



ITEM 4

Executive Staff

Richard Stensrud
Chief Executive Officer

Steve Davis
Chief Investment Officer

Robert Gaumer
General Counsel

Kathryn T. Regalia
Chief Operations Officer

John W. Gobel, Sr.
Chief Benefits Officer

For Agenda of:

May 11, 2017

May 10, 2017

TO: President and Members
Board of Retirement

FROM: Kathryn T. Regalia
Chief Operations Officer

On behalf of the
Audit Proposals Evaluation Committee

SUBJECT: Recommendation for Professional Auditing Services Engagement

Recommendation:

Approve the Evaluation Committee's recommendation that Brown Armstrong Accountancy Corporation be awarded a three-year contract to provide professional auditing services to SCERS.

Background:

At the Retirement Board Meeting of February 15, 2017, your Board approved a Request for Proposals (RFP) for Professional Auditing Services. The RFP's were posted on the SCERS web site. Staff contacted Brown Armstrong Accountancy Corporation and Macias Gini & O'Connell, LLP, who have substantial California public employee retirement systems auditing experience.

The RFP indicated that an Evaluation Committee would review the written proposals in detail and meet to evaluate the proposers. The Evaluation Committee was comprised of Board Member Alan Matré, Chief Operations Officer Kathy Regalia, Special Assistant Retirement Administrator Annette St. Urbain, General Counsel Robert Gaumer and Senior Accounting Manager Thuyet Dang.

Recommendation for Professional Auditing Services Engagement

May 10, 2017

Page 2 of 3

Discussion:

SCERS received proposals from the following four firms by the filing deadline of March 30, 2017:

- Brown Armstrong Accountancy Corporation
- Macias Gini & O'Connell, LLP
- Moss-Adams, LLP
- Varinek, Trine, Day & Co., LLP

Each member of the Evaluation Committee individually reviewed the written proposals. The Evaluation Committee met on April 26, 2017, to discuss the proposals. The members of the Evaluation Committee noted that all four firms met all the requirements of the RFP and were qualified to perform the required services. Three of the firms were closely ranked at the top, with the fourth firm having the lowest ranking from all Evaluation Committee members.

Pursuant to the evaluation criteria, price was not to be the primary factor in the selection of the successful proposer. The spread between the lowest and highest dollar bid across all four proposers was \$24,337, or 10.8% of the lowest total dollar bid.

Proposer	Total	FY 2016-2017	FY 2017-2018	FY 2018-2019
Brown Armstrong	\$225,163	\$75,915	\$73,885	\$75,363
Macias Gini	\$246,572	\$79,414	\$82,159	\$84,999
Moss-Adams	\$249,500	\$80,750	\$83,150	\$85,600
VTD	\$244,832	\$80,000	\$81,600	\$82,232

The Evaluation Committee decided to interview the top three ranked firms to assist the Committee in formulating a recommendation to the full Board. These interviews concluded on May 10th.

Following review of all the proposals and three oral interviews, the Evaluation Committee found that the current service provider Macias Gini & O'Connell LLP and Brown Armstrong Accountancy Corporation were ranked very closely and that either firm would provide excellent service to SCERS. Proposals for the top two ranked firms are attached. After considerable discussion, the Evaluation Committee determined that Brown Armstrong Accountancy Corporation would best serve the needs of SCERS. The Evaluation Committee concluded that since the proposals were so close, and since some of your Board Members had expressed a desire to change auditors in order to provide a fresh look at SCERS' internal controls and other processes, Brown Armstrong was in the better position to provide confidence to your Board. In addition, Brown Armstrong's proposal of \$225,163 for the three-year contract was the lowest of the four bids.

Recommendation for Professional Auditing Services Engagement

May 10, 2017

Page 3 of 3

The Evaluation Committee recommends that Brown Armstrong Accountancy Corporation be awarded a three-year contract to provide professional auditing services to SCERS.

Respectfully submitted,

Concur:

Kathryn T. Regalia
Chief Operations Officer

Richard Stensrud
Chief Executive Officer

Attachments