



Request for Proposal for Actuarial Auditing Services

Addendum No. 1: Questions and Answers

Date: December 21, 2023

Questions and Answers received by the December 15, 2023 deadline are listed below.

Q1. The RFP states “The audit will verify demographics used for experience studies, i.e., salary scales, number of terminations, age, and service determinations plus benefit calculations.” Can you provide additional detail on this statement, specifically:

- a. Does this imply that the auditing actuary will need to perform a “parallel” experience study, collecting data from the three-year period from 2018-2021, in order to independently verify the number of terminations/retirements/etc.?
- b. Or is the auditing actuary only expected to opine on the reasonableness of the information reflected in the experience study (such as that which can be surmised from other documents, such as the prior actuarial valuations)?
- c. What is meant by the request to verify “service determinations plus benefit calculations” with respect to the experience study? Are you requesting an audit of the actual benefit calculations performed by your administrative software? [we note this is generally beyond the scope of an actuarial audit]

A1.

- a. **SDCERA is not requesting a full replication of the 2018-2021 Experience Study.**
- b. **SDCERA is expecting the successful bidder to opine on the reasonableness of the actuarial assumptions drawn from the experience study as it relates to the 2023 Pension Valuation.**
- c. **SDCERA is requesting validation of the demographic information related to the calculations included in the 2023 Pension Valuation. SDCERA is not asking for an audit of the calculations performed by our pension administration system.**

Q2. Item 18 in the proposed agreement for consultant services deals with the criminal background check of the consultant’s employees. Would this item be subject to negotiation? For instance, it requires annual review, but this contract will be in effect for less than 4 months. Would fingerprinting that was not in compliance with the California Live Scan standard be considered?

A2. There are multiple ways to satisfy this requirement which might be impacted based on the proposer’s jurisdiction. The specific language is subject to negotiation. SDCERA asks proposers to identify any exceptions to the contractual provisions in their proposals.

Q3. To help us calibrate the complexity of your system, could you provide the fees charged for the last audit?

A3. SDCERA was charged \$70,000 in the prior actuarial audit.

Q4. Please verify that SDCERA is seeking a full replication of the 2018-21 experience study.

A4. No - See responses to Q1.

Q5. Please verify that the scope of the audit includes the OPEB valuation, the GASB reports and the risk assessment report. If so, are full replications requested for all items?

A5. The scope of the Actuarial Audit should be limited to the 2023 Pension Actuarial Valuation report and the accompanying Certification Letter. SDCERA is not asking for an audit of the OPEB Valuation, GASB reports, or the risk assessment.

Q6. Please provide a copy of the prior actuarial audit report.

A6. A copy of the prior actuarial audit report can be found at:
https://sdcera.granicus.com/MetaViewer.php?meta_id=85846

Q7: What was the fee charged for the prior actuarial audit?

A7: SDCERA was charged \$70,000 in the prior actuarial audit.

Q8: Please indicate what information will be provided by Segal to perform the actuarial audit (e.g., full census data used in the prior valuation, sample lives output, etc.).

A8: Segal will provide the necessary data to perform a full replication of the June 30, 2023 Actuarial Valuation.

Q9. What related studies as of June 30, 2023 are to be included in the actuarial audit?

A9. SDCERA expects a full replication of the June 30, 2023 Pension Actuarial Valuation and the accompanying Certification Letter.

Q10: When is the completion of the actuarial audit report expected to be delivered?

A10. The completed report is due to SDCERA May 1, 2024.

Q11. When was the last actuarial audit performed?

A11. Prior actuarial audit was performed in 2019 based on the June 30, 2018 Valuation.

Q12. Please provide the annual fee paid for performing the last actuarial audit.

A12. SDCERA was charged \$70,000 in the prior actuarial audit.

Q13. What is the 2024 budget for the Actuarial Audit?

A13. We anticipate the actuarial audit will not exceed a total cost of \$99,000.