

# VCERA RFP for Actuarial Audit Services, June 5, 2023

## VCERA Actuarial Audit RFP Questions and Answers

### Bidder Questions / VCERA Responses

1. When was the last time an actuarial audit was performed, and can you provide a copy of the audit report? What was the fee for the audit?

**VCERA Response:** The last actuarial audit was performed in 2017. Yes, a copy of the audit report is posted at this site. The fee was \$42.0K.

2. The RFP states “The audit shall 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:

**VCERA Response:** Yes, see below.

- a. Does this imply that the auditing actuary will need to perform a “parallel” experience study, collecting data from the three-year period from 2017-2020, in order to independently verify the number of terminations/retirements/etc.?

**VCERA Response:** The auditing actuary will not need to perform a “parallel” experience study; however, verify demographics used for experience studies. The selected firm is expected to review (a) member data, (b) funding & asset methods, (c) funding policy, (d) summary of plan provision, (e) Experience Study & Actuarial Assumptions, (f) reports and (g) parallel valuation and perform a parallel valuation.

- 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)?

**VCERA Response:** Yes. The selected firm is expected to perform a complete actuarial valuation of the plan based on the same census data, assumptions and actuarial methods used by the plan’s actuary, summarize findings in a report and present to the VCERA Board of Retirement.

- 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].

**VCERA Response:** By verify, the expectation is that the Actuarial Audit firm through sampling/testing of data and assumptions, will reasonably demonstrate that (something- i.e., data, reports and etc.) conclusion is true, accurate, or justified for usage in the actuarial model.

3. In the RFP, page 6, Item 2 states “Provide the latest two years audited financial reports for the firm.” As a privately held firm we are not required to prepare audited financial statements. We do prepare financial statements on a US GAAP basis, and we engage a large, international, accounting firm to review those financial statements. A review, unlike an audit, is issued without an opinion letter. Will the VCERA accept such financial statements in lieu of a full audit?

**VCERA Response: VCERA is requesting the firm to demonstrate financial stability. Not having audited financial statements is not a disqualifier. The submission of the international accounting firms review report on your firms latest two years’ Financial statements is acceptable.**

4. Is a review of the GASB financial disclosures, referenced in Scope of Services Item 1 last bullet, included in this audit? If so, what level of audit would be required.

**VCERA Response: Assessment of whether the valuation appropriately reflects information required to be disclosed under required reporting standards (GASB, etc.) is an audit expectation. Yes, it is included in this audit. A level one (1) actuarial audit is expected. VCERA expects the firm to perform a complete replication of the retained actuary’s valuation of the plan, based on the same census data, assumptions and actuarial methods used by the plan’s actuary.**

5. Does VCERA anticipate issuing a full-service actuarial proposal in the next eighteen months?

**VCERA Response: Currently, VCERA does not anticipate issuing a full-service Actuarial Proposal within the next eighteen (18) months.**