans, multiple diverse health plans, and OPEB plans. This person shall be a Certified Public Accountant in good standing to practice in California, and a copy of the license shall be submitted to CalPERS.
12	The firm shall make the Audit Manager and On-Site Audit Supervisor available for consultations and in-person meetings throughout the year as needed.
13	The firm must not be subject to active or pending litigation for fraud, malpractice, misrepresentation, negligence, or similar cause of action.
14	The firm must provide a statement that there are no conflicts of interest that would prevent the firm or its staff from conducting the audit work and other work in accordance with the American Institute of Certified Public Accountants Professional Standards and the CalPERS Finance Committee Charter.
15	The firm must be able to prepare the Independent Auditor's Report in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States.
16	The firm must provide a disclosure as to whether CalPERS records will be sent outside of the United States, where the records are going, and describe the nature of the records.