

## Questions and Responses: STRS Fiduciary Audit RFP

- 1) **Question:** In completing the RFPs for ORSC's fiduciary performance audits, specifically for Ohio Police and Fire and Ohio State Teachers Retirement System, we wanted to confirm the best method of delivering those to you. For both, the RFPs state "5 copies, including one unbound and one digital copy." Is this the most recent form of delivery or is there a more updated, preferred method of submitting these to you?

**ORSC Staff Response:** *5 Copies total --(3 printed and bound; 1 printed and unbound; 1 digital). The RFP has not changed and ORSC expects to receive 3 printed and bound copies, 1 printed and unbound copy, and 1 digital copy.*

- 2) **Question:** Has there been a recent independent benchmarking of STRS's compensation for investment and plan administration staff compared to peers (e.g., McLagan, CBIZ, Towers Watson)? If yes, will the consultant have access to that information? What was the date of the last study? Can the consultant rely on that study? Please describe in more detail your expectations for the analysis of compensation levels.

**STRS Staff Response:** *The most recent compensation study of investment and plan administration staff was completed by McLagan in April 2018, and the consultant will have access to that information.*

- 3) **Question:** Are securities lending and foreign exchange within the scope of this project? Has either been the subject of a recent independent review? If yes, will the consultant have access to the reports? What was the date of the last review?

**ORSC Staff Response:** *Yes, the consultant will review securities lending and foreign exchange as components of review.*

**STRS Staff Response:** *Amaces conducts a periodic review of foreign exchange transactions that are executed by the custodian on behalf of the Treasurer of State. They periodically issue a report to the Treasurer of State. Securities lending has not been subject to an independent review.*

- 4) **Question:** What methods and services does STRS currently use to evaluate the effectiveness of its trading activities (e.g., Elkins-McSherry)? Has there been a recent report and, if so, will the consultant have access to that information? What was the date of the last report?

**STRS Staff Response:** *STRS Ohio uses Virtu analytics as our vendor to evaluate the effectiveness of our trading activities for our internally managed Global equity portfolios. Reports are available.*

- 5) **Question:** Is the evaluation of transaction costs intended to include any areas other than public equities?

**ORSC Staff Response:** *We would assume that the evaluation would include all brokerage related transaction costs, including: equities, bonds, REITs, or other public securities that involve a commission.*

- 6) **Question:** What methods and services does STRS currently use to evaluate the effectiveness of its securities lending program? Has there been a recent report and, if so, will the consultant have access to that information? What was the date of the last report?

**STRS Staff Response:** *The internal Securities Lending Policy outlines a routine internal reviews of the program. Staff monitors loan spreads, volumes, and earnings trends from the securities lending program.*

- 7) **Question:** Does STRS have an Enterprise Risk Management (ERM) program, an enterprise risk plan, and/or a Director of Risk Management position? If yes, is it possible to receive a copy of the ERM policy and/or charter?

**STRS Staff Response:** *STRS Ohio has an ERM policy and will provide it as part of the audit. The CFO and Chief Actuary positions spearhead the annual updates.*

- 8) **Question:** Does STRS have a dedicated or shared Internal Audit (IA) activity? If yes, is it possible to receive a copy of the IA organization chart, charter, and last two years IA plans?

**STRS Staff Response:** *Yes, these will be provided during the audit.*

- 9) **Question:** In several places the RFP asks for an evaluation of “compliance” with legal requirements. Does this refer to an analysis of policies and governance practices for consistency with state and federal laws, or is it contemplated that a full compliance review of individual investment transaction documentation, decisions, reports and disclosures be undertaken?

**ORSC Staff Response:** *As this is a fiduciary performance audit, we expect an analysis of the policies and governance practices for consistency with state and federal laws and any best practices guidance; we do not expect a full compliance review to be undertaken.*

- 10) **Question:** Does the scope of the project include a review of investment transaction legal documents or manager and service provider contract documentation? If yes, would an analysis of standard contract clauses and transaction processes be sufficient? If not, would analysis of a representative sample of transactions and contracts be sufficient rather than a review of all transactions and related documents?

**ORSC Staff Response:** *No, we expect the evaluation to be directed toward STRS’s internal controls and oversight of providers and contract compliance. Therefore, we would anticipate only a review of the sufficiency of standard contract clauses and transaction processes.*

- 11) **Question:** Section 2.5 contemplates a review of the adequacy of the record-keeping system. Please specify the record keeping system(s) to be included.

**ORSC Staff Response:** *We do not have a specific list of systems to be reviewed. We envision the audit to, in part, inform ORSC on whether STRS is following best practices for its records keeping system, both within individual systems and also what should be subject to a record-keeping system.*

- 12) **Question:** The RFP does not mention anything about the STRS health care insurance program. Are any aspects of the health care insurance program meant to be included within the scope of this review? Is the review of “compliance” intended to extend to benefits and insurance program practices and governance? If yes, please describe the scope.

**ORSC Staff Response:** *No, the health care insurance program itself is not part of the review. However, consistent with the RFP, we would expect a review of the health care organization with STRS (staffing, oversight, governance, controls) to be included in the review.*

- 13) **Question:** Is it possible to receive a copy of any external audit management letter comments?

**STRS Staff Response:** *STRS Ohio has not received a management letter in many years.*

- 14) **Question:** Regarding the IT Operations review, are any investment-related systems meant to be included in the review? If so, please explain the nature of the systems to be included and the scope of the desired review.

**ORSC Staff Response:** *Yes, we expect a review of IT operations to be included in the review. The review of the system would be consistent with 2.6 of the RFP.*

- 15) **Question:** Is there an expected start and/or finish time frame for this review?

**ORSC Staff Response:** *ORSC staff does not have specified or expected start/finish time frame for the project. The RFP requires a timeline based on milestones (i.e. “1 week after contract start date;” “4 weeks after contract start date”) rather than specific dates, as described in 4.5 of the RFP.*