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### **Auditor Request for Proposal Q&A Answers**

1. RFP Section 1.1, page 1 – Why is PFRS NJ going out for proposal?

**ANSWER:** The PFRSNJ is independently contracting with an audit firm.

2. Page 3, Section 1.3.2 - Will it be accepted if the electronic copy delivery and printed documents are postmarked by the deadline?

**ANSWER:** Yes.

3. Section 1.6, page 3 references “Experience Studies” as occurring every three years. Could the Board confirm the timing of the next actuarial experience study? Has a new study been commissioned or adopted since the most recent one covering the period from July 1, 2018 through June 30, 2021?

**ANSWER:** An Experience Study was completed and adopted for the period ending June 30, 2024. The next scheduled Experience Study will be completed using the period ending June 30, 2027.

4. RFP Section 1.7, page 3 – What does PFRS NJ need to evaluate compliance with the requirements in Attachment F? Would a copy of our technology usage and information security policy suffice?

**ANSWER:** Yes.

5. RFP Section 2.0, pages 3 to 4 – Are the responsibilities identified in this section subject to GASB and GAO independence standards?

**ANSWER:** As stated in the RFP, GASB standards are required.

6. Section 2.0, page 4 Scope of Services - Will the audit firm be provided direct read-only access to State Street Bank systems, or other custodian-level reporting tools, to independently confirm investment balances and activity?

**ANSWER:** The audit firm will not be provided access to custodian reporting tools. Auditors will request information via written confirmations to the custodian or investment advisors.

7. Page 5, Section 2.2 Audit Period - Is June 30, 2025 the first audit year requested in the RFP?

**ANSWER:** No, June 30, 2026 will be the first required audit for this RFP

8. RFP Section 2.4, page 4 – Will the audit for fiscal year ended June 30, 2024 be the PFRS NJ's first year of audit as a standalone entity?

**ANSWER:** No, June 30, 2026 will be the first required audit for this RFP.

9. Financial Statement Reporting for FY2025 and FY2026:

Can the Board confirm whether the PFRSNJ financial statements for:

FY2025 will be:

(a) issued as stand-alone audited statements, and

(b) also incorporated into the Division of Pensions and Benefits' June 30, 2025 consolidated financial statements?

FY2026: What is the expectation regarding financial statement presentation and consolidation?

**ANSWER:** The investment related financial statements for FY2025 and ongoing, will not be issued on a stand-alone basis and will be consolidated into the Division of Pension and Benefits (DPB) consolidated financial statements. The expectation for FY2026 will be to audit the investment financials related to the PFRSNJ so they can be consolidated into DPB's overall financials.

10. RFP Section 2.4, page 4 - Our process includes independence conflict checks before the execution of a contract to audit. Would PFRS NJ be able to provide a list of its related parties and affiliates?

**ANSWER:** The PFRSNJ is a New Jersey State agency in the Department of the Treasury.

11. Page 6, Section 2.4.4 Audit Start Date -How soon after year end would the auditors be able to begin final fieldwork? Note: This is for years 2-7.

**ANSWER:** Mid-August, approximately 45 days following year end.

12. RFP Section 2.6, page 6 – Is the timing mentioned in this section of December 31 applicable to the fiscal year 2025? We noted that for fiscal year 2024, the audited financial statements of the State of New Jersey Division of Pensions & Benefits (which included PFRS NJ) was dated March 26, 2025.

**ANSWER:** No. FY 2026 will be the first required audit for this RFP and the timing in Section 2.6 will apply.

13. Deliverables – Financial Statements and GASB Reporting: Can the Board confirm whether “Financial Statements and GASB reporting” and “audit reports and schedules” include:

The Schedule of Employer and Nonemployer Allocations; and

The Schedule of Pension Amounts by Employer and Nonemployer?

**ANSWER:** No, not applicable.

14. Other - Did the prior auditors provide an opinion specific to PFRSNJ financial statements for 2024 or were they included in the overall opinion of Division of Pensions and Benefits audit report?

**ANSWER:** They were included in the overall opinion.

15. RFP Section 2.6, page 6 – Were there any adjustments proposed by the prior year auditor?

**ANSWER:** No.

16. RFP Section 2.6, page 6 – What challenges or roadblocks during previous audits would you like us to be mindful of or to proactively work to avoid?

**ANSWER:** Deviation from the stated timing.

17. RFP Section 2.7, page 6 – What are the expectations regarding the audit team being onsite or offsite? Can the audit fieldwork be done remotely?

- a. Page 7, Section 2.7 Working Space at PFRSNJ - Is PRFSNJ open to a hybrid audit approach (combination of onsite and remote work)?

**ANSWER:** The PFRSNJ will have space available if onsite work is required, however if any audit field work can be done remotely the PFRSNJ would be open to this hybrid approach.

18. RFP Section 2.8, page 6 – What is the timing for receiving the initial drafts of financial statements, MD&A, notes and schedules?

**ANSWER:** Mid-August, approximately 45 days following year end.

19. RFP Section 2.9, page 6 – What is PFRS NJ's process for responding to and taking action on audit or accounting issues noted during the audit?

**ANSWER:** Issues should be discussed via conference calls with documentation provided.

20. RFP Section 2.9, page 6 – Has Internal Audit provided assistance during prior audits? If so, to what extent has the prior year's external auditor relied on their work? Additionally, would Internal Audit be available to support the 2024 audit? If so, please indicate their availability and the anticipated scope of their involvement.

**ANSWER:** The State's Internal Auditors have not provided any assistance during prior audits, so the external auditor has not had to rely on their work. The FY2024 audit has been completed. FY2026 will be the first audit cycle covered under this RFP.

21. Page 13, Section 4.0 Terms and Conditions - Our process also includes a requirement to sign an annual engagement letter on commercially reasonable terms. Is PRFSNJ amenable to signing that? Should we include a sample engagement letter in our response?

**ANSWER:** The PFRSNJ is able to sign an engagement letter if the terms of the engagement letter do not conflict with statutory or regulatory requirements and do not diminish the State's rights. Bidders should provide samples of any agreements they would expect the PFRSNJ to enter into if selected, and stipulate whether any such agreement can be negotiated.

22. Page 13, Section 4.0 Terms and Conditions - Regarding the Terms and Conditions provided, to ensure adherence with professional standards, are vendors allowed to include exceptions provided by our legal team within the proposal or will there be a contract negotiation period following award?

**ANSWER:** The PFRSNJ may consider changes to the terms and conditions that are not contrary to, do not conflict with statutory or regulatory requirements and do not diminish the State's rights. Whether or not any proposed changes are accepted or negotiated is solely within the discretion of the PFRSNJ. The PFRSNJ will enter into a mutually negotiated Audit Services Agreement with the Bidder selected through this RFP process.

23. Page 15, Section 4.8 – Please confirm a New Jersey Business License can be obtained upon notification of award and only an affirmation of our ability to obtain one is necessary within the proposal.

**ANSWER:** Bidders are not required to submit a New Jersey Business Registration Certificate with the proposal. If a New Jersey Business Registration Certificate is not provided with the proposal, then the Certificate will be due within seven (7) business days of the PFRSNJ's request for the Certificate.

24. Page 74, Attachment B.8 - Respondents are asked to provide annual reports. As a partnership, our firm does not have audited financials, nor do we have balance sheets, statement of income or statement of cash flows available for public release or to be included in a proposal. We can submit our current and past net fees, a summary D&B report and a letter of financial stability verification from our financial institution. Will these suffice?

**ANSWER:** Yes.

25. Attachment D pages D-1, D-2 - Has the Board retained an actuarial firm for FY2024 and beyond? If so, does Segal continue to serve in that capacity?

**ANSWER:** The Board has currently retained Segal for actuarial services. FY2026 will be the first audit cycle covered under this RFP.

26. RFP Attachment D, page D-1 – Is there a centralized or decentralized environment as it relates to payroll, HRIS, eligibility and census data information capture?

**ANSWER:** Not Applicable.

27. RFP Attachment D, page D-1 – What is the allocation of \$32.5B in assets between the different types of assets?

**ANSWER:** Please refer to the PFRSNJ website at:  
<https://www.nj.gov/pfrs/investments.shtml>.

28. RFP Attachment D, page D-1 – Is PFRS NJ invested in assets measured at NAV? If it is, what are the due diligence and monitoring procedures in place for these types of investments?

**ANSWER:** The PFRSNJ investment staff work with outside consultants, a variety of vendors, and the custodian bank to complete due diligence and the monitoring of investments.

29. RFP Attachment D, page D-1 – Are there any internally managed funds for PFRS NJ? If so, what are the investment types and the approximate dollar amounts?

**ANSWER:** The PFRSNJ has two public market portfolio's managed in-house consisting of equities and ETF's. The combined value of both portfolios is approximately \$750M.

30. RFP Attachment D, pages D-1 to D-2 – For cash within the State Cash Management Fund (CMF) and Common Fund E – are these assets commingled with other pensions funds/retirement systems of the State of the NJ? If so, how are these tracked for each entity?

**ANSWER:** The State of NJ Cash Management Fund (CMF) and Common Pension Fund E (CPFE) are strictly investments in the PFRSNJ financial statements, and are represented as line items in our holding report. CMF and CPFE are managed by the Division of Investment and are covered by another external audit firm.

31. Other - Investments - the investments in Common Pension Fund E - for the amounts allocated to PFRSNJ are they in PFRSNJ name or are they allocated on an unitized basis?

**ANSWER:** The investments in Common Pension Fund E are unitized and not in the PFRSNJ's name.

32. Other - Has there been any update on the transfer of assets held in Common Pension Fund E to the direct management of the PFRSNJ Board? Has any portion been moved, or does the Division of Investments still maintain full management? How are those assets custodied and is the accounting for those positions combined with the other investment positions and reports for PFRSNJ at June 30, 2025, and 2026?

**ANSWER:** Common Pension Fund E will continue to spin off assets and cash as investments mature or income is received. The PFRSNJ holds line items in these investments, but they are strictly an investment of PFRSNJ.

33. What is the current operational status of the PFRSNJ Board in relation to the Division of Pensions and Benefits and the Division of Investments? Have any additional administrative, benefit administration, or investment functions transitioned to the Board since April 2024?

**ANSWER:** Not applicable, this RFP is for an investment financial statement audit only.

34. RFP Attachment D, pages D-1 to D-2 – Historically, have there been any challenges in obtaining investment-related information including audited financial statements and confirmations well before the issuance deadline?

**ANSWER:** No.

35. RFP Attachment D, pages D-1 to D-2 – Can you elaborate on any transition or data migration challenges from the Division of Investment following the April 1, 2024 transfer of assets?

**ANSWER:** There were no transition or data migration challenges.

36. RFP Attachment D, pages D-1 to D-2 - Are there any service providers involved in the portfolio or investment management process (such as brokers, fund administrators, or investment management system providers) that lack a SOC-1 report?

**ANSWER:** No.

37. RFP Attachment D, pages D-1 to D-2 – Are there any expected material unusual or nonroutine transactions expected changes in accounting policies, significant increase in certain account balances/activities expected, or methodology changes in estimates? If so, please provide those details.

**ANSWER:** No.

38. RFP Attachment D, pages D-1 to D-2 – Are you aware of any operational errors that have occurred or are still uncorrected that you would like us to be aware of at this point to price into our proposal?

**ANSWER:** No.

39. Other - Were there any material weaknesses or significant deficiencies in internal controls reported for 2024?

**ANSWER:** No.

40. RFP Attachment F, par F.7, pages F-4 to F-6 – What constitutes “PFRSNJ data” versus “State data” in terms of handling, storage, and transmission requirements?

**ANSWER:** As an agency of the State of New Jersey, there is no difference from the State on how the PFRSNJ data is handled, stored or transmitted.

41. RFP Attachment F, par F.12, page F-7 – Is there a preferred secure file transfer protocol (e.g., SFTP, HTTPS) for exchanging data with PFRS NJ?

**ANSWER:** Microsoft Outlook or a shared site based and housed in the United States and in compliance with the State of New Jersey’s Data Security Requirements outlined in Attachment F.

42. RFP Attachment F, pages F-2 to F-15 – Is the Contractor is expected to comply with all 35 Infosec domains listed in Attachment F, or are some considered optional or best-effort?

**ANSWER:** The contractor is expected to comply with all 35 Infosec domains.

43. RFP Attachment F, pages F-2 to F-15 – Are there any preferred or prohibited technologies, platforms, or cloud providers for hosting systems that process PFRSNJ data?

**ANSWER:** Microsoft Outlook or a shared site based and housed in the United States and in compliance with the State of New Jersey's Data Security Requirements outlined in Attachment F.

44. Other - What are the key qualities that PFRSNJ is expecting from their auditors?

**ANSWER:** Key qualities that the PFRSNJ expects from the awarded auditing firm are:

- Timeliness;
- Communication;
- Knowledge on GASB requirements; and
- Sufficient Staffing.

45. Other - Is the Board continuing to rely on the Division of Pensions and Benefits' External Audit Unit for employer site visits and census testing? Or has this function been brought under the Board's oversight?

**ANSWER:** Yes, but this is not applicable as this RFP is only for an investment financial statement audit.

46. Other - Will the selected auditor be expected to place formal reliance on the Division of Pensions and Benefits' census work, including re-performing a portion of that work in accordance with AU-C Section 600 (Using the Work of Another Auditor)?

**ANSWER:** Not in the scope of this audit, this RFP is only for an investment financial statement audit.

47. Employer Site Visit Rotation - Is a sample schedule or rotation plan of employers scheduled for census review in the upcoming fiscal year available to assist with audit planning?

**ANSWER:** Not in the scope of this audit, this RFP is only for an investment financial statement audit.

48. Other - Does the PFRSNJ Board anticipate any future adjustments to benefit levels, or changes to member or employer contribution rates?

**ANSWER:** Not in the scope of this audit, this RFP is only for an investment financial statement audit.