

Services to be Provided

A. Funds to be Audited

1. The financial statements are presented for the two (2) types of funds administered by CalPERS: fiduciary funds, where CalPERS acts in a fiduciary capacity as a trustee or agent for others, and is responsible for handling the assets placed under its control; and proprietary funds, where fees are charged for services provided.

Both funds are further defined as:

- a. **Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of CalPERS participants, and include the PERF, which is broken down into three sub funds PERF A, PERF B, and PERF C for financial reporting purposes. This breakdown was established in compliance with the GASB 67 pronouncement.

In addition to the PERF, fiduciary funds include:

- Legislators' Retirement Funds (LRF)
- Judges' Retirement Fund (JRF)
- Judges' Retirement Fund II (JRFII)
- Supplemental Contributions Program Fund (SCPF)
- Public Employees' Deferred Compensation Fund (DCF)
- California Employers' Retiree Benefit Trust Fund (CERBTF)
- California Employers' Pension Prefunding Trust Fund (CEPPT)
- Replacement Benefit Fund (RBF)
- Old Age and Survivor Insurance Revolving Fund (OASI)

- b. **Proprietary Funds** – Proprietary funds are self-supporting funds that charge fees for services provided and use the economic resources measurement focus. Proprietary funds include:

- Public Employees' Health Care Fund (HCF)
- Public Employees' Contingency Reserve Fund (CRF)
- Public Employees' Long-Term Care Fund (LTCF) A

detailed description of each fund can be found in the Comprehensive Annual Financial Report (CAFR) at CalPERS online at <http://www.calpers.ca.gov>.

B. Audit Firms Responsibilities

The selected firm (or Contractor) will perform audits of the Basic Financial Statements of the fiduciary activities and the proprietary activities of the System as of and for the fiscal years ending June 30, 2021, 2022, 2023, 2024, and 2025 in accordance with applicable professional standard, including but not limited to, Generally Accepted Auditing Standards (GAAS) in the United States of America and Government Auditing Standards (GAS) issued by the Comptroller General of the United States.

This audit work shall be completed by October 31st annually for presentation, as a Board agenda item, at the November meetings of the Risk and Audit Committee and in time for delivery to the State Controller's office and the Bureau of State Audits.

1. In accordance with the recommendations included in chapter 13 of the American Institute of Certified Public Accountants (AICPA) State and Local Audit and Accounting Guide to provide participating employers appropriate and sufficient information to record pension plans as of and for the fiscal years ending June 30, 2021, 2022, 2023, 2024, and 2025:
 - a. For the Agent Multiple-Employer Plan (PERF A), the selected firm will provide:
 - i. Examination of CalPERS' management assertions related to the completeness and accuracy of census data maintained by the plan based on the accumulation of census data reported by participating employers during the year in accordance with attest standards established by the AICPA.
 - ii. An audit of the schedule of changes in fiduciary net position by rate plan in accordance with GAAS, the objective of which is to opine on both the schedule, and each rate plan being presented in the schedule.
 - b. For the Schools Cost-Sharing Multiple-Employer (PERF B), the selected firm will:
 - i. Audit the Schedule of Employer Allocations in accordance with GAAS.
 - ii. Audit the Schedule of Collective Pension Amounts in accordance with GAAS.
 - c. For the Public Agencies Cost-Sharing Multiple-Employer (PERF C), the selected firm will:

- i. Audit the Schedule of Employer Allocations in accordance with GAAS.
 - ii. Audit the Schedule of Collective Pension Amounts in accordance with GAAS.
2. As part of the audit of the Basic Financial Statements and the audit of the schedules of collective pension amounts for PERF B and PERF C, the selected firm will test active member census data to determine whether active member census data maintained by employer, reported to CalPERS, and used in measurement of the total pension liability for PERF B and PERF C is complete and accurate for financial reporting purposes. Such procedures will include the selection of a sample of participating employer using a risk-based approach as discussed in chapter 13 of the AICPA State and Local Audit and Accounting Guide to test census data reported to CalPERS for PERF B and C during the twelve-month period prior to the actuarial valuation date.
3. In accordance with the recommendations included in chapter 14 of the AICPA State and Local Audit and Accounting Guide, the selected firm will conduct the audit of participating employers' data related to the implementation of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. The scope of work shall include the following:
 - a. Provide Schedule of Changes in Fiduciary Net Position for each employer, and related notes, for fiscal years ending June 30, 2021, 2022, 2023, 2024, and 2025.
4. In conjunction with the audit of the Basic Financial Statements, the selected firm will deliver a Management Letter regarding the Independent Financial Statement Auditor's observations of CalPERS internal controls and other practices, as applicable, which shall be completed by October 31st or earlier, so it is available as an agenda item for the November Risk and Audit Committee meeting each year.
5. As part of the audit of the Basic Financial Statements, the selected firm will obtain and evaluate the actuarial experience studies and valuations made by CalPERS staff as they affect the financial statements of the PERF, LRF, JRF, and JRF II. CalPERS actuarial staff shall be available to the Board's Independent Financial Statement Auditor to provide information for this work.

6. As part of the audit of the Basic Financial Statements, the selected firm will obtain and evaluate the actuarial experience studies and valuations made for the HCF and the LTCF. CalPERS actuarial staff shall be available to the Board's Independent Financial Statement Auditor to provide information for this work.
7. The selected firm's audit procedures for the Basic Financial Statements will include testing of the relevant assertions over CalPERS' investment assets, investment liabilities, including forms of leverage, an analysis as to whether invested collateral and investment positions are disclosed, and fairly presented in the Basic Financial Statements with supporting schedules in accordance with GAAS and GAS. The audit procedures will also include obtaining a report on the processing of transactions by the Master Custodian, securities lending agents, and other third-party investment administrators and service organizations that are prepared and service organizations that are prepared in accordance with Statement on Standards for Attestation Engagement (SSAE) 18, Reporting on Controls at a Service Organization, issued by the AICPA.
8. As part of the audit of the Basic Financial Statements, the selected firm will obtain and evaluate reports on the processing of transactions by other third-party administrators (not included in Paragraph 7 above) that conform to SSAE18 and related requirements, as appropriate based on GAAS. Included in this group are CalPERS health-related funds, the HCF and the LTCF.
9. The selected firm will provide a final worksheet of documents to be prepared by CalPERS by April 30th for interim audit and by June 30th for year-end audit.
10. The selected firm will communicate with CalPERS management and staff during the term of the contract on information related to business issues, management reports, internal controls, accounting procedures, and the internal controls surrounding CalPERS information systems and data processing, as they relate to financial reporting. Exit conferences will be held with various levels of CalPERS staff as appropriate.
11. The selected firm will maintain working papers in support of audit work and reports. The working papers shall remain the property of the selected firm and shall be confidential. The selected firm may allow specified parties, only when approved by CalPERS contract manager, to review and make copies of the working papers. However, the provisions of this paragraph are not meant to prohibit access to these working papers for the specific purposes, such as professional practice reviews, AICPA Code of Professional Conduct Section 1.700, Confidential Client Information.

12. If requested by the Risk and Audit Committee, the selected firm will provide the following services, subject to mutual agreement per the Risk and Audit Committee with scope and terms formalized in a Letter of Engagement (LOE). In no event shall any such requested services compromise the independent status of the Independent Financial Statement Auditor, nor the independent nature of its assigned duties set forth in any applicable LOE or statement of work.

The selected firm may provide:

- a. Other attest services requested by Risk and Audit Committee consistent with applicable Statements of Auditing Standards and/or Statements on Standards for Attestation Engagements.

The Risk and Audit Committee describes services that the Independent Financial Statement Auditor is allowed to perform and services that the Independent Financial Statement Auditor is not allowed to perform for CalPERS. Included among the prohibited services are consulting for CalPERS.

13. The selected firm will provide management assistance in determining the consistency and reasonableness of the CAFR and review the CAFR against the guidelines for the Government Financial Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting. CalPERS has received this award for the last 23 fiscal years.
14. The selected firm will make presentations to the Risk and Audit Committee and the Board with respect to the audited Basic Financial Statements, the annual Management Letter, and required auditor communications to the Risk and Audit Committee in writing. The selected firm may make additional presentations to the Board and its committees as required.
15. All audit reports provided by the selected firm shall meet all applicable Professional Standards of the AICPA and Government Auditing Standards. These reports include the Basic Financial Statements, GASB 68 and 75, and the Management Letter. At a minimum, the following information is to be included in the audit report for each of the 13 funds audited:
 - a. Basic Financial Statements
 - i. The name of the Fund and CalPERS function audited.
 - ii. The period covered by the audit.
 - iii. The report must state scope of work and the scope must include examination of system of internal control. The

audit must include the review of studies of experience and the actuarial valuation, together with the opinion complying with Rule 58 of the State Board of Accountancy (California Code of Regulations, Title 16, Division 1, Article 9, Section 58), for the Public Employees' Retirement Fund (PERF), which is broken down into three sub funds PERF A, PERF B, and PERF C; Legislators' Retirement Fund (LRF); Judges' Retirement Fund (JRF); Judges' Retirement Fund II (JRF II); Supplemental Contributions Program Fund (SCPF); Public Employees' Deferred Compensation Fund (DCF); the California Employers' Retiree Benefit Trust Fund (CERBTF); California Employers' Pension Prefunding Trust (CEPPT); Replacement Benefit Fund (RBF), Public Employees' Health Care Fund (HCF), Contingency Reserve Fund (CRF), Old Age and Survivor Insurance Revolving Fund (OASI); and the Public Employees' Long-Term Care Fund (LTCF).

The scope shall include the statements, footnotes, supporting schedules, and the required supplementary information.

- b. GASB 68 and 75
 - i. Issue one (1) audit report with the expression of opinions (schedule) for each of the following plans upon completion of the GASB 68 audit by December 31st of each fiscal year:
 - 1. Agent Multiple-Employer Defined Benefit Pension Plan
 - 2. Schools Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
 - 3. Public Agencies Cost-Sharing Multiple Employer Plan
 - ii. The report must state scope of work and include the statements, note disclosures, supporting schedules, and the required supplementary information.
 - iii. The report must include opinion on Census Data maintained by CalPERS and used by the in-house actuaries.
- c. Management Letter
 - i. A Management Letter contains a summary of audit issues and recommendations. The Independent Financial

Statement Auditor shall comment on the statement of corrective actions by CalPERS management as they affect the financial statements, internal control and accounting, accounting systems, and legality of actions. Any other significant or material matters coming to the attention of the audit firm should also be included in the Management Letter. When presented to the Risk and Audit Committee, the Management Letter becomes a public document.

16. The selected firm will reproduce the following reports: (1) Basic Financial Statements Audit Report, (2) GASB 68 and 75 reports, and (3) the Management Letter. These reports will be reproduced for CalPERS by the selected firm as follows:

- a. One (1) bound copy for each report and each Management Letter with original "wet" signatures of firm name plus engagement partner's signature.
- b. Five (5) bound copies of each report is required. The final bound documents for (1) the Basic Financial Statements and (2) the Management Letters are to be produced within 10 days after the draft reports are approved by the Board.
- c. Electronic copies of reports listed above shall be provided to CalPERS.

The selected firm shall review the completed reports with CalPERS staff, the Risk and Audit Committee, the Board, or any other Board Committee, as may be required by CalPERS. Contractor shall furnish status reports as determined by CalPERS staff. The selected firm shall furnish reports in a format and with content acceptable to CalPERS staff. The selected firm agrees to make appropriate personnel available at CalPERS headquarters in Sacramento, California, prepared to present reports to CalPERS on dates and times determined by CalPERS staff.

17. The selected firm will maintain the confidentiality of CalPERS information that is protected (nonpublic). This information includes some investment data, information systems data, identity information of benefit plan participants, and identity and health data of health plan participants.

18. The selected firm will use secure information systems for all its work. Some work will be performed only within CalPERS information systems to limit potential for dissemination of data.

19. The selected firm will provide transition-related services to the successor auditor, at the end or termination of its contract with CalPERS, at its sole expense, to confirm that audit services have been successfully transitioned according to CalPERS' specifications. Transition services include providing the successor auditor with working papers and allowing a review of the working papers, including documentation of planning, internal control, audit results, and other matters of continuing accounting and auditing significance, such as the working papers containing an analysis of balance sheet accounts, those relating to contingencies, related parties, and significant unusual transactions. At auditor's discretion, the selected firm may request a consent and acknowledgment letter from CalPERS to document this authorization to reduce misunderstandings about the scope of the communications being authorized. Per request, the selected firm may communicate to the successor auditor, the understanding of the nature of CalPERS' relationships and transactions with related parties and significant unusual transactions.
20. The selected firm and all key staff engaged to perform the financial statement audit and/or other audit services shall be independent in fact and in appearance. The selected firm and its key staff engaged to perform the financial audit and/or other audit services shall not perform services that conflict with auditor independence. This policy statement is based on the principal that independence of the Independent Financial Statement Auditor is paramount to ensure objectivity and to express an unbiased auditor's opinion.
21. As set forth in Section 53 of Proposed Contract, Exhibit 4, the selected firm must comply with Government Code Section 20152.5, as it exists and as amended by the Legislature and implemented by the Board from time to time, concerning gift and campaign disclosure policies.
22. The selected firm must maintain the insurance coverage set forth in Section 43 of Proposed Contract, Exhibit 4, throughout the term of the contract and make copies of the certificates of insurance and policy endorsements available to CalPERS upon request.
23. Mandatory Licenses
 - a. Firm Certified Public Accountant (CPA) License

The selected firm must be registered by the California Board of Accountancy under the Accountancy Act, Article 4, Section 5072, throughout the term of the contract and provide a copy of the license to CalPERS.

b. Certified Public Accountants Licenses

The selected firm must ensure the CPA Licenses for Key Personnel to include the engagement partner, Manager and On-site supervisor are maintained throughout the term of the contract and provide copies to CalPERS.

The engagement partner's CPA license must be from the California State Board of Accountancy.

The Manager and the On-Site Supervisor CPA licenses must be from a state of the United States. They shall be a Certified Public Accountants in good standing to practice in California, and a copy of the license shall be submitted to CalPERS.

The selected firm must provide updated licenses to CalPERS for approval should changes in key personnel occur including the engagement partner, Manager and On-site supervisor change.

24. The selected firm must provide a disclosure as to whether CalPERS records will be sent outside of the United States.
25. The selected firm is advised that, as part of this engagement, it will be required to execute the following documents which are included in this RFP's Proposed Contract, Exhibit 4: Business Associate Agreement, Attachment F, and the Confidentiality and Non-Disclosure Agreement (For Execution by Firm), Attachment H. The selected firm's employees who will have access to CalPERS' information assets and/or will be working on-site at CalPERS and/or using CalPERS assets will be required to sign both the Confidentiality and Non-Disclosure Agreement (For Execution by Individual Employees), Attachment I, and the Information Systems Security and Confidentiality Acknowledgements, Attachment J, which is also included in this RFP's Proposed Contract, Exhibit 4.
26. When the selected firm, or CalPERS, believes that the services requested would be beyond the services covered in the Statement of Work, the selected firm shall prepare an analysis of the services, detailing the staff associated with the services and a cost estimate not to exceed maximum hourly rates provided in Attachment K, Fee Proposal, and present it to CalPERS for approval. All unanticipated tasks must be pre-approved by CalPERS and memorialized in a contract amendment before the initiation of the project.

Proposer must comply with the Americans with Disabilities Act (ADA) of 1990 (42 U.S.C. § 12101 et seq.), which prohibits discrimination on the basis of disability, as well as all applicable regulations and guidelines issued pursuant to the ADA.

Proposer is responsible for ensuring all products and services provided to CalPERS, including hosting services for electronic content, meet the accessibility requirements of the refreshed Section 508 of the Rehabilitation Act (29 U.S.C. § 794d) and all the applicable provisions of the Information and Communication Technology (ICT) Standards and Guidelines. These standards incorporate by reference all of the requirements of Web Content Accessibility Guidelines 2.0 AA success criteria. CalPERS reserves the right to ask for proof of conformance or to perform testing on any solution to verify conformance.