

Questions and Answers for Actuary Audit Request for Proposals

Updated as of August 16, 2019

1. When was the last independent audit performed? Who performed the audit?

The last actuarial audit was conducted in the spring of 2012. That audit covered data (the valuation) as of June 30, 2011. The report was issued in April 2012. The audit was conducted by Cheiron.

2. Is there a specific budget for this project?

There is a budget for this review and we anticipate spending between \$40,000 and \$60,000 for this audit.

3. Many firms consider test life output proprietary. Please confirm whether or not the current actuary is able to provide test life information to assist with the replication and review of their work. If not, can additional liability information be made available to assist in the process?

Our retained actuarial firm does consider certain calculations to be proprietary. What they will provide for both the active and inactive populations is noted below:

- *Active test life information -- a summary of the data, the present value of future benefits, the present value of future salary, the actuarial accrued liability, and the normal cost*
- *Inactive test life information (retired lives and terminated vested) - a summary of the data and the present value of benefits.*

4. The scope outlines a review of actuarial valuation assumptions, including confirmation that the assumptions “are reasonable based on MPERS’ experience.” Please confirm that the experience is limited to that provided in the experience study report and does not include replication of the experience study analysis.

We confirm that the auditing actuary will not have to replicate the experience study analysis that was most recently conducted.

5. The scope notes that we should not anticipate a lengthy review of the data provided by MPERS to its current actuary. Please confirm that the current actuary will provide the valuation ready data used in their June 30, 2019 valuation report.

We will provide the auditing actuary with the exact data (valuation ready data) provided to the retained actuary.

6. Should time be included in our schedule to allow for the current actuary and staff to review and comment on a draft version of the report?

Yes, that should be included in your schedule.

7. When was the most recent MPERS full replication audit and what were the associated fees?

The most recent actuarial audit was a full replication audit which covered data (the valuation) as of June 30, 2011. The report was issued in April 2012. The audit was conducted by Cheiron at a cost of \$50,000.

8. Will the most recent MPERS full replication audit be available for review prior to the current proposal due date?

Yes, that report can be emailed to any person or firm that requests it.

9. Section I A states that the contractor must perform a full replication based on information provided to the current actuary. Section II B states that the contractor should not budget significant resources for the purpose of reviewing data provided by MPERS to the current actuary. Is the intent that that the audit be based on the raw data provided to the current actuary or the processed data (raw data after cleanup) used by the current actuary?

The intent is for the audit to be based on the raw data provided to the current actuary which will be provided to the auditing actuary exactly as it was given to the retained actuary. However, if the auditing actuary would like to review the reconciled data from the retained actuary, MPERS will help coordinate that request to the retained actuary.

The comments in Section II B were included in the RFP to indicate that the data provided to the retained actuary is complete and does not contain any significant errors (i.e. dates of birth that may read January 4, 2019 or retirement dates of January 1, 1906, etc).

10. One of the audit requirements is whether the valuation methods and procedures are in compliance with GASB 67 and 68. Is a requirement that the auditing actuary fully replicate the GASB 67 and 68 disclosures?

No, we are not asking for a full replication of the GASB 67 & 68 disclosures. We prefer the auditing actuary to:

- review all of the calculations presented in the GASB disclosure information*
- review the pension expense and disclosure of deferred inflows and outflows of resources to the valuation results*
- review the net pension liability measurements*
- review the single equivalent interest rate*