

**South Carolina Public Employee Benefit Authority**  
**Request for Proposal**  
**Questions and Answers**

1. Although the review will not begin until October 1, 2014, is it possible to provide a document request and begin to receive documents electronically prior to that date?

***1A. Electronic document production may begin upon the successful execution of a contract between the South Carolina Office of the State Inspector General (SIG) and the successful vendor, and in coordination with PEBA.***

2. Section III. B. indicates that PEBA staff assistance will be limited. Can we assume that PEBA will have a lead point of contact who can assist in scheduling interviews and handling document requests and uploading electronic files for audit team review?

***2A. A PEBA lead point of contact will be assigned to assist in logistics associated with this fiduciary review. Additionally, the SIG will also have a lead point of contact to oversee the review process and assist as needed.***

3. Is there an approved maximum funding level for this project which the proposal must conform with?

***3A. Funding levels for fiduciary performance reviews are established by the South Carolina General Assembly during the appropriations process. This is publicly disclosed in Section 117 "General Provisions" of the State budget, and may be found by reviewing Proviso 117.114 at: [http://www.scstatehouse.gov/sess120\\_2013-2014/appropriations2014/tab14ndx.php](http://www.scstatehouse.gov/sess120_2013-2014/appropriations2014/tab14ndx.php)***

4. Is it possible to obtain an organization chart or table which indicates how the 260 positions map into each department?

***4A. Publicly available information on PEBA organization and structure may be found at [www.peba.sc.gov](http://www.peba.sc.gov). Internal agency documents will be made available to the successful vendor upon execution of a contract with the SIG.***

5. In order to facilitate planning and scheduling, would it be possible to identify the day or days you intend to conduct the Finalist Presentations during the week of August 25, 2014?

***5A. The proposal presentations will begin on Monday, August 25, 2014 and conclude on Tuesday, August 26, 2014. Presentations will be held from 9:00 a.m. to 3:00 p.m. EDT each day in thirty minute time slots. The final number of proposals submitted will determine whether one or two days will be needed for the presentations, and will be determined at the close of solicitation period on August 7, 2014.***

6. Considering the short PEBA history, are you looking for potential recommendations for possible follow-up revisions to the legislation which created PEBA? For example, potential improvements in alignment of fiduciary responsibilities?

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***6A. The review should encompass the submission of observations and recommendations which will assist all PEBA stakeholders (to include the State legislature) charged with fiduciary oversight in making informed decisions, improvements, and if needed, alignment of fiduciary responsibilities.***

7. Is the review intended to cover plan compliance with Federal standards that apply to PEBA programs, such as the Internal Revenue Code and health care program regulations; or is the review limited to compliance with State law provisions?

***7A. Yes. The review should cover compliance with Federal and State law provisions.***

8. Does scope of the review extend to management of OPEB liabilities and future health care costs?

***8A. Yes. PEBA provides benefits administration to both current and retired state employees and their beneficiaries.***

9. Is evaluation of processes for handling eligibility determination appeals and hearings meant to be included within the legal compliance review?

***9A. Yes. While eligibility of retirement and health care insurance benefits is initiated at the employee's agency, any appeal or hearing on matters affecting the employee's benefits falls within the purview of PEBA.***

10. Will it be possible to interview key external stakeholder groups, such as representatives from retiree groups, employer groups, employee groups and key legislators, particularly in support of *Category 4: Content and Form of Communication with Stakeholders*?

***10A. Yes.***

11. For *Category 5: Key Benefits Administration Functions*, is it correct to assume:

- a. The evaluation of programs managed by a third-party provider (e.g., State ORP, SCSCP, health care plans, etc.) should address the process of selection and management (e.g., RFP development, due diligence, performance monitoring, risk assessment, etc.) of the provider rather than the content of the plan and performance of the provider itself?

***11a. The intent of the review in Category 5 is to evaluate PEBA's performance of administering the key benefits under its control. To the extent that PEBA exerts control or influence over a third-party provider of PEBA programs a review with observations and recommendations should be conducted.***

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- b. For the internally-administered Retirement System programs, the evaluation should include an assessment of internal processes and controls, benefit calculations, data integrity and controls, and statement preparation?

***11b. Yes.***

12. *Category 10: Cost of Operations* specifies an assessment of the cost of operations for the Retirement System and employee insurance benefit programs. To the extent that any of these programs, such as health care and deferred compensation, are outsourced, to what degree are you expecting an assessment of operational costs?

***12A. The assessment should be based upon the vendor knowledge, experience and access to industry-wide standards and information in conducting similar fiduciary reviews in order to draw any comparisons, conclusions or recommendations.***

13. We understand that PEBA participated in a CEM Pension Administration Benchmarking survey for fiscal year 2013.

- a. Will this study be available to the consultant to use during the fiduciary audit?

***13A. Yes.***

- b. Have there been material changes in the pension administration operations since the time period of this study?

***13B. No.***

- c. Was the call center consolidated for pension administration and insurance at that time?

***13C. Yes, the call center was consolidated, but the benchmarking analysis related to pension administration only.***

14. What is the intended level of depth for *Category 11: Information Technology Systems*? Is this meant to be an assessment of the overall IT applications landscape and tools available, or is a more detailed review intended?

***14A. The intent of Category 11 is to determine if PEBA staff has the necessary IT tools and systems to effectively administer the benefits under PEBA's purview.***

15. Section II, Background, states that PEBA and the Office of the State Budget and Control Board (BCB) are co-trustees of the retirement system trust funds, serving as fiduciary stewards for active members, annuitants, beneficiaries, and plan participants of the PEBA Insurance Benefits among other funds and trust funds. What kind of insurance benefits are covered by the PEBA Insurance Benefits fund?

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*15A. The full scope of benefits and coverage can be found under the insurance benefits section located on the PEBA website: [www.peba.sc.gov](http://www.peba.sc.gov).*

16. What is the period covered by this Fiduciary Performance Audit?

*16A. This is a point in time fiduciary performance review. PEBA initiated operations on July 1, 2012 in its current form. However, document review preceding the creation of PEBA will be available to assist the firm in formulating observations and recommendations for improvement of processes.*

17. The RFP requires in Section III, Scope of Services, Areas to be Assessed, Category 3 (Organizational Structure), that the Fiduciary Performance Audit address the staff position description and number, type, skills sets, and credentials of staff. Is it expected that the consulting firm cover the 260 positions, judgmentally sample from the 260 positions, or review exclusively the key staff positions?

*17A. This will be focused on key staff positions, which will be identified at the initiation of the review. However, the review should also look at the organizational structure as a whole to determine if PEBA is fulfilling its fiduciary duty to its stakeholders and beneficiaries.*

18. The RFP requires in Section III, Scope of Services, Areas to be Assessed, Category 3 (Organizational Structure) that the Fiduciary Performance Audit address reporting lines, spans of control, and segregation of duties (including internal controls). Is it expected that the consulting firm test the operating effectiveness of the internal controls or rather cover the internal controls exclusively from the design perspective?

*18A. The purpose of this fiduciary review is to critically evaluate the fiduciary roles and responsibilities of PEBA and staff; and the goal 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 decision on how to conduct this review is left to the discretion of the responding firm with the areas articulated in each category as the minimum areas which must be reviewed. The responding firm should set forth its process in its proposal in order for the SIG evaluation committee to make an informed decision.*

19. The RFP requires in Section III, Scope of Services, Areas to be Assessed, Category 5 (Key Benefits Administration Functions), that the Fiduciary Performance Audit 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. In addition to the State Optional Retirement Program and the South Carolina Deferred Compensation Program (which are not included in the South Carolina Retirement System), what are the other state employee benefit programs administered by PEBA the

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Consulting Firm is expected to review? Also, will PEBA provide a list of the processes that are considered 'key'?

***19A. The listing of employee benefit programs administered by PEBA are found through the links on its website: [www.peba.sc.gov](http://www.peba.sc.gov). The consulting firm will only be responsible for reviewing programs under PEBA's oversight. Set forth in the RFP and articulated in each category are the key areas, processes, and policies which must be addressed at a minimum for this review.***

20. The RFP requires in Section III, Scope of Services, Areas to be Assessed, Category 5 (Key Benefits Administration Functions), that the Fiduciary Performance Audit address the calculation of benefits. Is it expected that the consulting firm test the accuracy of health and other claims and pension benefits paid during the review period or rather review exclusively the process used for the calculation of benefits? Also, if benefit testing is included in the scope of this engagement, are we correct in assuming that benefit testing does not include claims processed by a third party administrator?

***20A. The decision on how to conduct this review is left to the discretion of the responding firm with the areas articulated in each category as the minimum areas which must be reviewed. The responding firm should set forth its process in its proposal in order for the SIG evaluation committee to make an informed decision.***

21. The RFP requires in Section III, Scope of Services, Areas to be Assessed, Category 7 (Legal Compliance), that the Fiduciary Performance Audit address compliance with prohibited transactions requirement. Is it expected that the consulting firm test certain transactions during the review period to determine if they were prohibited transactions, or rather review solely the process designed to verify compliance with the prohibited transaction requirement?

***21A. The decision on how to conduct this review is left to the discretion of the responding firm with the areas articulated in each category as the minimum areas which must be reviewed. The responding firm should set forth its process in its proposal in order for the SIG evaluation committee to make an informed decision.***

22. The RFP requires in Section III, Scope of Services, Areas to be Assessed, Category 11 (Information Technology Systems), that the Fiduciary Performance Audit include an evaluation for reasonableness and adequacy 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. Since the investment and management of the Retirement System assets and Insurance Trust funds are the responsibility of the South Carolina Retirement System Investment Commission ("RSIC") and the South Carolina State Treasurer's Office ("STO"), respectively, is it expected that the consulting firm extend its assessment of information technology systems covering RSIC STO, as well as other fiduciaries such as BCB?

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***22A. PEBA IT systems interface with other trustee and co-fiduciary IT systems on a daily basis. The evaluation is intended to identify the reasonableness and adequacy of PEBA's IT systems in order for the PEBA board of directors and staff to effectively administer the assets and funds of the Retirement System, Insurance programs and non-retirement benefit plans.***

23. Some areas could be grouped logically and for flow of the analyses... For example Categories 1 and 2 overlap. Categories 4, 5, and 8 overlap. Also, Categories 9 and 11 are related. Can these be grouped together in a manner that we think makes the report flow better? Does the OIG have a specific format for the report or example that demonstrates any preference of the OIG? If so, can the requirements, guidelines, or examples be provided?

***23A. The decision on how to conduct this review is left to the discretion of the responding firm with the areas articulated in the RFP. The report should address each category as set forth in RFP. Fiduciary performance reports are as varied as there are firms which provide this service. The responding firm should set forth its process and suggestions on report format in its proposal in order for the SIG evaluation committee to make an informed decision.***

24. For the findings that lend themselves to an evaluation of cost savings will assistance be available to provide cost data?

***24A. The successful vendor will have access to all information and data in order to make informed observations and recommendations pursuant to the RFP's purpose and goal.***

25. Section IV-E, Mandatory Minimum Qualifications, requires that the Respondent affirm it meets the independence standards of the Government Auditing Standards issued by the Comptroller General of the United States. Is there also a requirement or an expectation that the Fiduciary Performance Audit for the South Carolina Public Employee Benefit Authority be completed in accordance with the Government Auditing Standards issued by the Comptroller General of the United States?

***25A. The RFP sets forth the Mandatory Minimum Qualifications for the responding vendor. The RFP does not limit the responding vendor from articulating other qualifications it chooses to have considered by the evaluation committee.***

26. Is a firm that provides investment consulting services to the South Carolina Retirement System Investment Commission eligible to bid?

***26A. The Investment Commission, although closely related to PEBA, is a separate state agency. Section IV, Part E "Mandatory Minimum Qualifications" on page 14 of the RFP states "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." Additionally, Section V, Part B.5 "Respondent Qualifications" on pages 18-19 of the RFP states in part "The firm should***

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*also list and describe its professional relationship involving PEBA, the five South Carolina public retirement systems, the stat 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.”*

27. Are the defined contribution plans’ providers to be analyzed under Category 4: Content and Form of Communication with Stakeholders and Category 9: Recordkeeping and Security of Information, or is the scope limited solely to the practices of the PEBA?

*27A. The scope of the review is limited to the practices of PEBA.*

28. An expedited timeframe is identified in the RFP for completion of the project by January 31. What is the reason for this?

*28A. The SIG does not view the timeframe for this project as expedited. However, the purpose of establishing a completion date of January 31, 2015, is to ensure the South Carolina General Assembly has sufficient time to consider and/or enact legislative changes recommended by the report, if any.*

29. For purposes of Category 10, is the review to examine the reasonableness of existing benchmark comparisons (e.g., such as the methodology and peer group used by a third-party vendor such as CEM) or is the task to perform a benchmark comparison? If the latter, what is the expected size of the peer group required?

*29A. The successful vendor will have access to current benchmarking data in order to examine for comparative purposes. No additional benchmarking study will be undertaken.*

30. The minimum qualifications require that the Respondent meets the independence standards of the Government Audit Standards issued by the Comptroller General of the United States. Is the Respondent required to be an "audit" firm or may an investment consulting firm affirm if they will perform the work consistent with the Government Audit Standards?

*30A. There are no prohibitions on what type of firm can submit a proposal. The RFP sets forth the criteria which will be considered by the evaluation committee. How a responding firm chooses to articulate its qualifications and the manner in which it will perform the review is left to the discretion of the firm, and will be considered by the evaluation committee.*

31. Section III. (Scope of Services), Paragraph A, lists eleven categories of areas to be assessed. Will you consider a proposal that agrees to assess some but not all eleven areas listed in the RFP? If you will consider such a proposal, are there any limits imposed on the categories that must be included in a proposal? For example, could a firm propose to review all areas except legal compliance (Category 7)? Could a firm propose to views all areas except Categories 9, 10 and 11?

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*31A. Section IV, Part E “Mandatory Minimum Qualifications”, page 13 of the RFP sets forth in the first bullet “The Respondent must agree to provide the minimum services as detailed in Section III, as well as all other requirements state in the RFP.” Additionally, in Section V, Part B.1, page 16 of the RFP, the fourth bullet states “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.”*

32. Will you consider a joint proposal from a law firm and a benefits consulting firm that agrees to assess all areas listed in the RFP? If so, do you require that the parties propose as a general contractor and subcontractor? Alternatively, could the proposing parties submit a joint proposal with separate contracting for each party?

*32A. There are no prohibitions on what type of firm can submit a proposal. It is recognized that some firms may choose to submit a joint proposal. However, the manner in which multiple firms choose to memorialize their agreement is up to them. The RFP sets forth the proposal criteria which will be considered by the evaluation committee. However, the SIG will only enter into a contract with one responsible firm, if the proposal is deemed appropriate.*