

**Request for Proposal**

**Custodial and Securities Lending Services**

to be provided to the

**Employees Retirement System  
of the  
City of St. Louis**

# Request for Proposal

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Microsoft Excel spreadsheet delivered via email containing:

- A. Structural account profile including number of account types and asset value.
- B. Holdings for all separately managed accounts.
- C. Annualized aggregate transaction history based on year-to-date volume by transaction type.
- D. Custody fee proposal and securities lending estimate templates.

## I. PURPOSE

Summit Strategies Group (the Consultant) is soliciting proposals from a select group of qualified institutions to provide comprehensive custodial and securities lending services to **The Employees Retirement System of the City of St. Louis** (Client). A firm submitting a proposal is referred to as "Candidate".

## II. CONDITIONS GOVERNING THE PROCUREMENT

### A. SEQUENCE OF EVENTS

Action	Responsibility	Date
Release of RFP	Summit Strategies	June 6, 2016
Candidate submission of RFP and fee proposal	Candidate	July 15, 2016

### B. GENERAL REQUIREMENTS

To be considered, all proposals must comply with the requirements and specifications outlined in this RFP.

During contract negotiations, if the Client or its agent is unable to agree to contract terms with the Candidate receiving the highest evaluation in this RFP process, the Client reserves the right to terminate contract negotiations with that Candidate without undertaking another RFP process. The Client will negotiate with the Candidate receiving the next highest evaluation.

#### 1. Minimum Requirements:

- At least \$100 billion in assets under custody;
- Multiple institutional clients with assets greater than \$500 million;
- Ability to custody domestic and international securities;
- Accounting services for all portfolio and vehicle types;
- Cash, trade, transaction and security settlement capabilities;
- A daily cash management investment vehicle;
- Securities lending services for eligible securities to eligible borrowers;
- Proxy process and management services;
- Internet based system for client to access daily information about their account and portfolio holdings;
- Ability to identify, track, and file proof of claims for all litigation involving the clients securities; and
- Comprehensive benefit payment services including administration and reporting for a population of 500+.

Also, your firm must currently have or be willing to:

- Maintain a business license with the City of St. Louis;
- Agree to the provisions of the attached Procurement Action Policy and provide responses/information to address specific items requested therein.

- #### 2. Termination – This RFP in no manner obligates the Client to the eventual procurement of services described, implied or which may be proposed, until confirmed by a written contract. Progress toward this end is solely at the discretion of the Client and may terminate at any time prior to the execution of a contract.

The Client reserves the right to cancel this RFP at any time, and to reject any and all proposals submitted in response to this RFP, if the Client determines such action or actions are in its best interest.

3. Proposal Applicability – To allow sufficient time for contract negotiation, all prices and conditions stated in the proposal must be firm for a period of 120 days from the deadline for submission of proposals.
4. Negotiation Requirements – The Client reserves the right to negotiate a change in Candidate representatives if the assigned representatives are not meeting the Client’s needs adequately or are not fully representing the Client.
5. Legal Review – All candidates will agree to be bound by the terms and conditions articulated in this RFP. For this reason, it is strongly recommended that candidates have the terms and conditions contained herein reviewed with corporate counsel and that Candidate concerns are brought to the attention of Summit.
6. Contractual Agreement – The Candidate’s submission should include a copy of a standard contractual agreement to expedite the negotiation of terms.
7. Proposal Preparation Cost – Any cost incurred by the Candidate in the preparation, transmittal or presentation of any proposal or material submitted in response to this RFP will be borne solely by the Candidate.
8. Candidate Qualification – The Client may take such investigations as necessary to determine the ability of the Candidate to adhere to the items as identified within the questionnaire portion of this RFP. The Client reserves the right to reject the proposal of any Candidate who, in the Client’s opinion, is not a responsible Candidate as defined below:

“Responsible Candidate” means a Candidate who submits a responsive proposal and who has furnished, when required, information and data to prove that his financial resources, production and service facilities, personnel, service reputation and experience are adequate to make satisfactory delivery of the services or items of tangible personal property described in the proposal.

### C. PROPOSAL FORMAT & SUBMISSION DETAILS

The Candidate’s response to this proposal should be organized and indexed in the following format.

1. Letter of transmittal (see below)
2. Fee Proposals
3. Response to Questionnaire
4. Supplementary Materials (hardcopy, or electronic format)

The letter of transmittal MUST:

1. Identify the RFP;
2. Identify the submitting organization;
3. Identify the name and title of the person authorized by the organization to contractually obligate the organization;
4. Identify the names, titles, email addresses, and telephone numbers of persons to be contacted for clarification;
5. Have attached the signed warranties provided;
6. Be signed by a person authorized to contractually obligate the organization.

Within each section of the proposal, the Candidate should address the items in the RFP in the order in which they appear in the RFP. Candidates may attach other materials that they feel may improve the quality of their responses. However, these should be included as items in a separate file or as an appendix of the RFP.

**RFP Submission**

You are requested to send two copies of your response to the following individual. The first should be in hard copy format. The second should be in electronic form. All proposals are considered to be public record and may be available for viewing and reproduction as the law provides. The Candidate is responsible for inquiring about and clarifying any aspect of this RFP that is not understood.

Questions should be addressed to the RFP Coordinator at the address listed below.

Samuel Swofford, Vice President  
Summit Strategies Group  
8182 Maryland Avenue, Sixth Floor  
St. Louis, MO 63105  
314-727-7211  
sswofford@ssgstl.com

**D. WARRANTIES**

Candidate agrees to the incorporation of the following warranties in a proposed contract:

1. Candidate warrants that it meets the bonding requirements provided by Section 412 of the Employee Retirement Income Security Act of 1974 (ERISA) or that it carries at least an equivalent surety bond applicable to Candidate's actions under the Contract (unless exempt, and explanation of exemption is attached).
2. Candidate warrants that it maintains or will obtain at its expense prior to funding an errors and omissions insurance policy providing a prudent amount of coverage for negligent acts or omissions and that such coverage is applicable to Candidate's actions under the Contract.
3. Candidate warrants that all information and statements in this RFP are complete and true. Any statement or claim found to be incomplete, misleading or false will be grounds for immediate disqualification or dismissal and may be subject to legal action.

\_\_\_\_\_  
Authorized Signature Date:

\_\_\_\_\_  
Title

\_\_\_\_\_  
Company

E. FEE PROPOSAL

Name of Firm \_\_\_\_\_

Address \_\_\_\_\_

Contact Name \_\_\_\_\_

Title \_\_\_\_\_

Phone Number \_\_\_\_\_

Fax \_\_\_\_\_

Email \_\_\_\_\_

In preparing the fee schedule, Candidate must consider the requirements described in this RFP – II. Services to be Provided. The candidate shall 1) specifically enumerate each service to be provided; 2) state whether each service can or cannot be provided and whether there are any qualifications to the service being provided and whether any service is subcontracted, or delivered by combining with another entity; and 3) if any service is provided with qualifications or is subcontracted, or is delivered via a business combination, fully explain such qualification, subcontract, or combination situation.

**Please provide a fee quote separately for each service provided using the supplied Excel template as a guide. If a service is not listed in the template please modify the template accordingly. Therefore, fee quotes should break out separate charges for STIF management, domestic and international custody, securities lending, transaction charges, online charges, accounting, and statutory accounting (if applicable). Please also provide a flat fee quote including all domestic and international custody and transactions. Both quotes should be reflective of a three-year contract.**

**For an electronic copy of the Excel template in Excel format, please contact Samuel Swofford.**

Negotiations of the fee may become necessary resulting from clarification of any issues.

### III. PROCUREMENT ACTION POLICY

In accordance with Section 4.16.100(E) of the Revised Code of the City of St. Louis 1994, as amended, and Section 105.702 of the Missouri Revised Statutes 2000, as amended, and within the bounds of its fiduciary responsibilities under law, including but not limited to the provisions of Section 105.688 RSMo., the Board of Trustees of the Employees Retirement System of the City of St. Louis (the “Board”) desires to take actions to encourage diversity and assure equal opportunities for minorities and women with respect to contracts and agreements involving the Employees Retirement System of the City of St. Louis (the “System”). To accomplish that goal, the Board adopts the following plan:

- 1) In soliciting proposals from service providers, the Board will include, as a specification, the requirement the proposed firm describe its efforts to recruit, encourage or enhance diversity in its workplace and describe minority or women ownership interests (partnership or equity ownership interest) in the firm.
  - a. Service providers will provide sufficient information to ascertain the percentage of minorities and the percentage of women in key decision making positions in the firm, along with a description of their positions.
  - b. Service providers will provide a copy of their current processes and/or policies established to help recruit, hire, and develop a diverse workforce, including but not limited to, minorities and women at their firm.
  - c. Service providers will describe the extent and nature of ownership interests of the firm (partnership or equity interests) held by diverse persons, including but not limited to minorities and women. Said service providers will also outline the extent and nature of the key decision making roles held by diverse persons, including but not limited to, minorities or women with a partnership or equity ownership interest in the firm
- 2) In soliciting proposals from Investment Managers and Investment Consultants, the Board’s Investment Consultant will publicize the contract or agreement process in a manner likely to inform qualified firms owned by diverse persons, including, but not limited to, minorities and women.
- 3) In accordance with the Board’s fiduciary obligations, diversely owned service providers, including but not limited to, minority or women-owned service providers who submit qualified proposals that meet the criteria for any Board approved Request for Proposals shall be directly and contemporaneously compared, via quantitative and qualitative analysis, against other qualified firms submitting proposals. The Board shall give consideration to all said qualified diversely owned service providers, including but not limited to, minority or women-owned service providers whose economic value to the System, its participants and beneficiaries is economically preferable to or indistinguishable from other qualified firms that have submitted proposals. The Board hereby instructs its Investment Consultant to provide the Board with the quantitative and qualitative analysis for any qualified diversely-owned Investment Manager, including but not limited to minority or women-owned Investment Manager and to make a recommendation to the Board regarding whether or not the economic value to the System, its participants and beneficiaries is preferable or indistinguishable from other qualified Investment Managers who have submitted proposals.
- 4) The Board will gather information from each System service provider on a periodic basis pertaining to the following:

- a. The efforts the firm made to recruit a diverse workforce, including but not limited to, minorities and women as employees;
  - b. The positions of diverse persons, including but not limited to, minorities and women employed by the firm;
  - c. The diverse persons, including but not limited to minorities and women, who have a partnership or equity interest in the firm and whether or not they have a combined significant ownership interest; and
  - d. The key decision making firm roles played by diverse persons, including but not limited to, minorities and women who have a partnership or equity interest in the firm.
- 5) Each solicitation for System service providers performing any services pursuant to a contract or agreement awarded pursuant to a Request for Proposals must state that neither the bidder nor anyone under the bidder's control, will permit discrimination against any employee, worker or applicant for employment because of race, color, age, religion, sex, familial status, disability, sexual orientation, gender identity or expression, national origin, ancestry or genetic information. In addition, each bidder must agree that the bidder will take affirmative action to ensure that applicants are employed, and that employees are treated fairly during employment, without regard to their race, color, age, religion, sex, familial status, disability, sexual orientation, gender identity or expression, national origin or ancestry.
- 6) The Board will review this Procurement Action Policy periodically after its adoption. Based on the review, the Board will determine whether any changes in the Policy are necessary.
- 7) This Procurement Action Policy shall only apply prospectively.
- 8) To qualify as a diversely owned or minority or women-owned service provider, such firm shall:
- a. be domiciled in the United States;
  - b. be owned or controlled by one or more individuals who collectively are diverse persons, women or who qualify as a minority as defined below. Ownership is classified as having a combined significant or controlling interest in the firm; and
  - c. have such diverse persons or women or minority owners involved in the daily business operations of the firm.

As used herein, the term "diversity" or "diverse person" encompasses efforts to expand opportunity to persons protected under Missouri laws and/or City of St. Louis ("City") ordinances which bar discrimination in places of public accommodation, state and/or City contracting, employment or housing based on race, color, religious creed, age, familial status, national origin, ancestry, disability, sexual orientation, genetic information, gender identity or expression, but also to Missouri-based firms, and to emerging firms which have been in business less than five (5) years.

As used in this policy, the term "minorities" includes, but is not necessarily limited to, African Americans, Native Americans, Hispanic Americans, and Asian Americans.

- a. African American (not of Hispanic Origin) - All persons having origins in any of the Black racial groups of Africa.

- b. Hispanic- All persons of Mexican, Puerto Rican, Cuban, Central or South American, or other Spanish or Portuguese speaking culture or origin, regardless of race.
- c. Asian or Pacific Islander- All persons having origins in any of the original peoples of the Far East, Southeast Asia, the Indian subcontinent, or the Pacific Islands. This area includes China, India, Japan, Korea, the Philippine Islands, and Samoa.
- d. Native American- All persons having origins of at least one quarter descent in any of the original peoples of North America, and who maintain cultural identification through tribal affiliation or community recognition as evidenced by a tribal enrollment card recognized by the Federal Bureau of Indian Affairs, a Native Hawaiian organization, or an Alaska Native Corporation.

## IV. REQUEST FOR PROPOSAL – QUESTIONNAIRE

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<b>ATTACHMENT A</b>	

For a proposal to be considered, a firm must respond to each of the following:

## **SECTION 1 – ORGANIZATION & BACKGROUND**

### **A. Organization - General**

Name of Firm: \_\_\_\_\_

Address: \_\_\_\_\_

Contact: \_\_\_\_\_

Title: \_\_\_\_\_

Phone: \_\_\_\_\_ Fax: \_\_\_\_\_ Email: \_\_\_\_\_

### **B. Organization - Corporate**

1. Provide a brief (5 page maximum) history of the firm including the following:
  - a. Year of organization
  - b. Year of initiation of proposed business(es)
  - c. Development of major business lines
  - d. Nature of firm's ownership
  - e. Nature of relationships with affiliated companies or joint ventures
2. Provide details of the financial condition of the firm, including its market capitalization. Describe any material changes in the last five years. Please list the S&P and/or Moody's short and long-term financial ratings of the company.
3. List your firm's lines of business and percentage contribution of each business line to your firm's total revenue. If your firm is an affiliate or subsidiary of an organization, list the lines of business of the parent firm and identify the percentage of the parent firm's total revenue that your subsidiary or affiliate generates.

### **C. Organization - Custody**

1. Briefly describe your custody service capabilities, including those items that distinguish you from your competition.
2. Briefly describe the organizational structure of your firm and the Custody Department. Provide organization charts that clearly show the operating interrelationships and authority within the custody service unit and within the organization.
3. What is your commitment to custody services and relationships? Summarize your business plans for custodial services for the next three years.
4. Provide the total dollar value and percentage of Custody Department expenditures on technology hardware and software made over each of the past three years. What is your budget for 2016 and 2017?

**D. Personnel - Professional Staff**

1. What is the total number of custody service employees as of December 31, 2015? How has this number changed over the last three years?
2. Please provide a servicing plan for this Client including:
  - a. An organizational chart of individuals to be responsible for the servicing of this account, including all backup relationship managers.
  - b. Biographical summaries of those individuals named above, including years of experience, years with your firm, and educational background.
  - c. Office location of each member as well as what services they specifically will provide.
3. How many custody clients do your typical Relationship Manager and Client Service Officer have? Is there a maximum? How do you measure the performance of your professional staff?
4. What is the average tenure of professionals directly involved in the management and service of clients? This includes Relationship Managers, Client Service Officers, and other professionals in direct contact with the client.
5. Regarding the primary Client Service Officer to be assigned to the Client:
  - a. How many accounts are currently assigned to this individual?
  - b. What are the total assets under administration for this individual?
  - c. List their current clients by name and asset size.
6. Complete the following table related to the level of employee turnover you have you experienced in the last 3 years.

<b>Year</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Total Trust/Custody Employees			
Employees Gained			
Employee Lost			
Turnover (%)			

7. Please describe any significant management departures over the last three years including date of departure, reasons for leaving, and when/if that position was filled and by whom.
8. Please list the hours (Central Time zone) the Relationship Manager and Client Service Officer will be available. What is the typical response time (in hours) to both general questions and urgent problems presented by your clients?
9. What programs or initiatives do you have in place to minimize employee turnover at all levels of the organization, including specifically, those individuals who are involved in the day-to-day accounting and administration of client assets.
10. Provide a description of your organization’s equal employment opportunity and affirmative action policy?

## E. Clients

1. Please complete the following table as of 12/31/2015.

Type of Client	Number of Clients <sup>1</sup>	Market Value
Corporate Pension Funds		
Public Pension Funds		
Endowment & Foundation		
Taft-Hartley Pension Funds		
Total		

<sup>1</sup>Only include clients, not individual client plans.

2. How many public fund clients do you have with aggregate market values as follows:
  - a. < \$100 million
  - b. \$100 million- \$500 million
  - c. \$500 million - \$1 billion
  - d. \$1 billion - \$5 billion
  - e. > \$5 billion
3. What percentage of your total public pension fund client assets do your five largest public fund clients represent?
4. Detail the growth of Trust/Custody relationships during each of the past three years in terms of number of clients and asset values. List number of clients and market value lost as well as gained.

Year	2013	2014	2015
Trust/Custody Clients			
Market Value of Trust/Custody Assets			
New Trust/Custody Clients			
Market Value of New Trust/Custody Assets			
Trust/Custody Clients Lost			
Market Value of Trust/Custody Assets Lost			

5. List clients lost during the last 24 months and the reason(s) for their departure.
6. Provide references for your clients similar in size and market segment to the Client and state the market value and length of each relationship.

## F. Internal Controls and Risk Management

1. Describe the system of controls that assure accuracy of the processing and reporting of the trust/custody department.
2. What systems or controls exist to ensure strict adherence to established guidelines? In the event an investment manager attempts to hold a restricted security, what procedures are followed to resolve an attempted violation, who is informed, and how is such a violation documented and reported?
3. Describe your process for correcting reporting errors, particularly related to public or private market values. Is there a deadline to determine these errors, and if so, what options exist after the deadline passes?
4. Describe the various types of insurance coverage and indemnification provided to protect clients of service(s) proposed, including:

- a. Risk coverage (including errors and omissions and fidelity bond)
  - b. Carriers
  - c. Levels
  - d. Limits
  - e. Deductibles
5. If you require the Client to provide you with any type of indemnification, please describe such indemnification in detail.
  6. Have you conducted a SAS 70 audit? Is a copy of the report available upon request?

#### **G. Procurement Action Policy**

1. Provide sufficient information to ascertain the percentage of minorities and the percentage of women in key decision making positions in the firm, along with a description of their positions.
2. Provide a copy of current processes and/or policies established to help recruit, hire, and develop a diverse workforce, including but not limited to, minorities and women at the firm.
3. Describe the extent and nature of ownership interests of the firm (partnership or equity interests) held by diverse persons, including but not limited to minorities and women. Additionally, please outline the extent and nature of the key decision making roles held by diverse persons, including but not limited to, minorities or women with a partnership or equity ownership interest in the firm.

### **SECTION 2 – SERVICES**

#### **A. Administration**

1. Describe your systems and procedures for securing and providing clients or their investment managers with timely proxy information.
2. Describe your systems and procedures for securing and providing clients with pending corporate actions for domestic corporations.
3. Please elaborate on your ongoing responsibilities after termination. Discuss how transactions that may occur after termination is communicated to the Client and the process you have in place to ensure any gains are transferred to the Client (or conversely, any losses are billed to the Client).

#### **B. Investment Manager Liaison**

1. Describe your process for interfacing with the investment managers serving your custody clients, including the following:
  - a. Dedicated staff positions and responsibilities
  - b. Modes and means of trade instruction communication and validation
  - c. Cash management support
  - d. Mode, timing and content of reports provided them
  - e. Inquiry and problem resolution processes
  - f. Reconciliation and audit procedures on a monthly basis
  - g. Special support for managers located outside the US

### **C. Securities Processing and Custody**

1. Describe how global custody operations are organized.
2. Do you use a third party for domestic or international trade processing and/or settlement?
3. How many transactions do you handle per day?
4. Are there any restrictions as to the types of securities that may be held in safekeeping? If yes, what are they?
5. Discuss your policy and procedures for assuring that each Client's assets are properly held in safekeeping and positions are accurately maintained in your accounting records. Include information on segregation of assets and distinctions between physical and book entry positions.
6. Provide information on your primary and supplementary pricing sources and the mode of receipt and input of security prices. Describe your process for validating prices and using information from the supplemental sources.
7. Describe special procedures you employ for processing, pricing, and reporting derivative products.
8. What special procedures exist when a primary or secondary pricing source are insufficient to accurately value an illiquid or atypical holding? How is the asset valued?
9. What procedures do you have in effect to flag and investigate unusual or significant pricing changes from the previous day?
10. How do you reconcile significant pricing differences between your pricing service and prices quoted by external investment managers?
11. Please describe pricing methodology on securities that are not available from pricing services including, but not limited to, domestic stock warrants, 144A stock, and private placements.

### **D. Income and Capital Changes Processing**

1. Describe the processing of tax claims on foreign income, including:
  - a. Sources of information
  - b. Procedures for maintaining information on current treaty provisions
  - c. Processing steps for:
    - i. Filing to establish status for exemptions and reclamation
    - ii. Filing reclamations for tax refunds
    - iii. Collecting refunds
  - d. Identification of party responsible for each processing step
  - e. Procedures for accruing, reporting, aging and posting of reclaimable tax
  - f. Detail reported to clients
2. Describe your procedures for establishing entitlements and accruals for capital changes (stock splits, stock dividends, spin-offs, mergers/acquisitions, tenders, calls, warrants, maturities, etc.). Indicate whether the process is automated or manual and the primary source of the data.
3. Provide information on your procedures for posting income receipts and capital changes to Client accounts. Indicate whether the processes are automated or manual and whether information is received by electronic delivery or hard copy.

4. How do you prove accuracy and timeliness of receipts of US and non-US income and capital changes reported by your depositories, agents and sub-custodians?
5. Please illustrate any sample reporting pertaining to recording other income.

#### **E. Foreign Exchange**

1. Provide a description of your foreign exchange capabilities including total dollar value and volume of exchanges completed during the prior calendar year by currency type.
2. What percentage of your custody and trust clients utilize your firm for foreign exchange transactions versus a third party?
3. What options do clients have in directing, or not directing, investment managers to utilize your foreign exchange services?
4. Describe in detail the transaction process including sources for currency rates, when and how they are quoted to managers, frequency of intraday transactions, trade aggregation/netting, and timing of execution.
5. What, if any, business risk does your firm assume as part of its exchange services?
6. Are security trades treated differently than repatriation of dividends, corporate actions, and other periodic receipts?
7. Describe the level of transparency provided to clients on all transactions.
8. Describe your compensation resulting from an exchange. Is there a standard fixed spread? Does the spread vary by currency type? Can a client or investment manager negotiate the spread based on volume?
9. Will you disclose on an annual basis your total revenue earned on exchanges performed for this client?
10. Disclose any pending litigation against your firm pertaining to foreign exchange pricing and practices

#### **F. Cash Management**

1. Provide a description of domestic short-term investment vehicles that are available for overnight investment that meet the Client's requirements as outlined under II. SERVICES TO BE PROVIDED, C. DAILY OVERNIGHT CASH MANAGEMENT. Which can be accessed automatically by a "sweep?" What is the basis point fee for each?
2. Describe your experience with clients which manage cash internally through the use of a separate account consisting of a money market fund and individual securities purchased by the Client.
3. If a Client overdraws an account for an overnight investment, what is the rate at which the Client will be charged for using overnight bank funds?
4. If the firm erroneously debits an account overnight, at what rate will the firm reimburse the Client for the overnight use of Client funds?
5. How often is STIF interest accrued and when is it credited?

6. What is the cut-off time (and specify which time zone will control) for same-day cash withdrawals, inter-bank transfers, and wire transfers? What options are specifically available to the Client to transfer funds to operating accounts held at other financial institutions?
7. Provide annualized one-, three-, and five-year trailing gross of fee returns for the STIF accounts listed in question 1 through previous quarter-end.

## **G. Accounting and Reporting**

1. Describe your ability to support unitized or pooled accounting/reporting structures, where managers are grouped into aggregates (e.g., all domestic equity managers).
2. Describe the firm's capacity for the transmission of investment data to external sources, such as the Client and consultants. Does your accounting system automatically interface with any of your clients' investment accounting systems? Can you develop an automatic linkage to the Client's investment accounting system, which is Accpac.
3. What is the guaranteed earliest delivery date for end-of-month information? In what formats is it available? Detail when audited data will be available through both your online systems and in paper form. How soon after fiscal year-end will annual audited statements be delivered?
4. How many months of history will be available online? By request?
5. Does your online system allow the Client to determine its exposure to a sector, industry, or security (issuer) at the total plan level?
6. Describe how your system accounts for currency contracts.
7. Do you provide multi-currency reporting? If yes, please describe. Does the report identify: the country, the industry, and security levels? Are reports available for the entire account as well as individual manager portfolios? Do you have the capacity to report in the local currency and translate to the reporting currency?
8. How frequently do you reconcile your records with depositories and your sub-custodians for cash, securities and corporate actions? Is this reconciliation manual or automated?
9. Describe your online systems for clients and their external investment managers with regard to the type of data available [i.e., pending trades, accounting information, asset lists by account (cost and market value in local currency and US dollars), transaction history, summary of account market values for the portfolio, and securities on loan].
10. Does your trust operation allow for the distribution of funds directly from trust accounts using both wires and checks?
11. Please describe the process for payment of your fees and investment manager fees.

## H. Securities Lending

### Lending Process:

1. Please describe the breadth and depth of your securities lending operation.
2. What impact did the credit environment in 2007 and 2008 have on your STIF or securities lending collateral pools? Did your organization enter into any capital support agreements (CSA) or make any cash payments to the pool or clients as a result of this impact? What steps have you taken to mitigate future problems with the collateral pool investment function? Describe all lawsuits arising from your securities lending activities during this period.
3. Do you use a third party for securities lending operations?
4. Complete the following as of December 31, 2015 with regard to your securities lending program:
  - a. Total market value of lendable assets
  - b. Total market value of assets on loan
  - c. Number of clients participating in the program
  - d. Number of approved borrowers
5. What percent of custody clients utilize an external securities lending agent? Can you support such an arrangement?
6. What is the total number and aggregate market value of securities lending relationships among public pension fund custody clients?
7. Do you engage in Principal lending relationships? If so, what is the aggregate market value of securities in Principal and Agency lending relationships?
8. Have any of your securities lending clients ever experienced a loss from participation in your securities lending program? If so, when and to what extent?
9. Discuss any lawsuits or pending litigation between you and your securities lending clients not discussed above.
10. How is the income generated from securities lending split between the client and your firm? How are losses incurred from securities lending divided between the client and your firm?

### Revenue Projections

1. Using the attached Excel template, please provide a securities lending revenue estimate based upon assets, collateral reinvestment guidelines, and the trailing 12-month performance and valuation for each security **as of previous quarter-end. Estimates should also be limited to a 10 bps reinvestment spread (as shown) for standardization purposes.**

### Credit Considerations:

1. How many borrowers are currently on your approved list? Please list them. Also list additions to and deletions from the list over the past 3 years.
2. How many borrowers were actually used in 2015? Please break down usage by approximate percentage. What is the maximum loan made to each broker on your list?
3. Can a Client select, eliminate, or limit loans to a given borrower?

4. Can a Client limit loans to certain securities (e.g., specials) and restrict the lending of general collateral loan? [we don't mean collateral do we?]
5. What are your collateral requirements (type and level) and how are they determined and monitored?
6. What protection do you provide clients with respect to risk of borrower default, operational default, and other risks?
7. Do you offer a fully indemnified product which eliminates all client risk?
8. How soon after notice can a client expect to receive securities back from loan? Is there a maximum number of days?

Cash Collateral Reinvestment Portfolio Parameters:

1. Can a client utilize a collateral separate account managed by your organization, or a third party collateral investment manager in a separate account, commingled fund, or mutual fund structure?
2. Please list your proprietary commingled collateral reinvestment vehicles and provide a fact sheet and investment guidelines for each.
3. Please describe your collateral credit team, noting the number, tenure, and structure of your analysts and portfolio managers.
4. Are these analysts and portfolio managers dedicated to the management of collateral vehicles, or do they also serve other investment products within your organization?
5. What changes have you made to any collateral investment vehicles in the last three years? This includes changes to the investment guidelines, termination of a vehicle, the bifurcation of a vehicle, or the inception of a new vehicle.
6. Do you offer a vehicle that guarantees liquidity under any market condition?

**SECTION 3 – TECHNOLOGY**

**A. Systems Development**

1. Is your trading, accounting, and reporting platform proprietary?
2. How are your systems differentiated from those of your competition, particularly from a client access and use perspective?
3. Please describe any investments that are pending because of recent acquisitions of other custodial firms.
4. What, if any, future enhancements do you have planned, or are currently being made to your systems and technology?

**B. Security**

1. Describe your computer system security. Are your authorization codes changed periodically and does the system use a non-print, non-display, or obliteration facility?
2. Describe your disaster recovery plan and results of tests performed in the past year. Provide an estimate of the maximum elapsed time before the restoration of processing of the client's

transactions in the event of disaster to the custodian's primary processing facility and the locations of redundant operation sites.

3. Describe your process for file back-up and off-site storage, including frequency and location for data and software.

#### **SECTION 4 – BENEFIT PAYMENTS**

1. Please provide a detailed overview of your benefit payment capabilities including:
  - a. Client administration tools
  - b. Payment methods and schedules
  - c. Tax reporting
  - d. Example benefit payment fee schedule
  - e. Other services you provide
2. How many clients utilize your benefit payment services?
3. What is the approximate monthly volume of payments to beneficiaries?

#### **SECTION 5 – TRANSITION AND CONVERSION PROCESS**

1. Provide a detailed task listing and schedule on how you will approach the account inception process, including actions required on the part of the Client and the time frame to complete each task. Clearly describe the conversion process: who is responsible for coordinating activities, required resources, and what activities must occur? Detail the type and amount of resources required from the Client.
2. What dedicated resources (personnel, equipment, training, consultants, etc.) procedures and controls will you provide or recommend in the transition/conversion period to ensure that the conversion process is completed successfully in a timely and accurate manner?
3. Provide a summary of the problems that you might reasonably expect to occur during this conversion and your approaches to those anticipated problems.
4. What costs will be associated with the conversion? Who will be responsible for those costs?

#### **SECTION 6 - SECURITIES LITIGATION**

1. Describe your firm's capabilities and processes for identifying, filing, and tracking proof of claims on behalf of the Client for securities litigation arising from securities held in the client's portfolio. How often do you provide a report to the client detailing the claims that were filed and how much money has been recovered in relation to those claims? Do you notify the client if you failed to timely file a claim and what do you do when this occurs?
2. Are you willing to provide online access to your reporting function to law firms contracted by Client to engage in on-going portfolio monitoring?
3. Is there a fee for this service?

#### **SECTION 7 – FIRM LITIGATION**

1. Over the last 10 years has your organization, or its senior personnel, been the focus of any other litigation, regulatory action, or other disciplinary procedures arising from the delivery of your trust, custody, securities lending, STIF, or similar services not covered in your responses to other questions in this RFP

Custody RFP			
Custody	Assets/Number	Candidate	
		Unit Price	Cost
<b>Domestic Custody</b>			
Separate Account Assets	\$711,636,317	0.0000%	\$0
Commingled Assets		0.0000%	\$0
Structural-Based Fees			
Separate Account	12	\$0	\$0
Separate Account with OTC Derivatives	-	\$0	\$0
Commingled/Line Item	-	\$0	\$0
Cash Account	1	\$0	\$0
<b>Total Domestic Custody</b>			<b>\$0</b>
<b>International Custody</b>			
Separate Account Assets	\$18,417,323	0.0000%	\$0
Commingled Assets	\$0	0.0000%	\$0
Structural-Based Fees			
Separate Account Charge	1	\$0	\$0
Commingled Account Charge	-	\$0	\$0
Please provide a full international custody fee schedule inclusive of asset based fees and transaction fees by country.			
<b>Total International Custody</b>			<b>\$0</b>
<b>Transactions</b>			
Domestic Transactions			
DTC	7,821	\$0	\$0
Fed Book Entry	173	\$0	\$0
Free Receipts/Delivery	0	\$0	\$0
Pass-Thrus	0	\$0	\$0
Paydowns/Payups	225	\$0	\$0
OTC	0	\$0	\$0
Wires Outgoing	0	\$0	\$0
Wires Incoming	0	\$0	\$0
Mutual Fund/Commingled Fund	0	\$0	\$0
Physical Transactions	179	\$0	\$0
Third Party F/X	238	\$0	\$0
International Transactions	70	\$0	\$0
Please provide a full international custody fee schedule inclusive of asset based fees and transaction fees by country.			
<b>Total Transactions</b>			<b>\$0</b>
<b>Trustee Fee</b>		\$0	<b>\$0</b>
<b>Total Custody Fees/Trustee Services (\$USD)</b>			<b>\$0</b>
<b>Total Custody Fees/Trustee Services (BPS)</b>			
<b>Total Provider Fees (\$USD)</b>			<b>\$0</b>
<b>Ancillary Services</b>			
STIF/Cash Asset Based Fee	\$565,064	0.00%	\$0

Candidate should enter its values in grey colored cells when completing this template.

#### International Holdings

Australia	\$543,229
Canada	\$734,999
Denmark	\$70,597
Euroclear	\$8,335,158
Japan	\$6,566,863
Mexico	\$117,654
Poland	\$60,316
United Kingdom	\$1,988,506

#### International Transactions

Canada	2
Euroclear	55
Japan	9
Mexico	1
Poland	1
United Kingdom	2

Total Assets

\$730,618,704

International Asset-Based Fees			
	Market Value	Candidate	
		Asset Based Fee	\$ Total*
Australia	\$543,229	0.000%	\$0
Belgium		0.000%	\$0
Brazil		0.000%	\$0
Canada	\$734,999	0.000%	\$0
Denmark	\$70,597	0.000%	\$0
Euroclear	\$8,335,158	0.000%	\$0
Finland		0.000%	\$0
France		0.000%	\$0
Germany		0.000%	\$0
Hong Kong		0.000%	\$0
Italy		0.000%	\$0
Japan	\$6,566,863	0.000%	\$0
Korea, Republic of		0.000%	\$0
Mexico	\$117,654	0.000%	\$0
Netherlands		0.000%	\$0
Norway		0.000%	\$0
Poland	\$60,316	0.000%	\$0
Portugal		0.000%	\$0
Singapore		0.000%	\$0
Spain		0.000%	\$0
Sweden		0.000%	\$0
Switzerland		0.000%	\$0
Thailand		0.000%	\$0
United Kingdom	\$1,988,506	0.000%	\$0
<b>Total</b>	<b>\$18,417,323</b>		<b>\$0</b>

Candidate should enter its values in grey colored cells when completing this

International Transaction Fees			
	Buys/Sales	Candidate	
		\$/Transaction	\$ Total*
Australia		\$0	\$0
Belgium		\$0	\$0
Brazil		\$0	\$0
Canada	2	\$0	\$0
Denmark		\$0	\$0
Euroclear	55	\$0	\$0
Finland		\$0	\$0
France		\$0	\$0
Germany		\$0	\$0
Hong Kong		\$0	\$0
Italy		\$0	\$0
Japan	9	\$0	\$0
Korea, Republic of		\$0	\$0
Mexico	1	\$0	\$0
Netherlands		\$0	\$0
Norway		\$0	\$0
Poland	1	\$0	\$0
Portugal		\$0	\$0
Singapore		\$0	\$0
Spain		\$0	\$0
Sweden		\$0	\$0
Switzerland		\$0	\$0
Thailand		\$0	\$0
United Kingdom	2	\$0	\$0
<b>Total</b>	<b>70</b>		<b>\$0</b>

**Securities Lending Revenue Estimate**

	<b>Lendable Assets</b>	<b>Percent on Loan</b>	<b>Assets on Loan</b>	<b>Demand Spread</b>	<b>Reinvestment Spread</b>	<b>Gross Spread</b>	<b>Gross Revenue</b>
<b>U.S. Government</b>							
Treasuries	\$200,000,000	80%	\$160,000,000	0.05%	0.10%	0.15%	\$240,000
Agencies	\$100,000,000	50%	\$50,000,000	0.05%	0.10%	0.15%	\$75,000
<b>Total</b>	<b>\$300,000,000</b>	<b>70%</b>	<b>\$210,000,000</b>	<b>0.05%</b>	<b>0.10%</b>	<b>0.15%</b>	<b>\$315,000</b>
<b>U.S. Corporate</b>							
Equities	\$250,000,000	25%	\$62,500,000	0.10%	0.10%	0.20%	\$125,000
Specials	\$75,000,000	5%	\$3,750,000	0.25%	0.10%	0.35%	\$13,125
ADRs	\$20,000,000	5%	\$1,000,000	0.10%	0.10%	0.20%	\$2,000
Bonds	\$200,000,000	5%	\$10,000,000	0.05%	0.10%	0.15%	\$15,000
<b>Total</b>	<b>\$545,000,000</b>	<b>14%</b>	<b>\$77,250,000</b>	<b>0.10%</b>	<b>0.10%</b>	<b>0.20%</b>	<b>\$155,125</b>
<b>International</b>	<b>\$200,000,000</b>	<b>25%</b>	<b>\$50,000,000</b>	<b>0.35%</b>	<b>0.10%</b>	<b>0.45%</b>	<b>\$225,000</b>
<b>Grand Total</b>	<b>\$845,000,000</b>	<b>34%</b>	<b>\$287,250,000</b>	<b>0.14%</b>	<b>0.10%</b>	<b>0.24%</b>	<b>\$695,125</b>
						Client Share	80%
						<b>Client Revenue</b>	<b>\$556,100</b>

Candidate should enter its values in grey colored cells when completing this

Shaded values are illustrative only. Candidate should enter in its values when completing the template. Revestment spread should remain fixed at 10 bps.