

REQUEST FOR PROPOSAL

FIDUCIARY PERFORMANCE AUDIT

FOR THE

THE SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY

DUE DATE FOR RESPONSES:

August 7, 2014
5:00 p.m. Eastern Time

ISSUED BY

THE SOUTH CAROLINA OFFICE OF THE STATE INSPECTOR GENERAL

SC Office of the State Inspector General
The Enoree Building
111 Executive Center Drive
Suite 204
Columbia, South Carolina 29210-8416

Patrick J. Maley
Inspector General

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SECTION I: INTRODUCTION

A. Nature of Request

The South Carolina Office of the State Inspector General (SIG) is issuing this Request for Proposal (RFP) for the purpose of hiring a qualified consulting firm to conduct a fiduciary performance audit of the South Carolina Public Employee Benefit Authority (PEBA). The authority to conduct this fiduciary performance audit is found in the 1976 South Carolina Code of Laws, as amended, Title 9, Chapter 4, Section 40.

The purpose of this review is to critically evaluate the fiduciary roles and responsibilities of PEBA and staff; the relationship with each other and other fiduciaries of the Retirement System (as defined below); and the operational policies and practices of each. The goal of this review is to identify areas of strengths and weaknesses, along with improvement recommendations, and conformance with best practices of other public pension and employee benefit plans. The services being sought are specified in more detail in Section III "Scope of Services" of this RFP.

B. Closing Date for Receipt of Proposals

An original and five bound copies of the proposal must be submitted by mail or delivery service no later than **5:00 p.m. Eastern Time on August 7, 2014**. It is also required that an electronic copy in PDF format be submitted no later than **5:00 p.m. Eastern Time on August 7, 2014**. Proposals received after the deadline will not be considered by the SIG and will be returned to the proposer. Faxed transmissions are not acceptable and will not be considered.

Proposals meeting the requirements set forth in this document will be evaluated by an evaluation committee established by the SIG culminating with recommendations to the Inspector General (IG). The IG will ultimately determine which, if any, firm is selected for this engagement. It is anticipated a decision regarding the selection of a firm will be made by close of business on **September 8, 2014**.

C. Intent to Respond

If the Respondent intends to respond to this RFP, a "Letter of Intent to Respond" should be received by the SIG by close of business **July 23, 2014**. The letter must be submitted in writing on Respondent letterhead to the SIG contact listed in Paragraph E. below, and should contain the following statement: *"On behalf of my firm, I hereby certify that we intend to submit a proposal to provide fiduciary performance auditing services of the South Carolina Public Employee Benefit Authority."*

The "Letter of Intent to Respond" should include the following information: Firm Name; Firm Address; Chief Executive Officer Name and Title (typed), along with Chief Executive Officer Signature; and other contact information deemed necessary for follow-up responses.

Submitting this Letter of Intent is not a prerequisite for submitting a proposal, but will allow the SIG to provide copies to respondents of any questions and answers and any amendments to this solicitation that may be published. Firms that either choose not to submit a “Letter of Intent to Respond” or fail to meet the deadline for its submittal may submit a proposal in response to this RFP, but must submit written acknowledgement of all questions and answers relative to this solicitation and any amendments to this solicitation that may be published with the proposal. All questions, answers and any amendments will be published on the following website: <http://oig.sc.gov/Pages/FiduciaryAuditRFP.aspx>.

D. Delivery of Proposals

Hard copy proposal submissions should be addressed to:

South Carolina Office of the State Inspector General
The Enoree Building
111 Executive Center Drive
Suite 204
Columbia, South Carolina 29210-8416
Attn: Patrick J. Maley, Inspector General

The electronic PDF copy should be emailed to: BrianLamkin@oig.sc.gov

E. Questions Relating to this RFP

All questions concerning this RFP should only be directed to the SIG and must be received in writing, either by mail or email, by **July 23, 2014**, 4:00 p.m. Eastern Time. Responses to questions received by the deadline for Respondents submitting a “Letter of Intent to Respond” will be emailed out by **July 28, 2014**.

All questions and answers, and any amendments to this solicitation will be published on the SIG website at: <http://oig.sc.gov/Pages/FiduciaryAuditRFP.aspx>. Written acknowledgement of all questions, answers and any amendments must accompany any proposal.

Questions concerning the proposal should be directed to:

South Carolina Office of the State Inspector General
The Enoree Building
111 Executive Center Drive
Suite 204
Columbia, South Carolina 29210-8416
Attn: Brian D. Lamkin
(803) 896-1287 (o)
BrianLamkin@oig.sc.gov

SECTION II: BACKGROUND

PEBA was created by the South Carolina General Assembly on July 1, 2012 as an administrative agency of state government. The governing body of the authority is a Board of Directors consisting of eleven members. PEBA operates an Employee Insurance Program and a Retirement Division to administer the various retirement systems and retirement programs of the state and a deferred compensation program. Prior to PEBA's creation, the offices of the Retirement Division and the Employee Insurance Program were incorporated within the Office of the State Budget and Control Board (BCB). PEBA and the BCB are co-trustees of the retirement system trust funds, serving as fiduciary stewards for active members, annuitants, beneficiaries, and plan participants of the following funds and trust funds:

- PEBA Insurance Benefits
- PEBA Retiree Health Insurance Trust Fund
- PEBA Long-Term Disability Insurance Trust Fund
- South Carolina Retirement Systems

PEBA is staffed with 260 positions, including an Executive Director. Members of the PEBA Board are appointed to serve two-year terms which commence on July 1 of even numbered years. All appointed members must meet specific qualification standards. Upon an individual's appointment to the PEBA board, the appointing official must certify to the Secretary of State that the appointee meets or exceeds the established qualifications, and serves at the pleasure of the member's appointing authority. The statutes governing PEBA are found in the 1976 South Carolina Code of Laws, as amended, Title 9, Chapter 4. For more information on PEBA and the Retirement Systems please visit: www.peba.sc.gov; and www.retirement.sc.gov.

The PEBA Retirement Division is comprised of five governmental defined benefit plans: South Carolina Retirement System; South Carolina Police Officers Retirement System; Retirement System for Judges and Solicitors of the State of South Carolina; Retirement System for Members of the General Assembly of the State of South Carolina; and the South Carolina National Guard Supplemental Retirement Plan, collectively referred to hereinafter as the "Retirement System." As of June 30, 2013, the net position held in trust for Retirement System benefits was approximately \$26.5 billion representing more than 550,000 active, retired and inactive participants and beneficiaries. The total net position of the combined insurance trust fund assets totaled \$890.5 million as of June 30, 2013.

Unique to South Carolina is the separation of authorities between the investment and management of the Retirement System assets by the South Carolina Retirement System Investment Commission (RSIC), and PEBA's administration of benefits for Retirement System beneficiaries and participants. The South Carolina State Treasurer's Office (STO) is responsible for investing assets of the Insurance Trust funds. Other fiduciaries and trustees exercising authority and direction over the Retirement System and Employee Insurance Program are the BCB and STO.

The State Optional Retirement Program (State ORP) is an alternative to the South Carolina Retirement System (SCRS) retirement plan. Employees eligible for State ORP participation may choose between the State ORP, which is a defined contribution plan, or the traditional SCRS plan, which is a defined benefit plan. State ORP is a 401(a) qualified governmental plan that provides an account into which both the employee and the employer contribute. Income at retirement is based upon the account balance accumulated throughout the employee's years of employment. Any distributions, investment gains or losses affect the balance. The account balance is a combination of contributions, performance of the investment funds selected by the employee, and fees or expenses relating to the investment options offered by the State ORP's investment providers. There are four approved investment providers: TIAA-CREF, MassMutual, MetLife, and VALIC.

The South Carolina Deferred Compensation Program (SCDCP) offers 401(k) and 457 savings plans. These voluntary retirement savings plans help employees supplement their PEBA Retirement Benefits' pension or State ORP savings. If approved by their employer, employees may participate in both of these plans. Each plan also offers a Roth account option. As of 12/31/2012, the 401(k) plan had approximately 76 thousand participants and \$2.3 billion in plan net assets. The 457 plan had approximately 24 thousand participants and \$865 million in net assets. On PEBA's behalf, Great-West is the third-party record-keeper and administrator of both plans.

SECTION III: SCOPE OF SERVICES

This RFP is designed to conduct a fiduciary performance audit of PEBA. Fiduciary auditing services will commence upon the awarding of a contract, but no earlier than **October 1, 2014**. Work must be concluded on or before **January 31, 2015**. Authority to conduct this fiduciary performance audit is found in the 1976 South Carolina Code of Laws, as amended, Title 9, Chapter 4, Section 40.

The purpose of this review is to critically evaluate the fiduciary roles and responsibilities of PEBA and staff; the relationship with other fiduciaries of the Retirement System and the Insurance Program; and the operational policies and practices of PEBA. The goal of this review is to identify areas of strengths and weaknesses, along with improvement recommendations, and conformance with best practices of other public pension and employee benefit plans. The recommendations should be articulated and prioritized according to significance and urgency; and, where feasible, include an analysis of potential costs or benefits associated with implementation.

The firm shall use judgment, experience and creativity in conducting this fiduciary performance audit. The PEBA is a relatively new state agency, so this review will be broad in nature spanning all key functions. These functions have been organized into eleven categories for PEBA. The review of each category also requires that specific items identified must be addressed; however, these items are not intended to limit the contractor's creativity in assessing each category. The

firm is authorized to review any policy, process, or procedure typically reviewed when completing this type of project.

A. Areas to be assessed

The PEBA fiduciary performance assessment includes eleven general categories: Governance; Policy Review and Development; Organizational Structure; Content and Form of Communication with Stakeholders; Key Benefits Administration Functions; Actuarial Matters; Legal Compliance; Types and Levels of Customer Service; Recordkeeping and Security of Information; Cost of Operations; and Information Technology Systems. In addition to a general performance assessment of each category, specific areas of interest to PEBA have been identified within each category.

Category 1: Governance

The review will include an evaluation for reasonableness and adequacy of PEBA's governance in terms of fiduciary and staff roles, responsibilities, policies, procedures, and statutory requirements, which also must address, at a minimum, the following specific issues:

- ▶ Review of applicable laws, policies and procedures (to include Board of Directors governance manuals, policies and procedures)
- ▶ Board of Directors charter – roles and responsibilities of appointed directors; identification of fiduciaries and/or the existence of “de facto” fiduciaries; fiduciary education; meeting protocols; and the strategic planning and implementation process
- ▶ Role of Audit Committee in policy compliance and scope of Audit Committee charter
- ▶ Role of the Board of Directors in the external financial audits with regard to PEBA's areas of responsibility for retirement and insurance plans and programs
- ▶ Role of the internal audit department and adequacy of audit plans
- ▶ Indemnification/use of fiduciary liability insurance
- ▶ Board, Executive Director, and staff evaluation processes and criteria, and level of delegation of authority to Executive Director (roles and responsibilities)
- ▶ Board communication policy
- ▶ Review the Board decision-making process

Category 2: Policy Review and Development

The review will include an evaluation for reasonableness and adequacy of PEBA's existing policies and policy development to determine whether PEBA's policies, procedures, practices and functionalities are properly documented, implemented, and reflective of the

Board of Directors' established goals, risk tolerances and governance. The review must address, at a minimum, the following specific issues:

- ▶ Ethics Policy and enforcement for identifying, disclosing, reporting, and mitigating conflicts of interest (to include, travel/gift policy, and expense reimbursement policy)
- ▶ Valuation policy
- ▶ Funding policy
- ▶ Audit policy
- ▶ Staff compensation policy
- ▶ Risk Management policy
- ▶ Whistleblower policy
- ▶ Customer service policy
- ▶ Communication policy
- ▶ Procurement policy
- ▶ Trustee education policy
- ▶ Board expense reimbursement policy

Category 3: Organizational Structure

The review will include an evaluation for reasonableness and adequacy of PEBA's current organizational structure as it relates to PEBA's administration of the state Employee Insurance program, the Retirement System's benefits administration, deferred compensation program, and other state employee benefit programs under its authority. The assessment should focus on ascertaining whether there is a need for clarification and/or additional specification of the respective roles and responsibilities of the Board of Directors and PEBA staff. The review must address, at a minimum, the following specific issues:

- ▶ Roles and responsibilities of key staff
- ▶ Staff position description review
- ▶ Number, type, skill sets, and credentials of staff
- ▶ Training of staff and education policies
- ▶ Adequacy of tools and resources, including IT infrastructure
- ▶ Standard operating procedures manual
- ▶ Reporting lines, spans of control, and segregation of duties (including internal controls)
- ▶ Adequacy of reporting and disclosure from staff to Board to facilitate oversight
- ▶ Cross training and succession planning
- ▶ Alternative organizational designs
- ▶ Review Memorandum of Understanding with RSIC

Category 4: Content and Form of Communication with Stakeholders

The review will include an evaluation for reasonableness and adequacy of PEBA's form and content of communication, reporting, and disclosures with its stakeholders and participants. The review must address, at a minimum, the following specific issues:

- ▶ Website content
- ▶ Active members
- ▶ Inactive members
- ▶ Retirees and survivors
- ▶ Personnel and payroll offices
- ▶ Plan sponsor decision-makers
- ▶ General public
- ▶ Oversight committees (if they exist)
- ▶ Legislators

Category 5: Key Benefits Administration Functions

The review will include an evaluation for reasonableness and adequacy of PEBA's key benefits administration processes and functionality; due diligence; internal controls, and risk assessment of the Retirement System, Insurance program and other state employee benefit programs administered by PEBA. The review must address, at a minimum, the following specific issues:

- ▶ Review of summary plan descriptions
- ▶ Preparation of benefit statements
- ▶ Calculations of benefits
- ▶ Data integrity (age, service, compensation, etc.)
- ▶ Internal controls designed to identify and mitigate fraud in the benefit section

Category 6: Actuarial Matters

The review will include an evaluation for reasonableness and adequacy of PEBA's actuarial process, to include analysis of the selection and evaluation process of actuaries, and establishing economic assumptions for the Retirement System and state employee Insurance benefit programs. The review must address, at a minimum, the following specific issues:

- ▶ Selection and evaluation process for actuaries
- ▶ Scope of work assigned to actuaries
- ▶ Evaluation of quality of reports (valuations and experience studies)
- ▶ Internal responsibility for integrity of data used for valuations
- ▶ Process for setting economic assumptions
- ▶ Actuarial audits, scope, and costs

Category 7: Legal Compliance

The review will include an evaluation for reasonableness and adequacy of PEBA's legal compliance with existing laws and statutes governing PEBA. The review must address, at a minimum, the following specific issues:

- ▶ Role of legal counsel in due diligence process
- ▶ Board and staff compliance with plan documents
- ▶ Compliance with "prohibited transactions" requirement
- ▶ Use of internal legal counsel

Category 8: Types and Levels of Customer Service

The review will include an evaluation for reasonableness and adequacy of PEBA's types and levels of customer service, and the effectiveness of customer service and communications with its stakeholders, beneficiaries and participants. The review must address, at a minimum, the following specific issues:

- ▶ Communication channels, content, and form
- ▶ Response turnaround time
- ▶ Satisfaction surveys and follow-up

Category 9: Recordkeeping and Security of Information

The review will include an evaluation for reasonableness and adequacy of PEBA's recordkeeping, information security, and disaster recovery plans. The review must address, at a minimum, the following specific issues:

- ▶ Disaster recovery plans and testing
- ▶ System security
- ▶ Policies and procedures related to security

Category 10: Cost of Operations

The review will include an evaluation for reasonableness and adequacy of PEBA's cost of operations for the Retirement System and employee insurance benefit programs. The review must address, at a minimum, the following specific issues:

- ▶ Benchmark comparisons
- ▶ Costs per member/per assets/per program
- ▶ Trends and reasonableness of costs

Category 11: Information Technology Systems

The review will include an evaluation for reasonableness, adequacy, and security of PEBA's information technology systems and availability of tools and resources for PEBA board of directors, staff and fiduciaries to effectively administer the assets and funds of the Retirement System, Insurance programs and non-retirement benefit plans. The review must address, at a minimum, the following:

- ▶ Adequacy of operational, risk management, accounting and compliance systems, tools and resources

The SIG will only consider proposals for fiduciary audit services as described above. Each proposal must address itself to the conduct of a fiduciary performance audit of PEBA. Responses submitted for other services will not be considered.

The Respondent must submit a comprehensive plan describing the firm's approach to conducting a fiduciary performance audit of PEBA. The proposal should demonstrate an understanding of the audit engagement requirements and should be communicated in the firm's audit approach.

B. Assistance Available to Proposer

The PEBA staff will provide some assistance to the auditor, but the assistance will be limited. Questions pertaining to each agency's accounting records and amount of assistance provided by the agency staff should be directed to agency representatives during the vendor presentation conference.

SECTION IV: REPORTING AND DELIVERY REQUIREMENTS

The contract, if any, awarded to the successful firm must incorporate the terms, conditions and scope of services of this RFP as set forth in Sections III-VIII. As part of its proposal, the offerer must address the following reporting and delivery requirements.

A. Review Plan

All work shall be in accordance with a detailed review plan. This detailed review plan **must be included with the proposal** to demonstrate the firm's understanding of the project requirements set forth in Section III of this RFP. The review plan shall include:

- Specific tasks to be performed
- Expected duration and person-hours necessary
- Sequence in which the tasks will be performed
- Milestone dates, to include dates of delivery for draft and final reports; and
- Management, supervisors, staff and associates assigned to the tasks

B. Deliverables

The following deliverables are required:

- A review plan as specified in Section IV.A.
- An entrance conference to be coordinated by the SIG and the successful firm.
- Monthly progress reports must be provided to the SIG, which includes a summary of preliminary findings, specific accomplishments achieved during the reporting period, and projected completion dates for specific tasks remaining to be completed.
- A draft review report that includes all proposed issues, findings, conclusions, and recommendations as a result of all work required by the contract. See also Section IV.D below.
- A final review report with management responses due on or before January 31, 2015. See also Section IV.D below.
- An exit conference at the conclusion of the audit, at a time to be determined by the SIG and the firm. See also Section IV.D below.
- A presentation of all general findings, conclusions, and recommendations resulting from a cumulative assessment of all completed work to the PEBA commissioners, and the SIG at a meeting time to be determined by the SIG.
- The meetings referenced in this Section IV.B are expected to be conducted in or near Columbia, South Carolina.

C. Billing

Progress billings will be accepted up to 80% of the total fee. Billings are to be based on percent of completion. Billing for the final 20% of the fee will be accepted upon delivery of the final bound reports. All invoices must include the vendor's Federal Employer Identification number.

The final report must include, at a minimum, a description of the work performed; an executive summary; findings and recommendations, including an analysis with respect to the work; specific and concrete proposals to achieve any improvements recommended in the report. The recommendations and proposals should be prioritized and, where feasible, include an analysis of potential costs or benefits associated with implementation. The key findings, recommendations, and proposals should be organized in a manner that clearly identifies to whom they are primarily directed (e.g., PEBA, RSIC, State Treasurer's Office, Budget and Control Board, etc.).

D. Report Review, Timing and Number of Copies

At the time a typed preliminary draft of the required draft review report is available, but no later than 5:00 p.m., on the agreed upon date set forth in the review plan, an electronic (PDF) copy of the draft review report in a handicap accessible format, is to be sent to the SIG at the email address of BrianLamkin@oig.sc.gov.

The SIG and PEBA will perform a pre-issuance quality review of the draft report. The successful respondent will respond to any questions raised from this review. Once the foregoing steps have been completed, transmittal letters will be mailed. An original transmittal letter is to be bound inside the front cover of each final report.

After notification that the draft review report has been accepted a formal exit conference is to be held with the appropriate agency personnel and representatives from PEBA and the SIG for the engagement period. The agencies will be given an opportunity to provide a written response to any deficiencies, internal control and compliance findings reported in the report. Responses will be included in the final bound audit report.

The firm must deliver to the SIG no later than 5:00 p.m., January 31, 2015, the final bound report. The following must be provided to the address previously given, the appropriate number of copies of the final audit report determined as follows:

- Seven (7) copies for general distribution
- One copy for each PEBA board of director
- Ten (10) copies for PEBA management
- One electronic copy of the final report with appendices, attachments, and responses. (Must meet the requirements of Section 508 of the Rehabilitation Act of 1973, amended by the Work Force Investment Act of 1998, as amended, for handicap accessibility)
- Listing of the names, mailing addresses and email addresses of current PEBA board of directors

Final payment will not be approved until all required copies and mailing lists have been delivered.

E. Mandatory Minimum Qualifications

Respondents must satisfy all of the following mandatory minimum qualifications as outlined below in order to be considered for the contract award.

- ▶ The Respondent must agree to provide the minimum services as detailed in Section III, as well as all other requirements stated in the RFP.
- ▶ By submitting an offer, the offerer certifies that the offerer has and will comply with, and has not, and will not induce a person to violate Title 8, Chapter 13 of the South Carolina Code of Laws, as amended (Ethics Act). The following statutes require special attention: Section 8-13-700, regarding use of official position for financial gain; Section 8-13-705, regarding gifts to influence action of public official; Section 8-13-720, regarding offering money for advice or assistance of public official; Sections 8-13-755 and 8-13-760, regarding restrictions on employment by former public official; Section 8-13-775, prohibiting public official with economic interests from acting on contracts; Section 8-13-790, regarding recovery of kickbacks; Section 8-13-1150, regarding statements to be filed by consultants; and Section 8-

13-1342, regarding restrictions on contributions by contractor to candidate who participated in awarding of contract. The state may rescind any contract and recover all amounts expended as a result of any action taken in violation of this provision. If contractor participates, directly or indirectly, in the evaluation or award of public contracts, including without limitation, change orders or task orders regarding a public contract, contractor shall, if required by law to file such a statement, provide the statement required by Section 8-13-1150 to the procurement officer at the same time the law requires the statement to be filed.

- ▶ Affirm that the Respondent meets the independence standards of the Government Auditing Standards issued by the Comptroller General of the United States.
- ▶ Affirm that the Respondent does not discriminate in employment of persons upon the basis of race, color, creed, national origin, sex, age or physical handicap.
- ▶ Certify that, in accordance with Section 44-107-10 through 44-107-90 of the 1976 South Carolina Code of Laws, as amended, the Respondent will provide a drug-free workplace during the term of this contract.
- ▶ The Respondent must provide assurance that the key professionals and/or that their organization do not have, nor could they potentially have a material conflict of interest with PEBA.
- ▶ If firms have provided professional services to PEBA during the past five years and those professional services are the subject of the audit, those firms will not be eligible for award of a contract resulting from this solicitation.
- ▶ The Respondent must demonstrate a special combination of proficiency and experience in conducting fiduciary performance audits or reviews of public pension systems; and the Respondent must have extensive knowledge of the investment industry in relationship to the organizational structure, operations, investment practices, procedures and performance conduct of public pension funds.

SECTION V: INSTRUCTIONS FOR COMPLETING AND SUBMITTING PROPOSALS

A. General Requirements

1. Inquiries

Please refer any requests for information about this RFP in writing to:

South Carolina Office of the State Inspector General
The Enoree Building
111 Executive Center Drive
Suite 204
Columbia, South Carolina 29210-8416
Attn: Brian D. Lamkin
(803) 896-1287
BrianLamkin@oig.sc.gov

A “Letter of Intent to Respond” should be received in the format set forth in Section I of this RFP by the SIG by close of business **July 23, 2014**. In order to ensure that all Respondents have the same information and instructions concerning the preparation of the proposal, all questions received will be responded to in writing and mailed to all RFP recipients who have submitted a timely “Letter of Intent to Respond.” All questions and answers and any amendments to this solicitation will be published at: <http://oig.sc.gov/Pages/FiduciaryAuditRFP.aspx>.

Respondents who submit the “Letter of Intent to Respond” prior to the deadline will be emailed a copy of written questions received by the SIG as well as the SIG’s written responses. Submitting this “Letter of Intent to Respond” is not a prerequisite for submitting a proposal, but will allow the SIG to provide copies to respondents of any questions and answers and any amendments to this solicitation that may be published. Firms that either choose not to submit a “Letter of Intent to Respond” or fail to meet the deadline for its submittal may submit a proposal in response to this RFP, but must submit written acknowledgement of all questions and answers relative to this solicitation and any amendments to this solicitation that may be published with the proposal. All questions, answers and any amendments will be published on the following website: <http://oig.sc.gov/Pages/FiduciaryAuditRFP.aspx>.

2. Schedule of Procurement Activities

Event	Date
RFP Released	7/7/2014
Respondent Questions and Letter of Intent to Bid Due	7/23/2014
Emailed Responses to Written Questions	7/28/2014
Proposal Due Date	8/7/2014
Finalist(s) Presentations	Week of 8/25/2014
Announcement of Successful Respondent	9/8/2014
Commencement of Fiduciary Performance Audit	10/1/2014 (no earlier)

3. Submission of Proposals

An original and five bound copies of the proposal must be submitted by mail or delivery service no later than **5:00 p.m. Eastern Time on August 7, 2014** to the following address:

South Carolina Office of the State Inspector General
 The Enoree Building
 111 Executive Center Drive
 Suite 204
 Columbia, South Carolina 29210-8416
Attn: Patrick J. Maley, Inspector General

It is also required that an electronic copy in PDF format be submitted no later than **5:00 p.m. Eastern Time on August 7, 2014**, to the following email address: BrianLamkin@oig.sc.gov.

All responses must be in a sealed envelope with the respondent name, address and RFP subject shown on the outside. Proposals received after the deadline will not be considered by the SIG and will be returned to the proposer.

Hard copies of the proposals may not be transmitted using electronic media such as facsimile transmission. All proposals and accompanying documentation become the property of the SIG. Each proposal must conform to the requirements of this RFP. Conciseness and clarity of content are emphasized and encouraged. Vague and general proposals will be considered non-responsive and may result in disqualification. Failure to provide the required information may also result in disqualification. The SIG reserves the exclusive right to determine compliance with these requirements and to exclude from consideration proposals which, in its judgment, do not so conform.

A Respondent's preparation and submittal of a proposal or subsequent participation in presentations or contract negotiations creates no obligation for the SIG to award a contract or to pay any associated costs.

B. Proposal Format and Content

Proposals should be designed so as to cover the content requirement identified within this RFP. All pages of the proposal must be numbered. Each proposal must be organized in the manner described below:

1. Cover Letter

The cover letter should briefly identify the Respondent and specify that the proposal is submitted in response to the RFP issued by the South Carolina Office of the State Inspector General. The cover letter should be on firm letterhead signed by at least one individual who is authorized to bind the firm contractually. The cover letter should state:

- The audit is being performed for the South Carolina Office of the State Inspector General.
- The South Carolina Office of the State Inspector General is your client.
- The South Carolina Office of the State Inspector General will be responsible for payment of the audit fee.
- State that the firm acknowledges it will enter into a contract to provide fiduciary performance auditing services set forth in Section III "Scope of Services" of this RFP.
- State the all-inclusive fee for the engagement and that this all-inclusive fee includes all out of pocket costs.
- State the names of the persons authorized to make representations for the firm, their titles, addresses, telephone numbers, fax numbers and email addresses.
- State that the person signing the letter will be authorized to bind the firm.

- State the name of the partner assigned to this engagement and also, the name of the partner assigned the responsibility for the quality of the report and working papers. Give their telephone numbers, fax numbers and email addresses for use by the SIG.
- State that the partner(s), manager(s), and auditor(s)-in-charge assigned to this engagement will be furnished copies of this RFP and their attention will be specifically directed to the following Sections:

Section III: Scope of Services
 Section IV: Reporting and Delivery Requirements
 Section V: Instructions for Completing and Submitting Proposals
 Section VI: Tentative Time Table
 Section VII: Evaluation of Proposals
 Section VIII: Terms and Conditions

- State that the partner responsible for report quality will submit with the preliminary draft a signed statement certifying that in the responsible partner's professional opinion, the preliminary draft is a completed document and ready to be issued.
- State that the person signing the letter has reviewed the Mandatory Minimum Qualification statements set forth in Section IV.E of this RFP; and affirms or certifies the firm's compliance with these provisions.
- State that all prices, cost schedules, interest rates, and other significant factors contained in the proposal shall remain firm for one year from the proposal closing date.
- Provide written acknowledgement that the firm has reviewed the questions and answers located on the website at:
<http://oig.sc.gov/Pages/FiduciaryAuditRFP.aspx>

2. Title Page

The title page should set forth the following information:

- Date
- Subject (Proposal Identification)
- Respondent name, address, and telephone number
- Contact name, title, and telephone number

3. Table of Contents

4. Executive Summary

The Executive Summary should consist of a brief narrative overview of the comprehensive review proposed. It should clearly indicate the area(s) for which

services are proposed and any other information the Respondent wishes to convey that is not included in the body of the proposal.

5. Respondent Qualifications

The proposal must satisfactorily address the Respondent's ability to meet the mandatory minimum qualifications as outlined in Section IV.E of this RFP. The proposal shall provide responses to the following information requested, in the order it is listed, and within the page limitations set forth.

(a) General Information and Understanding of the Project (Page Limit: 10)

- Provide your firm's primary contact on this engagement:
 - *Firm Name
 - *Contact's Name
 - *Contact's Title
 - *Contact's Address
 - *Contact's Phone and Facsimile numbers
 - *Contact's email address

- Provide a list of your firm's domestic office locations and the office location to be assigned this project.
- Describe the ownership structure of your organization, including subsidiary and affiliated companies and joint venture relationships.
- Has your firm undergone any material change in its structure or ownership within the last eighteen months? Is any material change in ownership, staff, or structure currently under review or being contemplated? (If yes, describe.)
- Please list the current number of employees employed by your firm.
- If available, please provide a report, study, or assessment of your firm, prepared by an unbiased independent third-party source, concerning client satisfaction and measures of your firm's strengths and weaknesses vis-à-vis your key competitors.
- Provide a copy of your most recent audited financial statements or, if not applicable, a copy of your most recent statement of financial position, to include an annual income statement and balance sheet.
- Describe any material litigation to which your firm is currently a party.
- Provide a list and describe litigation brought against your firm by existing or former clients and staff over the last five years.
- Provide a statement that no officer, member, associate of, or consultant to PEBA has any known personal or pecuniary interest, direct or indirect, in this contract or in the proceeds thereof. The firm should also list and describe its professional relationship involving PEBA, the five

South Carolina public retirement systems, the state Employee Insurance Program or the State of South Carolina for the past five years, together with a statement explaining why such relationships do not constitute a conflict or interest relative to performing the proposed review.

- Describe in detail your organization's understanding of the services requested by the SIG under this engagement.

(b) Firm Qualifications (Page Limit: 10)

- Provide a narrative that supports why your firm believes that it is qualified to undertake the proposed engagement.
- Provide a complete list of engagements that your firm has been involved in that were similar in nature to the scope of this proposed engagement in the past five years. Such listing should provide, where possible, the name, address, and phone number of the client and key contact, the asset base of the client, and a summary description of the scope of the project and key findings and recommendations.
- If available, please provide an actual comprehensive operational review report prepared by your firm for a paying client. As appropriate, names and other sensitive information should be redacted.
- Describe your firm's experience and capability in reviewing all of the areas to be assessed; i.e., public employee benefit plan governance, policy, organizational structure, communication, administration, actuarial, legal, customer service, recordkeeping, information security, operations, and information technology.

(c) Assigned Staff Qualifications (Page Limit: 8)

- Provide a narrative describing the educational background and work experience of individuals that you propose to assign to this engagement. Such narrative should include:
 - *Employee name, title, and billable hourly rate
 - *Proposed position on this engagement (lead person, support, specialist, etc.)
 - *Month and year the employee began working for your organization
 - *Employee work history since leaving college
 - *Degrees and certifications earned
 - *Organizational affiliations and positions held
 - *Client relationships assigned to employee
- Describe your firm's procedures in the event that a key person assigned to this engagement leaves your firm during the engagement.

(d) References (Page Limit: 5)

Provide five (5) client references, two of whom are preferably defined-benefit public pension plans or oversight agencies with respect to the same, who have hired your firm in the last five years to conduct a review similar in nature to this proposed engagement. Please include the following information:

- *Client name
- *Client asset base
- *Client type (public pension plan, corporate pension plan, mutual fund, endowment, foundation, other)
- *Key contact name
- *Key contact address
- *Key contact phone number
- *Beginning and end-date of engagement

(e) Resources (Page Limit: 3)

Please list the number of personnel in your firm, categorized according to the following schedule:

***Employment Headcount at End of Most Recent Year**

***Professional Staff Count**

- Lead Consultants
- Consultants
- Analysts
- Marketing / Sales Professionals
- Statisticians
- Client Service Professionals
- Technology Specialists
- Other Professional

***Total Professional Staff**

***Total Support Staff**

***Total Employment**

- Please list your firm's affiliations with organizations that sponsor and support benefit plan research, such as the American Institute of Certified Public Accountants (AICPA), CFA Institute, Governmental Accounting Standards Board (GASB), National Association of State Retirement Administrators (NASRA), National Council on Teacher Retirement (NCTR), the Center for Retirement Research at Boston College, the Pew Research Center, and others.

- Describe your firm's benefit plan research expenditures, resources, and activities. Please list relatively recent original research articles prepared by members of your organization that have been published in finance journals and periodicals.
- Describe your firm's benefit plan-related technology expenditures, expertise and capabilities. Such description should discuss your firm's knowledge and familiarity with PC network hardware and software, investment accounting software, security and risk analysis software, investment operations software, trading platforms, and internet and intranet applications for investments.

(f) Detailed Plan of Work

The proposal must include a plan of work, which should describe in detail the methodology to be employed by the Respondent in performing the fiduciary audit. The proposal should also include an estimated date that the final report will be submitted and the projected timeline or the anticipated work requirements and milestone dates to reach that date. The detailed plan of work should follow the outline specified in Section III of the RFP and should separately address each Task (e.g., Task 1: Governance; Task 2: Policy Review and Development; Task 3: Organizational Structure; etc.).

The proposal shall also satisfactorily address and indicate the Respondent's ability to comply with all the reporting and delivery requirements and time constraints given in Section IV of the RFP. The proposal shall provide that the final report will include, at a minimum, the following elements:

- A description of the work performed
- Findings and recommendations, if appropriate, with respect to such work
- Comments or responses to findings and recommendations from PEBA and PEBA staff, where appropriate
- Specific and concrete proposals to achieve any improvements recommended by the Respondent. Each recommendation should be assigned a priority value and include an analysis of potential costs or savings associated with implementation.

(g) Project Costs/Fees and Sample Contract (Page Limit: Cost/Fees – 2
Contract – 10

- The proposal shall provide a total price for all the requirements as set forth in this RFP. The format should be similar to the following:

Personnel	Hourly Rate (x)	Estimated Hour	Personnel Costs
1.			
2.			
3.			
4.			
		Total Personnel	\$
		Total Travel Costs	\$
		Total Ancillary Costs	\$
		TOTAL COSTS	\$
Explanation of travel and ancillary costs			

- Please provide an estimated number of hours to complete each of the Tasks listed in Section III similar to the below chart:

Task No.	Description of Task	Est. No. of Hours to Complete
1	Governance	
2	Policy Review and Development	
3	Organizational Structure	
4	Content & Form of Communication with Stakeholders	
5	Key Benefits Admin. Functions	
6	Actuarial Matters	
7	Legal Compliance	
8	Types & Levels of Customer Serv.	
9	Recordkeeping & Security of Infor.	
10	Cost of Operations	
11	Information Technology Systems	

- Please include a breakdown of travel costs, including the anticipated number of trips, the number of employees on each trip, and the length of each stay.
- Provide a sample contract that your firm proposes to use if selected for this engagement. The sample contract should incorporate the terms, conditions and scope of services of this RFP as set forth in Sections III-VIII.

SECTION VI: TENTATIVE TIME TABLE

The following is the tentative time schedule for the SIG search for vendors to provide the requested services. All dates are subject to modification by the SIG without prior notice. Any modification to the dates set forth in the time table will be posted to the SIG website.

Event	Date
RFP Released	7/7/2014
Respondent Questions and Letter of Intent to Bid Due	7/23/2014
Emailed Responses to Written Questions	7/28/2014
Proposal Due Date	8/7/2014
Finalist(s) Presentations	Week of 8/25/2014
Announcement of Successful Respondent	9/8/2014
Commencement of Fiduciary Performance Audit	10/01/2014 (no earlier)

Proposal Presentation Conference

Respondents chosen as finalists will be given the opportunity to make an oral presentation during the week of **August 25, 2014**. The presentation conference will be held in the presentation conference room of the **South Carolina Public Employee Benefit Authority, 202 Arbor Lake Drive, Columbia, South Carolina, 29223**. Please bring a copy of the RFP as no additional copies will be available at the proposal presentation conference.

The firm selected must enter into a contract to conduct a fiduciary performance audit of PEBA. Auditing (i.e., delivery of final report) must be completed by **January 31, 2015**. Audit work can be commenced at a date mutually agreed upon by the successful firm, but cannot begin prior to **October 1, 2014, and is contingent** upon funding by the South Carolina General Assembly.

Preliminary draft and final reports must be submitted to the SIG no later than 5:00 p.m. on the dates mutually agreed to by the SIG and the successful respondent. These agreed upon dates must be incorporated into the detailed review plan set forth in Reporting and Delivery Requirements Section IV.A.

SECTION VII: EVALUATION OF PROPOSAL

Proposals will be evaluated across the categories listed in Section V of this RFP, and the proposal presentation conference using a scoring system that will total 100 points. Incomplete or insufficient answers to proposal requirements may cause a reduction in points awarded. An evaluation committee established by the SIG will preliminarily evaluate and score the responses, and provide a recommendation to the IG. The SIG will award the project through its evaluation of the responses, in conjunction with the committee's recommendation and subsequent interviews by the committee as a whole.

The following provides a listing of the major categories of evaluation, and the relative importance of each category:

Firm Qualifications:	25 points
Assigned Staff Qualifications:	25 points
*Project Cost/Fees:	20 points
Understanding of the Project: (incl. Detailed Plan of Work)	15 points
Proposal Presentation	5 points
Resources:	5 points
References:	<u>5 points</u>
Total Possible Score:	100 points

**(A proposal will receive points for "cost" by dividing the lowest bid by that firm's bid, and then multiplying the quotient by the maximum number of points available.)*

SECTION VIII: MISCELLANEOUS TERMS AND CONDITIONS

A. General

The SIG makes no representations or warranties, expressed or implied, as to the accuracy or completeness of the information in the RFP and nothing contained herein is or shall be relied upon as a promise or representation, whether as to the past or the future. The RFP does not purport to contain all of the information that may be required to evaluate the RFP and any recipient hereof should conduct its own independent analysis of PEBA, the Retirement System, the non-retirement employee benefit plans, and the data contained or referenced herein.

Responding firms selected as finalists may be required to appear before the selection committee, at their own expense, to make a proposal presentation prior to awarding the contract. Dates for the presentation conference will be determined by the selection committee and the SIG. The SIG is not responsible for any costs incurred by the responding firms prior to the execution of the contract.

This RFP is not an offer but a request to receive a Response. The SIG will consider a Response as an offer to develop an agreement based upon the contents of the Response. Respondents agree that the contents of their responses are valid for one year from the date of submission. The SIG will not be liable for any cost incurred in the preparation of a Response and will not reimburse any respondents for their submission. Expenses related to the production of a Response are the sole responsibility of the respondent.

An award letter will be issued by the SIG to the successful proposer. The award letter will specify the maximum fee to be paid for performance of the audit as set forth in the

successful proposal for each phase of the contract. Any expansion of services resulting in an increase in the maximum fee must have the prior written approval of the SIG.

B. Competitive Negotiations of Proposals

The Respondent is advised that under the provisions of this RFP, the SIG reserves the right to conduct negotiations of the proposals received or to award a contract without negotiations. If such negotiations are conducted, the South Carolina Consolidated Procurement Code and Regulations Annotated, §11-35-1530(8), shall apply, along with the following conditions:

- Negotiations may be conducted in person, in writing, or by telephone.
- Negotiations will only be conducted with firms that have submitted potentially acceptable proposals. The SIG reserves the right to limit negotiations to those proposals which received the highest rankings during the initial evaluation phase.
- Terms, conditions, prices, methodology, or other features of the Respondent's proposal may be subject to negotiation and subsequent revision.
- The mandatory requirements of the RFP shall not be negotiable and shall remain unchanged unless the SIG determines that a change in such requirements is in the best interest of the SIG. In such case, the change(s) shall apply to all proposals.
- As part of the negotiations, the Respondent may be required to submit supporting financial, pricing and other data in order to allow a detailed evaluation of the feasibility, reasonableness, and acceptability of the proposal.
- All Respondents involved in the negotiation process will be invited to submit a best and final offer.

C. Choice of Law; Jurisdiction and Venue

Any contract resulting from this RFP shall be governed by and in accordance with the laws of South Carolina. Jurisdiction and venue for resolution of any dispute shall be in the courts of South Carolina. Before any work can commence under the initial contract, final approval must be given by the SIG.

D. Right to Reject or Cancel

The SIG is not and will not be under any obligation to accept, review or consider any Response to the RFP, and is not and will not be under any obligation to accept the lowest fee offer submitted or any offer at all. The SIG is not and will not be under any obligation to any recipient of, or any respondent to, the RFP except as expressly stated in any binding agreement ultimately entered into with one or more parties, either as part of this RFP process, or otherwise. Any decision to enter into a binding agreement with a Respondent to this RFP is in the SIG's sole discretion.

The SIG reserves the right, at its sole discretion and without giving reasons or notice, at any time and in any respect, to alter these procedures, to change and alter any and all criteria, to terminate discussions, to accept or reject any Response, in whole or in part, to negotiate modifications or revisions to a Response and to negotiate with any one or more respondents to the RFP. (SC Code Section §11-35-1710 and R.19-445.2065)

E. Open Records

Any Response submitted will become the property of the SIG. The SIG reserves the right to retain all Responses submitted, and use any information contained in a Response except as otherwise prohibited by law. All Responses and the contents thereof will be deemed to be a public record which is open to public inspection after a Respondent has been selected and a contract has been executed, if any. A Respondent may include one additional copy of its Response with any proprietary trade secret information redacted and marked as such with a brief written basis as to why it believes the information is protected from disclosure. In the event that the SIG receives a public records request to which, in the SIG's sole discretion, any of a Respondent's materials are responsive, SIG may release the Respondent's redacted materials, or in the event no redacted materials are submitted, the Respondent's un-redacted materials without notice to the Respondent. In the event any of the Respondent's redactions are challenged, the Respondent shall have sole responsibility to defend such redactions at its cost and expense. The SIG will not institute any legal action to defend any of Respondent's reactions, but will notify the Respondent of such challenges.

F. Code of Laws Available

The South Carolina Code of Laws, including the Consolidated Procurement Code, can be located at: <http://www.scstatehouse.gov/code/statmast.php>

The South Carolina Regulations can be located at: <http://www.scstatehouse.gov/coderegs/statmast.php>

G. Indemnification

Potential offerers are advised that units of State government may not enter into indemnification agreements. By submitting a response to this RFP, the offerer hereby acknowledges and accepts same.