

**California Public Employees' Retirement System
Request for Proposal No. 2025-9427
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 Annual Comprehensive Financial Report (ACFR) on CalPERS’ website at <http://www.calpers.ca.gov>.

B. Audit Firms Responsibilities

The selected proposing firm (“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, 2026, 2027, 2028, 2029, and 2030 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, 2026, 2027, 2028, 2029, and 2030:

- 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 Contractor 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:
 - i. Provide Schedule of Changes in Fiduciary Net Position for each employer, and related notes, for fiscal years ending June 30,

2026, 2027, 2028, 2029, and 2030.

4. In conjunction with the audit of the Basic Financial Statements, the selected firm will deliver a summary of audit issues and recommendations (Management Letter), as defined in Section III.B.15.c.i, below, 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 Contractor 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 Contractor 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 bank, 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 B.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 Contractor and shall be confidential. The Contractor 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 binding contract. 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 the 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 prescribes those 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. Consulting services that could impair auditor independence are strictly prohibited. CalPERS reserves the right to reject any proposed services that it deems inconsistent with the role of the Independent Financial Statement Auditor or that may compromise the integrity of the audit process.

13. The selected firm will provide management assistance in determining the consistency and reasonableness of the ACFR and review the ACFR against the guidelines for the Government Financial Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting. CalPERS has received this award in 2019, 2020, 2021, 2022, and 2023..
14. The selected firm will make presentations to the Risk and Audit Committee and the Board with respect to the audited Basic Financial Statements, and the annual Management Letter. The Contractor will also provide in writing to the Risk and Audit Committee, required auditor communications. 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, section 58), for the PERF, including PERF A, PERF B, and PERF C; LRF; JRF; JRF II; SCPF; DCFCERBTF; CEPPT; RBF, HCF, CRF, OASI; and the 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
 - a. Agent multiple-employer plans – those in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer’s share of the pooled assets is legally available to pay the benefits of only its employees.
2. Schools Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
 - a. Cost-sharing multiple-employer pension plans – those in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the 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 Contractor shall comment on the statement of corrective actions by CalPERS management as they affect the financial statements, internal control and accounting, and accounting systems, under applicable laws and regulations. Any other significant or material matters coming to the attention of the Contractor 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 Contractor 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 Contractor as follows:
 - a. One (1) bound copy for each report and each Management Letter with original “wet” signatures of firm name plus the signature of the Engagement Partner (as defined in Section IV.H, below).
 - b. Five (5) bound copies of each report is required. The final bound documents for: the Basic Financial Statements, and 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 committee of the Board, 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 (upon execution of a reasonably appropriate access letter), 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 Contractor'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 Contractor 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 Contractor 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 the 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 CPA License

The selected firm must be registered with the California Board of Accountancy under section 5072 of the Accountancy Act (Business and Professions Code sections 5050 et seq.) and

must maintain this registration throughout the term of the contract. A copy of the Contractor's registration must be provided to CalPERS by July 7, 2025.

b. CPAs Licenses

The selected firm must ensure that all CPA licenses for Key Persons (as defined in Section 2.A of Exhibit 4 – Proposed Contract), including the Engagement Partner (as defined in Section IV.H, below), audit manager, and on-site audit supervisor, remain active and valid throughout the term of the contract. Copies of these licenses must be provided to CalPERS by July 7, 2025.

The Engagement Partner must hold a CPA license issued by the California State Board of Accountancy.

The audit manager and the on-site audit supervisor must each hold a CPA license issued by any state within the United States. Both individuals must be CPAs in good standing and authorized to practice in California. Copies of their CPA licenses must be submitted to CalPERS by July 7, 2025.

The selected firm must notify CalPERS immediately if there are any changes in key personnel during the term of the contract, including the Engagement Partner, audit manager, or on-site audit supervisor. Updated CPA license information for replacement personnel must be submitted to CalPERS for approval before the replacement personnel begin work under the contract.

24. The selected firm must provide a disclosure as to whether CalPERS records will be sent outside of the United States. In accordance with the terms of the Information Security Addendum to Exhibit 4 (Proposed Contract), any such transfer of CalPERS data must be expressly approved in writing by CalPERS in advance.
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 E, and the Confidentiality and Non-Disclosure Agreement, Attachment G. 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 the Confidentiality and Non-Disclosure Agreement,

Attachment G, 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 Contractor 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.