



**ILLINOIS FIREFIGHTERS' PENSION INVESTMENT FUND**  
**Audit Services RFP (3.28.22) Question List**

- Does the Fund expect all pension fund assets to be transferred as of June 30, 2022? If not, can you provide an estimate of the remaining to be transferred? As well as timing of the remaining assets to be transferred?

FPIF will make every effort to transition all 296 funds by the end of the Statutory Transition Period on June 30, 2022. However, we do expect that a very limited number of funds will not complete the transition by that date. We currently have approximately 30 funds outstanding and scheduled for a June transition date and we hope to convert many of these.

- Does the fund expect the transition audit to be performed in conjunction with the financial audit as of June 30, 2022? Will this be supplemental information provided by FPIF that the auditor will give "in relation to opinion on"?

We do expect that the transition audit will be performed in conjunction with the financial audit as of June 30, 2022. It will be based on supplemental information provided by FPIF and the auditor will be expected to provide an opinion. The form of the opinion ("in relation to opinion on" or other) will be decided based on discussions between the auditor and FPIF as a part of the engagement letter process.

- If the transition audit is not supplemental information, will this be an agreed upon procedures engagement? If so, please provide the procedures to be performed and a sample report

The transition audit should be based on a supplemental information approach rather than an AUP

- Are there any changes to the Fiscal year audit report that you would like to be made? Will there be any new supplementary schedules?

The fiscal year end audit report will be more complex than the reports from the previous two fiscal year ends. This will be the first fiscal year end after the transition and therefore FPIF will have investment assets included in the statements. As a result, footnote disclosures will be expanded, and supplemental information related to the investment portfolio and a participant member fund allocation/accounting schedule showing the calculation of NAV for each of the member funds will be included.

- For item #J.a.5, may we provide an estimated number of pension fund clients and municipalities rather than a comprehensive list as the list would be extensive?

No - We would like to see the complete lists from all respondents

- What is the planned structure of the investment portfolio? For example, what types of assets will be invested in based on what allocation?

Approximately \$7B in total

Interim (for FY 2022 and possibly FY 2023) – near term allocation (Equity = 65%; Fixed Income=30%; Real Estate = 5%)

Long Term (beyond FY 2023) – includes private market and alternative components (Equity = 55%; Fixed Income= 30%; PE = 5%; Real Estate = 5%, Infrastructure = 5%)

- What is the anticipated size of the consolidated alternative investments portfolio?

FPIF currently only has one alternative investment. This investment is in Principal Financial Group's U.S. Property Separate Account, which is a real estate fund structured as a Group Annuity Contract. FPIF had \$247,136,384.23 invested in the strategy as of March 31, 2022. We expect to add more alternatives in the future as detailed in the Long-Term strategy above

- Will you be able to share a breakdown of the consolidated alternative investments portfolio by investment strategy (e.g. real estate funds, private equity, absolute return funds, hedge funds and direct investments)?

The only Alternative is the Principal USPA Fund investment listed above

- Can you provide a summary of your capital commitments by investment strategy?

Not readily available at this time

- What is your alternative investment thesis / outlook for the next five years?

Long Term (beyond FY 2023) – includes private market and alternative components (Equity = 55%; Fixed Income= 30%; PE = 5%; Real Estate = 5%, Infrastructure = 5%)

- Will you be able to share investor letters/statements received from alternative investment funds with the value of your interest / capital commitment?

Yes

- Will you have access to reports and assumptions that support the value of your interest in alternative funds?

Yes – If applicable

- As noted in the RFP on page 5, please provide a detailed listing of the assets related to the transition.

Provided separately (as of Q4 2020)

- Auditing standards require the auditors to gain an understanding of the entity's internal controls in order to assess the operating effectiveness and efficiency of the controls over significant process cycles. Does FPIF have documentation of its processes and controls over significant process cycles? Investing, Payroll, cash disbursements, etc.

Yes

- Approximately how many and what types of journal entries (adjusting journal entries and passed entries) were proposed by the Auditor in the prior year? Please send copies. Is this typical? If not, please explain.

None

- Does the Auditor assist with the calculation of any full accrual adjustments for FPIF? Please send copies. Is this typical? If not, please explain.

FPIF uses Lauterbach and Amen (L&A) to assist with the preparation of Monthly Financial Statements prepared on a Modified Cash Basis and year- end Financial Statements prepared on a full accrual basis. Auditors did not assist with any accrual calculation in prior years, but the FPIF statements will be more complex in FY 2022 (and beyond) as the transition has been essentially completed. Therefore, auditor assistance may be required for certain accruals going forward.

- Is FPIF or the auditor responsible for the creation of the annual financial statements?  
FPIF is responsible for the financial statements, but the Auditor has prepared and formatted draft financial in prior years based on statements and other information provided by FPIF (and L&A).
- Is FPIF expecting a change to the format of the financial statements? For example, additional supplementary schedules or submitting an Annual Comprehensive Financial Report

Yes - the FPIF financial statements will be more complex beginning in FY 2022 because the transition process will essentially be completed. There will be additional Supplementary Schedules (related to the FPIF Investment Portfolio and Participant Member Fund Ownership). FPIF will also prepare an Annual Comprehensive Financial Report beginning in FY 2022.

- Was a management letter / SAS 115 letter issued in your most recent audit year? Do you mind sending us a copy of FPIF's most recent management letter comments?

Auditor's Communication with the Board of Trustees and a Management Letter were prepared and communicated to the FPIF Board of Trustees in relation to the FY 2020 and FY 2021 audits

- RFP item J.a)12. requests information around Article 4 funds that we currently advise. Is FPIF only concerned with services not associated with an annual audit?

FPIF would like to see information on both audit and non- audit services

- Has FPIF typically had all requested items ready for the auditors when they first arrive for final fieldwork? If not, what areas are more difficult for FPIF to prepare?

FPIF has typically had all information ready for auditors at the start of field work

- In regard to the transition audit, will that be a single report be issued for all assets transferred or an individual report for each Article 4 fund?

A single report

- What type of opinion is envisioned for the transition audit? Will it be an audit under GAAP or more of an examination over specified requirements?

We do expect that the transition audit will be performed in conjunction with the financial audit as of June 30, 2022. It will be based on supplemental information provided by FPIF and the auditor will be expected to provide an opinion. The form of the opinion (“in relation to opinion on” or other) will be decided based on discussions between the auditor and FPIF as a part of the engagement letter process

- Did any of the funds liquidate assets and transfer cash versus transferring the investments?

Yes – Any Cash transfers were noted on the Share Reconciliation that was prepared by Northern Trust/Independent CAP’s/FPIF and delivered to local funds 30 days after the transition

- Will this be an investment pool where each Article 4 fund will have an NAV? Will NAV be \$1/share? How are individual article 4 fund shares of the pool tracked/reported?

FPIF has a single consolidated investment pool, and an individual NAV is calculated for each of the participant funds on a monthly basis. Monthly Member Funds Statements are prepared and delivered to member funds as soon as possible after month end. Northern Trust systems are used to calculate the member fund NAV’s and prepare the Monthly Statements. The systems at NT were designed based on input from FPIF and the calculations and Member Fund Statements are reviewed and approved by FPIF prior to delivery to member funds. The NAV calculation and Member Fund Statements are prepared based on a tradition plan allocation model rather than a unitized approach. Net Investment Income (and all components) are allocated to all member funds based on the weighted average of the ownership percentages during the month. Ownership percentages are recalculated every time a Contribution or Withdrawal is processed.

- How do the Article 4 funds draw funds to pay benefits?

Member Fund Withdrawals are processed based on the FPIF Cash Management Policy using Northern Trust systems. Withdrawal requests must be received prior to the last day of a month for processing prior to the last day of the subsequent month (Ex: received prior to March 31 for delivery prior to April 30). There are also processes in place for Recurring Withdrawals and Expedited Withdrawals. Member fund ownership percentages are recalculated each time a Withdrawal is processed

- How are contributions from the Article 4 funds handled?

Member Fund Contributions are processed based on the FPIF Cash Management Policy using Northern Trust systems. Contributions are invested in the Consolidated FPIF Investment Pool on four Investment Dates each month (the 7<sup>th</sup>, 14<sup>th</sup>, 21<sup>st</sup> and 28<sup>th</sup>) and must be received three days

in advance of the investment dates. Member fund ownership percentages are recalculated each time a Contribution is processed

- Does FPIF have interim/draft financial statements to show what the financials look like after the transfer period?

Yes - FPIF prepares Monthly Financial Statements on a Modified Cash Basis with the assistance of L&A. These statements have incorporated Investment balances from the Northern Trust platform since the beginning of the transition in October of 2021.

- Does FPIF use any 3<sup>rd</sup> party service providers? Are SOC reports provided?

Yes - FPIF uses Northern Trust for Custody Services Financial Reporting (GAAP Financial (SAP) and Member Fund (FOS). We also use L&A for the preparation of Monthly Financial Statements and Annual Financial Statements and Audit packages. Northern Trust has a standard SOC Report related to Custody and other services, but this will probably not cover the financial reporting elements. L&A is an independent CPA firm.

- What accounting system is being used?

FPIF does not maintain an internal G/L system. We utilize Northern Trust systems for GAAP Financial Reporting (SAP) and Member Fund Accounting (FOS). FPIF designed these systems in conjunction with Northern Trust and the final output is reviewed and approved by FPIF on a monthly basis. FPIF also uses L&A and its systems to process accounts payable and payroll as well as for the preparation of Monthly Financial Statements (on a Modified Cash Basis – including Investment activity at Northern Trust after the start of the transition in October on 2021) and Annual Financial Statements and audit package at fiscal year-end (on a full accrual basis)

- Were there any control matters identified in the previous audit?

No

- Please provide a detailed listing of the assets related to the transition as offered on page 5 of the RFP

Provided separately (as of Q4 2020)

- We obtained the investment policy dated June 18, 2021 on your website, which included your long-term allocation. Do you anticipate changes in the next 3-5 years? Does the fund intend to participate in a Securities Lending program in the future?

Approximately \$7B in total

- Interim (for FY 2022 and possibly FY 2023) – near term allocation (Equity = 65%; Fixed Income=30%; Real Estate = 5%)
- Long Term (beyond FY 2023) – includes private market and alternative components (Equity = 55%; Fixed Income= 30%; PE = 5%; Real Estate = 5%, Infrastructure = 5%)

FPIF invests 97% of its total AUM in passive index funds. Certain of these passive index funds are in Collective Investment Trusts that have a lending program included. FPIF does not have a

direct relationship with a third-party lending agent and no securities currently held directly at FPIF's custodian are subject to a securities lending program. Future participation in a securities lending program has not been determined at this time.

- Relationships of the Bidding Entity (page 20 of RFP) – Are you requesting a response for all of the partners of the bidding firm or just a response related to those assigned to the engagement

All

- Will each participating pension fund get to choose their asset allocation/strategy, or will the funds be completely pooled with tracking of the percentage ownership for each pension fund?  
Who will track each pension funds ownership percentage?

FPIF Has a single consolidated investment pool. Individual member funds will not be able to choose an individual allocation. FPIF tracks ownership percentages using Northern Trust systems

- Were reconciliations of each pension fund's transfer performed to document the flow of funds transitioned into FPIF?

Yes – the reconciliations were performed by Northern Trust/Independent CPA's/FPIF and delivered to member funds 30 days after the transition date in conformance with statute

- Were investments sold upon receipt into the FPIF and reinvested or were they transferred in and retitled?

Primarily sold and reinvested. Mutual funds were reregistered

- Would the transition audit as of 6/30/22 have to be an entirely separate report from any financial statement audit as of the same date? Or could the requested information be provided in supplemental schedules with an opinion provided "in relation to" the basic financial statements?

We do expect that the transition audit will be performed in conjunction with the financial audit as of June 30, 2022. It will be based on supplemental information provided by FPIF and the auditor will be expected to provide an opinion. The form of the opinion ("in relation to opinion on" or other) will be decided based on discussions between the auditor and FPIF as a part of the engagement letter process

- With regard to the transition audit:
  - What type of audit do you envision? Financial statement audit, attestation audit or something else?

We do expect that the transition audit will be performed in conjunction with the financial audit as of June 30, 2022. It will be based on supplemental information provided by FPIF and the auditor will be expected to provide an opinion. The form of the opinion (“in relation to opinion on” or other) will be decided based on discussions between the auditor and FPIF as a part of the engagement letter process

- Based on the requirements in the ILCS, we have a few questions related to the transition audit – please see questions in red:
  - This audit shall include, but not be limited to, the following:
    - (1) a full description of the investments acquired, showing average costs;
      - Does this refer to investments held at 6/30/22 showing average costs or all purchases made during the transition period ended 6/30/22, including any purchases that FPIF transacted after receipt of the assets from the individual funds?

This refers to investments acquired from Article 4 Funds during the transition process
      - How is average cost being tracked?

Using Northern Trust systems
    - (2) a full description of the securities sold or exchanged, showing average proceeds or other conditions of an exchange;
      - Are these investments sold or exchanged once they transitioned to FPIF OR is this if any of the pension funds sell securities before transferring them to FPIF?

Sold or exchanged after the transition from Article 4 Funds to FPIF
    - (3) gains or losses realized during the period;
      - We assume this would be gains/losses incurred only after FPIF retained fiduciary responsibility of the assets, correct?

Yes – after FPIF retained fiduciary responsibility
    - (4) income from investments; and
    - (5) administrative expenses incurred by the board

- Will FPIF have a SOC-1 report related to their allocation of investments to the funds and investment activity for the 6/30/23 audit. If not, would you like us to include that in the proposal?

FPIF does not plan to have a SOC -1 report for the first year however we are considering this for the future. Please provide a separate quote for work related to a SOC-1 Report

- Is the accounting function performed internally? What financial software is used?

FPIF does not maintain an internal G/L system. We utilize Northern Trust systems for GAAP Financial Reporting (SAP) and Member Fund Accounting (FOS). FPIF designed these systems in conjunction with Northern Trust and the final output is reviewed and approved by FPIF on a monthly basis. FPIF also uses L&A and its systems to process accounts payable and payroll as well as for the preparation of Monthly Financial Statements (on a Modified Cash Basis – including Investment activity at Northern Trust after the start of the transition in October on 2021) and Annual Financial Statements and audit package at fiscal year-end (on a full accrual basis)

- We typically find for audits, similar to this, that performing a majority of the work remotely is most cost effective for our clients. Is FPIF open to a combination of on-site and remote audit fieldwork?

Yes

- Do you expect your current auditing firm to submit a proposal?

Yes

- Will the transition audit be and AUP engagement?

No - We expect that the transition audit will be performed in conjunction with the financial audit as of June 30, 2022. It will be based on supplemental information provided by FPIF and the auditor will be expected to provide an opinion. The form of the opinion (“in relation to opinion on” or other) will be decided based on discussions between the auditor and FPIF as a part of the engagement letter process

- Are you willing to award the transition audit and the annual audit to different firms?

No – A single provider will be selected to perform both

- Please provide current asset detail of FPIF as of the most recent date that it is available

Provided separately (as of Q4 2020)

- Can you confirm that these audit services are requested for fiscal year end June 30, 2022? Additionally, does the scope of services cover only the assets managed by FPIF? Are the pension obligations separately determined and reported by the specific pension fund or is FPIF responsible for determining pension liabilities

Yes- Audit services are requested as of June 30, 2022

Scope of Services covers only the assets managed by FPIF and the related operating activity FPIF is not responsible for determining the pension liabilities of the individual member funds

- For the Transition Audit can you provide additional information on the specific services being requested for audit and the required reporting date

We expect that the transition audit will be performed in conjunction with the financial audit as of June 30, 2022. It will be based on supplemental information provided by FPIF and the auditor will be expected to provide an opinion. The form of the opinion (“in relation to opinion on” or other) will be decided based on discussions between the auditor and FPIF as a part of the engagement letter process

- What Custodian(s) does FPIF use

Northern Trust

- Were there any audit adjustments proposed by the auditors for the June 30, 2021 Financial Statements? If so, can you describe what the adjustments were for?

No adjustments were proposed by the auditors

- Were there any deficiencies in control reported for the June 30, 2021 Financial Statement Audit? If so, can you describe what the deficiencies were? Was there a Management Letter issued in the fiscal year 2021 audit? If so, can you provide a copy?

None

- Approximately, how many audit hours were incurred for the fiscal year 2021 financial statement audit? What were the fees for each deliverable identified in this RFP?

The fees for the FY 2021 Audit are not a good reference point for this RFP. The FY 2021 audit was conducted before any assets were transitioned to FPIF. Therefore the FY 2022 audit will be more complex. Also, the Transition Audit is a specific one-time engagement that was not performed in prior years.

- Does FPIF have any Third-Party Service Providers? If so, is a Service Organization Controls Report available for each provider?

Northern Trust (Custody/GAAP Financial Reporting/Member Fund Allocation & Accounting) – Northern Trust has a SOC Report that will cover custody services. The current SOC report will probably not cover GAAP Financial Reporting and Member Fund Allocation and Accounting Services, but FPIF is the ultimate owner of deliverables from these processes and reviews and approves all deliverables.

Lauterbach & Amen ( Accounts Payable/Payroll/Monthly Financial Statement Preparation/Audit Support – L&A is an independent CPA firm

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