

Marin County Employees' Retirement Association



**Request for Proposal for
Custody Services**

January 15, 2020

Callan

DEADLINE: February 6, 2020

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Request for Proposal for Global Custody Services

INTRODUCTION

I. OVERVIEW

The Marin County Employees' Retirement Association ("MCERA") is a cost-sharing multi-employer defined benefit plan (the "Plan") covering all permanent employees of the County of Marin and of the following employers: Marin County Superior Court, City of San Rafael, Novato Fire Protection District, Southern Marin Fire Protection District, Marin City Community Services District, Tamalpais Community Services District, Local Agency Formation Commission and Marin Sonoma Mosquito and Vector Control District. The plan is administered by the Marin County Board of Retirement (the "Board"), which consists of nine members and three alternate members.

MCERA is governed by the County Employees' Retirement Law ("CERL") of 1937 ("1937 Act"). It is also governed by the California Constitution, article XVI, section 17 and California Government Code Sections 31594 and 31595, which provide for prudent expert administration of the plan and investment of its funds. Those provisions also require that the Board diversify the investments of the retirement system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so. Under these laws, the type and amount of plan investments as well as the quality of securities is not specifically delineated; rather the investments are made considering the overall best interest of MCERA plan members and beneficiaries.

The Plan

The Plan has an approximate market value of \$2.6 billion as of June 30, 2019 and is managed by outside investment managers. MCERA has a well-diversified investment structure invested across multiple asset classes – domestic equities, fixed income, international equities, real estate, real assets, and private equity. Additionally, derivative instruments are utilized for liquidity and exposure management purposes. The Board has adopted the following strategic policy asset allocation:

| MCERA | Market Value (US\$) as of June 30, 2019 | Account(s) |
|----------------------------|--|-------------------|
| Domestic Equities | \$851,963,236 | 2 SA, 1 FA |
| International Equities | \$556,900,215 | 2 CF, 1 FA |
| Domestic Fixed Income | \$253,836,764 | 1 SA, 1 CF, 1 FA |
| International Fixed Income | \$355,352,920 | 1 SA, 1 CF |
| Real Estate | \$290,541,066 | 5 LP |
| Private Equity | \$269,766,799 | 8 LP |
| Cash/Cash Equivalents | \$9,447,700 | 1 CF |
| TOTAL | \$2,587,808,700 | |

Key: SA=Separate Account, CF=Commingled Fund, FA=Futures Account, LP=Limited Partnership

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Service and Scope of Work – Discussion

MCERA is seeking a custodian bank for the Plan. MCERA has a well-diversified investment structure invested across multiple asset classes and therefore requiring a comprehensive set of services from a custodian bank, including, but not limited to, custody safekeeping, trade processing and settlement (contractual settlement), asset servicing, investment accounting, US GAAP and GASB reporting support, corporate actions processing, derivatives processing, and proactive investment manager reconciliation. MCERA deploys a cash overlay strategy through an investment manager utilizing select options and exchange traded futures, with the requisite collateral management accounts. MCERA currently performs Plan Accounting internally but would like to understand your firm's capabilities with respect to Master Trust Plan Accounting in potential future support of the Plan.

The preferred custodian should have proven global capabilities in safekeeping (cash movement and control), asset servicing, trade processing, and financial reporting. Daily access to real-time cash, custody and financial reports through a robust, web-enabled, and secure platform is ideal. The use of a cash sweep vehicle (short term cash management) is necessary for frictional cash balances on a daily basis. Adherence to derivatives protocol, handling, and processing is required as derivative instruments are utilized for liquidity and exposure management purposes. MCERA utilizes third party legal firms to monitor class action lawsuits and notify MCERA of any lawsuits where MCERA held shares during the class period; these third parties require ongoing access to MCERA's holdings and transactions data. The custodian is responsible for filing claims for MCERA and collecting any settlement proceeds. Additionally, MCERA currently participates in a securities lending program.

MCERA is particularly interested in the custodian's capabilities in providing consolidated financial reports. MCERA currently applies Governmental Accounting Standards Board (GASB) accounting requirements and is moving towards adopting Comprehensive Annual Financial Reports (CAFR) standards in the near future. It is highly critical that the custodian is able to assist in the year-end preparation of annual reports and help MCERA and its external auditors in the completion of the annual financial statement audit. The custodian is also expected to assist with periodic internal audit and tax requests. The custodian should also be able to grant MCERA's external auditing firm read-only access to online account information and reports. The custodian is expected to be the book of record for financial reporting purposes, as required by CAFR standards. For control purposes, MCERA staff maintains Excel worksheets to keep track of all activities (investments, flows, transactions, etc.) to reconcile custodian postings, and for proper classification to match the chart of accounts when preparing entries for upload to their internal accounting software, AccountMate.

MCERA adopted GASB Statement No. 72, Fair Value Measurement and Application, reporting investments using the fair value hierarchy. Enhanced disclosures, such as the fair value hierarchy and MCERA's valuation methodologies for assets and liabilities measured at fair value are required. MCERA would like to understand your ability to provide a hierarchy level for each investment in their reporting system based upon the asset class of the investment, provide a fiscal year roll forward report, and assist in providing disclosure footnotes for annual financial reports for the Plan. Further, MCERA has adopted GASB Statement No. 28, Accounting and Financial Reporting for Securities Lending Transactions, Statement No. 40, Deposit and Investment Risk Disclosures, and Statement No. 53, Accounting and Financial Reporting for

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Derivative Instruments. Additional accounting standards identified or issued in the future, not included here, may apply to MCERA.

MCERA requires a flexible data management and reporting system that can quickly provide detailed accounting, and holdings at the portfolio, asset class, and manager levels using the latest dashboard technology. The ability to drill down or "look through" commingled funds for shadow accounting and performance and risk oversight is required and is currently used by MCERA.

MCERA is evaluating the need for back-office support of alternative investments and would like to understand the underlying product and service deliverables available from your organization, specifically capital call support and unfunded commitment monitoring. MCERA staff also process contributions checks for deposit to custody accounts with volumes range from 5-10 check deposits per week. MCERA would like to understand your organization's capabilities to support such activity with services such as remote capture or lock-box deposit services.

MCERA understands that your organization as a global banking entity is required to meet and exceed the disaster recovery and business continuity requirements of the Federal Reserve and other regulators. Given that the custodian is a critical partner to MCERA, we would like to better understand your firm's disaster recovery and business continuity plan. MCERA would also like to review your SSAE-16 (or SSAE-18) reports covering your processing environments with a focus on security controls, data transfer and delivery mechanism, data retention and destruction process, PKI support, encryption, and vendor relationship and management processes.

MCERA is embarking on this initiative in order to gain efficiencies (cost and operational), embrace industry best practice, deploy technology solutions and systems improvements, tighten processes and procedures, enhance risk oversight, and raise the bar on the delivery of services and client service to MCERA and its constituencies. MCERA believes that the custodian bank will play a critical role in assisting in this effort and would like to incorporate your organization's best thinking. For that reason, MCERA believes that client service, proactive engagement, and depth of experience and resources are highly critical to the success of the relationship. The client service team must be equally adept in dealing with the operating requirements and complexity of MCERA, which can be achieved via a process flow analysis at the onset of the relationship. The client service team must be familiar with industry best practices and should be able to meet the current and future service needs of MCERA. Further, your organization's client service approach (such as cross-training initiatives and commitment to on-going support) and client engagement process are crucial elements being evaluated by MCERA. In addition, the custody provider must be able to interface on a daily basis with MCERA staff for cash tracking purposes and ad-hoc reconciliation needs. Finally, the service team and the organization must fully understand and embrace the role of a "trusted partner with a fiduciary soul" in order to align their interest with the mission, purpose, and objectives of MCERA.

Callan LLC is MCERA's investment consultant and is also responsible for the generation of quarterly performance measurement reporting in close coordination with investment managers and the current custodian. Callan LLC will also require on-line access to the custodian's platform. MCERA has engaged Callan to assist in the custodian due diligence search and review process.

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MCERA and Callan are inviting your organization to submit a proposal to provide the aforementioned services. Of particular concern to MCERA are cost-effective solutions that embrace technology and expert systems, a disciplined approach in the delivery of custody services, and forming a long-lasting and successful relationship. MCERA believes in mutual client service engagement with the custodian bank to manage expectations and foster a service partner relationship rather than a vendor arrangement. Finally, MCERA would like to have a knowledgeable, seasoned and responsive client servicing team assigned to its account. This is imperative.

II. REQUIREMENTS

When responding to this Request for Proposal (RFP), we encourage you to describe the ways in which you believe your organization's service capability is unique, superior, or would add particular value. Please be succinct in your answers. If certain services cannot be provided, please state so where appropriate and also state if such services are planned to be offered in the near future.

This section sets forth the administrative requirements that must be followed in responding to the RFP.

A. Confidentiality

Information presented in the RFP, including all information subsequently disclosed during the proposal process, is intended only for the use of responding to the RFP.

B. Official address for correspondence

Please note that the main contact for the RFP process is Bo Abesamis of Callan LLC. Callan's responsibility is to help coordinate the due diligence process, compile questions and answers, and provide guidance on best practice. The ultimate selection of the trust/custody service provider is the responsibility of MCERA. All questions and queries should be sent to Bo Abesamis for tracking purposes.

Bo Abesamis
Executive Vice President
Callan LLC
600 Montgomery Street, Suite 800
San Francisco, CA 94111
Tel: (415) 974-5060 or (415) 274-3074
Email: abesamis@callan.com

C. Intention to Participate

If you intend to respond to the RFP kindly send a letter indicating that your organization will be replying to the RFP to Bo Abesamis via email by January 22, 2020. If you have any questions, please call or email Bo Abesamis.

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D. Response Format

1. Length of Response

A response must be printed on 8.5" x 11" paper, two-sided, and bound in a three ring binder. The Technical and Fee Section of the RFP should be completed and answered in the same sequence as specified with questions reiterated and the corresponding answers provided. A response shall not exceed **150** pages, excluding the fee section, biographies, report samples and exhibits required as part of the RFP. You are encouraged to be succinct and respond to the RFP as directed. If, for any reason, your organization cannot comply or is unable to provide a specific service, respond with "cannot comply" or "unable to provide" and briefly describe the reason.

Please note that MCERA reserves the right to consider the Response to the RFP as part of the final legal custody agreement between MCERA and the custody provider. Be cognizant of your firm's response as a complete, fair, and direct representation of your capabilities, and abide with full transparency and disclosure.

2. Cover Letter

The response must include a cover letter addressed to Jeff Wickman, Retirement Administrator, Marin County Employees' Retirement Association, 1 McInnis Parkway, Suite 100, San Rafael, CA 94903. The letter must state, in one or two paragraphs, your organization's commitment to the RFP process and a statement to the effect that your organization is willing to perform all services mandated. The letter should be signed by one or more individual(s) at the Asset Servicing Group Business Head Level (Vice Chairman, Executive Vice President or Managing Director) authorized to contractually bind your organization. An unsigned submission will be rejected. The letter should also include the name, address, telephone, and fax numbers of the appropriate contact person within your organization. The cover letter must state that the proposal is valid for six (6) months after the submission deadline of February 6, 2020.

E. Selection Criteria

MCERA seeks to retain the highest quality organization to provide custody services in an open, fair, and competitive process. MCERA seeks innovative ideas, presented in a complete custody service package, which can meet the requirements of both management and staff and help streamline and improve the way in which MCERA manages its investment and investment accounting operations. Throughout the selection process, MCERA reserves its sole discretion in awarding the contract. MCERA reserves the right: (i) to not select any proposal; (ii) to select any portions of a particular proposal for further consideration; (iii) to accept a proposal other than the lowest cost proposal submitted; or (iv) to reject any and all proposals received if such action is considered by MCERA in its sole discretion to be in the best interests of MCERA. Core factors to be reviewed are Experience and Organization, Client Service,

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Team Coordination, Custody and Accounting Processes, Systems & Technology Platform, Ancillary Services, and Costs.

F. **Timetable**

By submitting a Response, the Proposer is committing to comply with the timetable set forth in Section III (Key Action Dates) of the Introduction to this RFP and to effectuate any agreements necessary to implement and enter into a contract with MCERA.

G. **Withdrawal/Irrevocability**

A Proposer may withdraw a Response, once submitted, within five (5) business days. MCERA reserves the right to waive or permit cure for minor informalities, and to conduct discussion with all qualified Proposers in any manner necessary to serve the best interests of MCERA. MCERA also reserves the right to award a contract based upon the written proposals received and without prior discussion or negotiations.

H. **Modifications**

MCERA may modify any part of the RFP, prior to the date fixed for submission of final proposals, by issuance of an addendum to all participating parties. Addenda will be numbered consecutively.

I. **Questions about the RFP**

All correspondence, inquiry, and communications regarding the RFP should be directed to Bo Abesamis. Questions regarding the RFP should be forwarded to Bo Abesamis, with the appropriate section, question and page number. The deadline for questions is January 22, 2020. Please note that Callan will compile questions from candidate firms and release the corresponding answers from MCERA via an addendum process. No inquiries should be directed to any other entity other than Callan, unless given approval otherwise.

J. **Number of Copies of the Response**

Total number of copies should be two (2) complete sets of printed material and two (2) electronic sets using a secure download. The Response should be labeled "**MCERA Custody Search Technical Proposal**". Send the Response to arrive no later than 3:00 p.m. (Pacific time zone) February 6, 2020 to:

Jeff Wickman (Original + 1 secure download)
Retirement Administrator
Marin County Employees' Retirement Association
1 McInnis Parkway, Suite 100
San Rafael, CA 94903

Bo Abesamis (1 copy + 1 secure download)
Executive Vice President
Callan LLC
600 Montgomery Street, Suite 800
San Francisco, CA 94111

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K. **Proposal Expenses**

Expenses for the development and submission of proposals, including any requested meetings, on-sites and presentations, are the sole responsibility of the Proposer.

III. KEY ACTION DATES

Listed below are the important actions and corresponding final dates by which actions must be taken or completed. If MCERA decides to change a date for any reason, notification will be given via the addendum process.

| <u>Actions</u> | <u>Dates</u> |
|--------------------------------|-------------------|
| RFP Release | January 15, 2020 |
| Intention to Participate | January 22, 2020 |
| RFP Questions Due Date | January 22, 2020 |
| RFP Response Due Date/Deadline | February 6, 2020 |
| Finalist Presentations | March 2020 |
| Due Diligence On-site | TBD (if required) |
| Decision Date | April 2020 |

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TECHNICAL PROPOSAL

Read this document thoroughly before formulating a proposal. The Technical Proposal is comprised of Core Factors for Consideration. You are encouraged to be succinct and answer the questions as asked. Please be specific.

I. SCOPE OF SERVICES

The **Scope of Services** listed below represent the best practices for custody services and functions required by MCERA and the best practices for comparable funds that require custody services. Please state if your firm is able to provide the services listed below by checking the boxes for each applicable item. If for any reason a service is not available, please explain.

A. Safekeeping of U.S. and non-U.S. Assets:

- The Custodian acts as the central depository and nominee holder of the assets of MCERA domestically and internationally and as the transaction-clearing agent for those assets.
- The Custodian is responsible for the safekeeping of MCERA's securities (physically or electronically) in a location and manner satisfactory to MCERA, with adequate controls and an adequate disaster preparedness plan.
- The Custodian is on-line with domestic depositories (e.g. DTC/PTC, Federal Reserve Book Entry System) and basic international depositories (e.g. Euroclear, Clearstream).
- The Custodian has electronic connectivity with additional significant international depositories.
- The Custodian performs regular reconciliations (at least monthly) with investment managers or provides information electronically to investment managers for reconciliation to ensure records are consistent.
- The Custodian ensures securities in omnibus accounts are attributed correctly to client accounts.
- The Custodian has a dedicated staff for foreign tax withholding.
- The Custodian ensures that accounts are grouped by tax treaty and claims for all clients are processed at the same time.
- The Custodian monitors outstanding foreign tax withholding claims, collects foreign tax reclaims in those countries where MCERA has investments (including filing of foreign tax reclaim forms), follows-up on a pro-active basis of delinquent reclaims, and offers "relief or at source" withholdings in all permissible countries.
- The Custodian is responsible for the timely notification of all corporate actions and activities including but not limited to tender offers, called bonds, class action suits, proxy statements and solicitations, proxy cards and annual reports. Also, upon request of MCERA, the Custodian is responsible for the timely certification of beneficial ownership and supporting documentation for the purposes of annual shareholder meeting attendance.
- The Custodian has services and support systems necessary for the timely exercise of corporate actions and proxy voting by MCERA, or its investment managers, as directed.
- The Custodian offers income accrual in markets where sufficient depository controls and market infrastructure promotes efficient collection. The Custodian clearly identifies the markets in which it offers contractual income accrual.

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- The Custodian identifies and collects on a timely basis all receipts/income that become due and payable on MCERA's assets, and makes timely payment of receipts/income with the income recognized in all developed markets (e.g. MSCI EAFE countries) and many emerging markets on a contractual basis.
- The Custodian has a staff dedicated to income collection.
- The Custodian clearly identifies the circumstances under which it will rescind contractual income collections.
- The Custodian's securities monitoring and control system is fully integrated with its core accounting system, any subcustodians, and any depositories.
- The Custodian retains in-house expertise to maintain and upgrade the custody tracking and accounting system.
- The Custodian's performance measurement system is fully integrated and compatible with the core custody and accounting systems.
- The Custodian has significant control over performance systems, product development and maintenance.

B. Settlement Process

- The Custodian identifies those markets in which it performs contractual settlement.
- The Custodian provides contractual settlement in those markets with sufficient depository controls and where market infrastructure promotes efficient settlement.
- The Custodian maintains clear procedures for contractual settlement. The Custodian identifies the circumstances under which contractual settlement will be suspended.
- The Custodian has specific remedies for each level where a trade fails.
- The Custodian has well-defined methods for monitoring and managing failed trades.
- The Custodian recognizes securities settlement in all developed markets (e.g. MSCI EAFE countries) and many emerging markets on a contractual basis.
- The Custodian acts as the primary contact for all of MCERA's investment managers for the resolution of trade discrepancies and also is responsible to assure that trades are affirmed by the appropriate manager.
- The Custodian is able to handle derivatives and other instruments, including collateral management and margin accounts.
- The Custodian notifies MCERA in a timely manner of failed trades. The Custodian does not insist that the investment manager is solely responsible for monitoring failed trades.
- The Custodian maintains and utilizes an independent control function reviewing failed trades over a certain threshold.
- The Custodian provides an automated exchange of daily investment data between the Custodian and MCERA. Specifically, securities transaction clearing and settlement information is available to MCERA on-line, including all necessary notification and coordination with MCERA's investment and accounting staff, outside investment managers, and MCERA's partners that provide services other than custodial services.

C. Accounting and Reporting

- The Custodian's custody securities movement and control system and accounting systems are integrated and compatible.
- The Custodian has sufficient personnel and resources dedicated to technology.
- If the Custodian's securities tracking and control system was purchased from an outside vendor, the Custodian retains in-house expertise to maintain and upgrade the system.

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- The Custodian has plans for systems enhancements to increase the functionality and capacity of the Custodian's systems.
- The Custodian backs up data on a daily basis.
- The Custodian's disaster recovery plan includes off-site back up of data and systems on a different power grid, and the Custodian tests the plan regularly.
- The Custodian's disaster recovery plan has comprehensive coverage over the areas affecting custody clients.
- If the Custodian purchased or leased a core accounting system from an outside vendor, the Custodian retains in-house expertise to maintain and upgrade the system. In-house expertise is particularly important if the system has been customized.
- The Custodian has the source code for those systems that were purchased from an outside vendor. If the Custodian does not have the source code, the Custodian has had the source code placed in an escrow account to which it will have access if there is a problem with the vendor.
- The Custodian uses an accounting system that is an integrated full accrual, trade date based, multi-currency general ledger accounting and reporting platform.
- The Custodian's systems are based on trade date and are designed for trade date accounting.
- The Custodian can accommodate multi-currency accounting (base and local currencies).
- The Custodian can generate tax lot accounting and reporting, including tracking of principal and income, realized and unrealized gains and losses.
- The Custodian has the capability to support partnership and sub-fund accounting requirements.
- The Custodian can do unitized accounting, with a proven record of existing accounts that utilizes unitized accounting.
- The Custodian can perform dollar/plan accounting, with a proven record of existing accounts that require dollar/plan accounting.
- The Custodian's accounting systems can handle a significant number of subledger and plan accounts.
- Entries to the Custodian's accounting and securities tracking and control systems are automated.
- The Custodian's system captures OTC securities and structured derivatives, including the ability to provide independent valuations.
- The Custodian's system captures the majority of security types for tracking and processing.
- The Custodian's trade date accounting and reporting system is appropriate to support MCERA's portfolio.
- The Custodian-maintained accounting and custody data are on-line, real-time mode, with the capability to request ad hoc, standard, and customized system generated reports.
- The Custodian's standard monthly audited report package includes a statement of assets and transactions, accrued income at month end, failed trade report, pending trade report, cash and cash equivalents sorted by fund. The monthly audited statements are available on-line no later than 8 business days after month-end. Unaudited statements are available on-line on the first business day after month-end.
- The Custodian can provide an annual audited report package on-line within 10 to 15 business days after year-end (but no later than 30 days after year-end). Unaudited statements are available on-line on the first business day after year-end.

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- The Custodian can provide audited consolidated or fund accounting statements for MCERA on a monthly basis. The fund/plan accounting statements are available on-line no later than 8 business days after month-end.
- The Custodian makes reports available on a settlement and trade date basis.
- The Custodian is able to support and generate reports specific to GASB requirements, including support of year end reports (i.e. GASB 28, 40, 53, 72, etc.).
- The Custodian provides reporting for all securities as follows:
 - a) Cash transactions, by security, at manager and asset class/fund level for each day's cash transactions.
 - b) Five business day forecasts of cash transactions by security at the manager and fund level for each day of the forecast and a separate fund level report by security for each business day of the forecast. These daily cash reports are to be available by 7:30 A.M. ET daily.
 - c) For bond accounts, both cash receipt and cash forecast reports should list the principal, interest and total amount to be received for each security. Bond reports should be subtotaled by security type. These daily cash reports are to be received by 7:30 A.M. ET daily.
 - d) Monthly reports for domestic equity and fixed income securities must include all trade, income, and corporate action activity as well as all standard holdings information used for domestic equity and fixed income securities at both the manager and the fund level.
 - e) Monthly reports shall provide a summary of failed trades.
 - f) Monthly broker commission report. Detailed summary report of all broker commission activity during the fiscal year. Consolidated monthly statements into annual report.
 - g) A weekly report of month-to-date corporate actions by security for each manager account should be provided on the first business day of each week.
 - h) Monthly analysis of all transactions occurring during that month at both the manager and the fund level, stating month-end market and cost values, and all income, contributions, disbursements, transfers, and month-end accrued earnings adjustments sorted by account.
- The Custodian provides the following additional reporting for international investments:
 - a) Daily trade activity reports by manager are available.
 - b) Monthly reports, which contain trade activity detail, income, and corporate action events in both base and local currency amounts, are available for global manager accounts. Detailed holding reports grouped by currency, indicating the number of shares, cost, and market value of equity holdings are in both base and local currency, as well as accounting for futures for currency hedging.
 - c) Monthly reports shall provide a detailed summary of failed trades and tax reclaims.
 - d) Cash journals by currency for each manager which detail all cash transactions are available with the monthly report package for each manager.
- The Custodian provides the following additional reporting for alternative investments:
 - a) The Custodian must maintain and report daily to MCERA all information related to cash received and disbursed or distributions of securities by account.
 - b) Monthly reporting of all types of transactions is necessary for securities in this asset group.
- The Custodian will provide class-action information for securities that MCERA owned in the relevant time periods, including notice of filing and settlement information as required by MCERA and its designated representatives.

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- The Custodian will provide services and support systems necessary for the timely receipt, review, and monitoring of corporate actions and proxy voting according to specifications by MCERA, its designated representatives, and investment managers.
- The Custodian will provide daily pricing for all publicly traded securities on a non-audited basis and end-of-month audited pricing for all securities, including private placements and non-publicly traded securities.
- The Custodian undertakes automated confirmation of stale pricing and has the appropriate methodology for fair market value pricing for illiquid securities and holdings.
- The Custodian has the ability to provide a proper valuation for real estate and private equity holdings using, at a minimum, a quarter lag cashflow adjusted roll forward valuation methodology.
- The Custodian has ability to provide "shadow accounting" of real estate and private equity asset classes if the client subscribes to full alternative investment support services.
- The Custodian has the ability to support clients with absolute return, hedged funds, and related mandates in LP structures, direct and/or managed account platforms.
- The Custodian participates and cooperates with scheduled audits and inventory of securities conducted by independent audit firms designated by MCERA.
- The Custodian maintains on-line accounting data on a prior-day basis and standard monthly accounting production reports.
- The Custodian processes on a daily basis all cash and non-cash (e.g. corporate actions) accounting transactions affecting assets held in custody.

D. Accurate and Timely Pricing

- The Custodian uses independent pricing sources.
- The Custodian provides daily pricing.
- The Custodian has a rigorous, independent methodology to price illiquid and highly structured securities.
- For liquid securities, the Custodian checks prices against additional pricing sources.
- The Custodian uses automatic price feeds.
- The Custodian flags price differences that exceed a custody-established threshold of variance agreed to and approved by MCERA and/or investment manager.
- The Custodian has an established methodology for working out price differences with investment managers.
- The Custodian has access to independent sources that are used as the final price for problem securities. The Custodian does not have to rely on the investment manager for independent prices.
- The Custodian has a mechanism for notifying clients of problematic price differentials.
- The Custodian has an up-front check on the quality of pricing data coming in from vendors.
- The Custodian has a methodology for assessing whether asset identifiers are consistent between the Custodian's accounts and the vendor's price feed.
- The Custodian maintains control mechanisms for manual overrides on pricing illiquid or highly structured securities.
- The Custodian has an appropriate level of review of pricing problems.
- The Custodian works actively with pricing vendors to resolve pricing problems.

E. Risk Analysis System and Internal Controls

- The Custodian runs an automated exception process.
- The Custodian performs front-end edits to verify the integrity of trade data.

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- The Custodian has specific guidelines for dealing with exceptions and problems at each level.
- The Custodian has a specific sign-off process for exceptions.
- The Custodian has specific materiality standards for re-processing client activity.
- The Custodian has a process for reconciling and following up with investment managers.
- The Custodian has completed an SSAE 16 (or SSAE 18) analysis prepared by an independent third party auditor at least once a year.

F. Internet Accessibility

- The Custodian has, at minimum, a fully functional Internet-based on-line access system for reporting to clients and investment managers.
- The Custodian's on-line reports allow the client to establish regular automatic report run schedules.
- The Custodian has standard reports available on-line.
- The Custodian has a browser-based on-line portal that provides access to accounting data, security level information, corporate actions, income collection, cash movement and custody data.
- Clients can communicate with their client service team via the Custodian's on-line system.
- The Custodian's on-line system allows users to download data into standard desktop spreadsheet applications.
- The Custodian's on-line system allows clients to see pending trades, cash management information, general account statements, specific asset holdings, performance, and portfolio analysis.
- The Custodian's on-line systems allow flexible report formatting.
- A significant number of clients use the Custodian's on-line systems.
- A significant number of investment managers use the Custodian's on-line systems.
- The Custodian has on-line help available for a significant part of the day.
- The client can retrieve intra-period data easily from the Custodian's on-line system.
- The Custodian's daily reports include information from the prior business day.
- The Custodian offers comprehensive client training.
- The Custodian's on-line systems support is capable of accommodating current and anticipated service needs, including but not limited to:
 - a) Multi-terminal on-line or Internet access to the Custodian's securities movement and control and accounting systems.
 - b) On-line access 6:00 a.m. to 10:00 p.m. ET Monday through Friday.
 - c) Ability to create ad hoc reports on sales, purchases, income, holdings at manager level, multiple managers, and total fund level. Ability to provide these reports by alpha sort, industry sort, CUSIP sort, and ticker sort.
 - d) Access to at least 18 months of historical accounting reports and custody transactions on-line.
 - e) Daily actual and traded cash positions (on-line real-time).
 - f) Multi-level database security controls.
 - g) On-line trade entry.
 - h) The ability to provide formatted data to MCERA and external sources designated by MCERA (e.g., to consultant, third-party performance measurement vendor, third party proxy vendor, third party class action monitoring vendor, Bloomberg, etc.) for whatever frequency required (daily, weekly, monthly, etc.).
 - i) Transmitting to an off-site emergency processing center established by MCERA.

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G. Cash Management (Sweep of Idle Cash)

- The Custodian's global cash management function has regional centralization.
- Clients can choose among global cash management options that will earn interest for MCERA.
- The Custodian has a clear schedule of charges for overdraft problems.
- The Custodian has overnight cash sweeps, including overnight multi-currency cash sweeps.
- The Custodian has cash management vehicles available for each investment risk tolerance.
- The Custodian fees are disclosed and are competitive.
- The Custodian will work with third-party cash managers.
- The Custodian allows clients to maintain separate accounts versus investing short term funds through a pool of assets.
- The Custodian makes contributions available for investment same-day.
- The Custodian can accommodate a one day notification prior to cash disbursements.
- The Custodian can work with third parties (investment managers, transfer agents or participants) to facilitate collections and withdrawals in a daily environment.
- The Custodian has a clear float management policy.
- The Custodian ensures that accounts are compensated for any and all uncredited income.
- The Custodian's cash management services and cash movement operations can facilitate the daily investment of all available cash in domestic and international accounts.

H. Foreign Exchange

- The Custodian has a disclosure policy that delineates all types of foreign currency transactions (i.e. income repatriation, standing instructions, settlement FX, funding FX such as Global Capital Calls, netting, etc.).
- The Custodian will not limit MCERA and investment managers from transacting foreign currency with other dealers or desks other than that of the Custodian.
- The Custodian shall provide a report on all FX executed through their own foreign currency desk on-behalf of MCERA or as directed by the investment managers.
- The Custodian will disclose at what price the custodian valued the foreign currency trade with the relevant benchmark - this may include the WM Fixing Rate, the Hi-Lo of the day, and other metrics where appropriate.
- The Custodian automatically flags off-market transactions (off-market is considered to be 10% or greater variance).
- The Custodian ensures that an independent compliance monitoring group reviews all off-market transactions and indicates the reasons for the price.
- The Custodian discloses to clients any conflicts of interest.
- The Custodian ensures that an independent compliance group reviews failed foreign exchange transactions.
- The Custodian has a desk of foreign exchange traders that can execute transactions in the inter-bank market, including 24-hour access to foreign exchange markets.
- The Custodian can execute a significant number of foreign exchange trades directly in the market as required by country regulations or restrictions (i.e. restricted currencies).

I. Safekeeping for Derivatives

- The Custodian must have relationships with exchanges on which exchange traded derivatives transactions are executed and processed.
- The Custodian must have defined procedures and processes for OTC derivatives, and able to provide independent valuation and monitoring when needed.

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- For non-dollar bonds or foreign debt securities, depositories are used by the Custodian. However, the Custodian must have a relationship with a local sub-custodian when depositories are not available.
- For Bank Loans, the Custodian has the requisite capabilities to track, safekeep, process, and settle, and value such instruments using both internal and external vendor capabilities.
- The Custodian must be able to properly record and monitor securities movements for proper accounting of derivatives and non-dollar assets.

J. Compliance Monitoring

- The Custodian provides compliance monitoring and reporting for individual portfolios as well as the various consolidations.
- The Custodian provides post-trade pre-settlement compliance reporting on a daily basis.
- The Custodian provides compliance reporting through its on-line reporting product.
- The Custodian's compliance reporting product includes screening by CUSIP, sector, country, quality and maturity.
- The Custodian provides compliance reporting at the portfolio manager level for domestic and global separate accounts.
- The Custodian provides the ability to notify client of breaches of investment guidelines or compliance violations in an automated email to the Plan.

K. Corporate Governance and Litigation Support

- The Custodian should be able to support active monitoring of proxy notification, voting and corporate governance policies of MCERA.
- The Custodian must be able to block a specified number of shares of any holdings or securities to effect a proxy vote or class action filing.
- The Custodian has a client-accessible system for monitoring class action litigation and bankruptcy proceedings affecting portfolio securities held by client.
- The Custodian has a system of filing claim notices and other documents in connection with such proceedings.
- The Custodian has a system to track history of portfolio securities held during any periods that are the subject of such proceedings.
- The Custodian has a system to advise client and client's investment managers of significant dates and deadlines in respect of such proceedings, including but not limited to opt-out elections in class action litigation, deadlines for filing claims, deadlines for filing bankruptcy notices or claims.

L. Client Service

- The Custodian shall assign a day-to-day administrator to act as one point of contact for MCERA and supported by a seasoned team.
- The Custodian shall assemble a coordinated client service team that has the requisite experience, tenure and knowledge in the delivery of the main functions that MCERA contracts with the Custodian.
- The Custodian shall maintain a Client Procedures Manual Handbook/Business Requirements Document for MCERA which can be made available upon request.
- The Custodian shall provide an education and training seminar at least once a year to ensure that MCERA is aware of new industry initiatives relative to custody, trade processing and related best practices.

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- The Custodian shall furnish MCERA with information regarding new industry initiatives, regulatory updates, and best practice via electronic delivery of newsletters, publications, etc.
- The Custodian shall develop a service level expectation with MCERA. Expectations are to include at least the following:
 - a) Client service team should be able to support MCERA work hours from 7:00 am to 5:30 pm Pacific Time.
 - b) Process flow analysis and documentation of MCERA's operational functionality and inventory check of requirements during the on-boarding and/or conversion period.
 - c) Respond to telephone inquiries and emails within 3-hours.
 - d) For issues with a longer time to resolution, provide estimated time to resolve and weekly status reports for all outstanding issues.
 - e) Provide escalation chart (personnel, back-up, and deadlines) for problem and error resolution tracking purposes.
 - f) Define delivery deadlines for monthly audited reports.

M. Fund, Pool, and Investment Accounting (For Review Only)

- The Custodian can deploy unitization and pool accounting, utilizing equitable share accounting (unit and dollar basis) where required.
- The Custodian has experience unitizing accounts at least on a monthly basis.
- The Custodian can accrue fees in NAV calculations on a daily basis.
- The Custodian reviews corporate actions, unrealized gains and losses, and foreign exchange in striking NAVs.
- The Custodian has experience with unit pricing for all asset classes (Domestic Equity, Fixed Income, International Equity, Mortgages, Absolute Return, Real Estate and Private Equity).
- The Custodian can collect NAVs and do unit pricing in a daily environment and provide for an audited unit value at the fund level at least monthly.
- The Custodian is able to strike a NAV for illiquid asset classes at least monthly.
- The Custodian has daily on-line access to NAVs.
- The Custodian shall provide for a clear and detailed policy on Materiality Thresholds and Error Resolutions.
- The Custodian has clear procedures for researching NAV errors, communicating problems to the client, reprocessing NAVs, and making clients whole in the event of a loss due to calculation errors.
- The Custodian can provide audited monthly unit values as follows:
 - a) The Custodian can provide accounting resources for unitized accounting in electronic format.
 - b) The Custodian should have an experience with unit value pricing and should be able to calculate NAVs in a daily environment.
 - c) The Custodian will need to communicate relevant monthly NAV information electronically to MCERA.
 - d) The Custodian should make available audited NAV calculations no later than the 10th business day after month-end.

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II. CUSTODY AND SAFEKEEPING SERVICES

A. Experience

- 1) State your firm's lines of business. Where does custody of tax-exempt assets (i.e. public funds, endowments, foundations, Taft-Hartley, ERISA, etc.) fit within the organization as a service or product offering?
- 2) List the office location (primary and secondary) from which the work is to be delivered for MCERA's relationship.
- 3) What is the approximate revenue contribution of your Institutional Trust and Custody Business to overall company revenue in percentage terms?
- 4) Please provide information on your organizational profile as indicated in the following table as of June 30, 2019.

| CUSTODY PROFILE | CUSTODIAN BANK |
|--|---|
| Total Assets under Custody and Administration | Total Market Value = US\$ |
| Global Head of Asset Servicing/Custody Services/Investor Services | Name = Title = Tenure with Bank = Tenure at Current Position = |
| Number of Personnel Dedicated to Custody, Asset Servicing and Support | Total Employee Count (Company Wide) = Total Number of Employees (Custody and Asset Servicing Only) = Total Number of Employees Dedicated to Alternative Investment Support (Private Markets, Hedge Funds, Absolute Return, and other Non-Traditional Asset Classes Only) = |

- 5) Describe any organizational issues (i.e., mergers, acquisitions, personnel changes, business concerns, etc.) about your institution that are currently in process or have occurred within the last three years. What are your firm's areas of planned strategic growth? Describe any planned or ongoing initiatives that could significantly impact the services provided or fees charged for this account.
- 6) Describe in detail any potential conflicts of interest your firm may have with Callan retained by MCERA for the solicitation and procurement of custody and related services.

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- 7) Provide the number of your organization's clients as categorized in the following matrix. Report aggregate values of their total assets under custody in US\$ millions for periods specified.

Total Tax Exempt Trust and Custody Clients Only

| | Total Number of Clients | Asset Value (US\$ millions) |
|-------------|--------------------------------|------------------------------------|
| 2015 | | |
| 2016 | | |
| 2017 | | |
| 2018 | | |
| 2019 | | |

Public Fund Custody Clients Only

| | Total Number of Clients | Asset Value (US\$ millions) |
|-------------|--------------------------------|------------------------------------|
| 2015 | | |
| 2016 | | |
| 2017 | | |
| 2018 | | |
| 2019 | | |

- 8) Provide the number of **tax-exempt trust and custody accounts** gained and/or lost for the periods listed in the following matrix. Report corresponding market values in US\$ millions as of initiation date for clients gained and termination date for clients lost.

Total Tax-Exempt Trust and Custody Clients Only

| | Clients Gained (Number) | Clients Gained (US\$ millions) | Clients Lost (Number) | Clients Lost (US\$ millions) |
|-------------|--------------------------------|---------------------------------------|------------------------------|-------------------------------------|
| 2015 | | | | |
| 2016 | | | | |
| 2017 | | | | |
| 2018 | | | | |
| 2019 | | | | |

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- 9) Please list the top five (5) Public Fund clients serviced by your firm as specified in the following table. Report aggregate market values of total assets under custody in US\$ million as of June 30, 2019.

Public Fund Custody Clients Only

| Organization Name | Location (City and State) | Asset Value (US\$ millions) |
|--------------------------|--------------------------------------|------------------------------------|
| | | |
| | | |
| | | |
| | | |
| | | |

- 10) Provide your organization's client distribution as specified in the following table. Report aggregate market values of total assets under custody in US\$ million as of June 30, 2019.

Tax-Exempt Client Asset Size Distribution

| Distribution | Number of Clients | Number of Plans | Aggregate Market Value (US\$ millions) |
|---|------------------------------|----------------------------|---|
| <i>Public and Sovereign Wealth Funds</i> | | | |
| Below \$500 million | | | |
| \$500+ million to \$1 billion | | | |
| \$1+ billion to \$5 billion | | | |
| \$5+ billion and Up | | | |
| <i>Corporate ERISA</i> | | | |
| Below \$500 million | | | |
| \$500+ million to \$1 billion | | | |
| \$1+ billion to \$5 billion | | | |
| \$5+ billion and Up | | | |
| <i>Taft-Hartley and other Eleemosynary Funds</i> | | | |
| Below \$500 million | | | |
| \$500+ million to \$1 billion | | | |
| \$1+ billion to \$5 billion | | | |
| \$5+ billion and Up | | | |
| <i>Endowments and Foundations, etc.</i> | | | |
| Below \$500 million | | | |
| \$500+ million to \$1 billion | | | |
| \$1+ billion to \$5 billion | | | |
| \$5+ billion and Up | | | |
| TOTAL | | | |

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11) List and provide a summary description of all pending or threatened litigation, regarding Custody Services, against your organization. List and describe all agency supervision associated with the pending or threatened litigation. What has been your experience with regard to litigation or agency supervision over the past five years?

B. Client Servicing

- 1) What would be the most distinct element of your client servicing approach that MCERA would benefit from and that is considered exceptional relative to the custody industry?
- 2) How do you propose to staff (relationship and day-to-day) for MCERA both from a client servicing perspective and actual daily service deliverables point of view given MCERA's configuration?
- 3) Does your firm have a dedicated unit just for Public Fund relationships?
- 4) What is the typical client load of your client servicing/relationship manager and day-to-day contact?
- 5) Please provide an organizational chart showing all areas that will be involved in servicing this account. Provide a brief description of each area's responsibilities.
- 6) What is the staff turnover over the last three years of the client servicing group to be assigned to MCERA? How do you manage the client service team turnover and how does this process minimize the impact on your clients?
- 7) Please provide the names and bios of the client servicing team members as follows and as specified in the table below. The response shall include Management Executive Sponsor, Relationship Manager, Client Service Team, Custody and Accounting (Financial Reporting and GAAP), Trade Processing and Securities Settlement, including Cash and Expense Reconciliation, Technology and Systems Support.

| Name | Responsibility | Location | Number and Size of Client Relationships | Years with Bank | Years of Experience and Credentials |
|-------------|-----------------------|-----------------|--|------------------------|--|
| | | | | | |
| | | | | | |
| | | | | | |

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- 8) Does the envisioned MCERA service team handle other Public Fund clients similar to MCERA in configuration? Are any of these clients located in California? Please list clients in the table below.

Public Fund Custody Clients Only

| Client Name | Location or Region | Asset Value (US\$ millions) |
|--------------------|---------------------------|------------------------------------|
| | | |
| | | |
| | | |
| | | |
| | | |

- 9) Please discuss opportunities your financial institution offers to clients for training and continuing education, and whether those educational opportunities would be available to MCERA.
- 10) Are you able to provide different levels of training and education to MCERA investment and operations staff – at a minimum of 20 hours a year?
- 11) Indicate how customer satisfaction is monitored, and whether clients are provided with the ability to participate in the annual evaluations of their support group as well as overall service performances. If available, the custodian must provide the results of its most recent customer evaluation (name of customer may be omitted).
- 12) Is your institution willing to establish a service level agreement (SLA) or a business requirements document (BRD) after a process flow analysis in addition to the custody contract/agreement? Do you have other clients for which you have agreed to such arrangement? Please provide a summary discussion of your approach.
- 13) Please provide a list of three (3) client references of similar size and configuration as MCERA that you have serviced over the last three years and furnish corresponding contact information.

C. Risk and Insurance

- 1) Please enumerate substantive issues raised by independent auditors in your SSAE 16 (or SSAE 18) and issues published in your Form 10-Q. Provide a copy of the most recent annual report, Form 10-Q and SSAE 16 (or SSAE 18). Kindly label accordingly.
- 2) Specific to the above, please identify any and all functions that are not covered by the SSAE 16 (or SSAE 18) reports.

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- 3) Provide the following data and explain its implications, including current capital requirements in lieu of market conditions and regulatory requirements.

Capital Base
June 30, 2019 or Latest Available

| Capital Requirements | Actual | Current Requirements |
|--|---------------|-----------------------------|
| Tier 1 Capital Ratio | | |
| Total Capital Ratio | | |
| Leverage Ratio | | |
| Tangible Common Equity | | |
| TLAC (Total Loss Absorption Capacity) | | |

- 4) Provide your organization's current short term and long term credit rating.
- 5) Please provide summary detail on the CCAR Stress Test that you recently conducted under the guidance of federal regulators. In addition, please provide guidance on how you intend to meet Basel III in terms of capital adequacy and liquidity.
- 6) Describe the various types of insurance coverage and indemnification provided to protect clients of service(s) proposed. Each description should include:
- a. Risk Coverage
 - b. Carriers
 - c. Levels
 - d. Limits
 - e. Deductibles
 - f. Expiration
- 7) Does your organization subcontract any of the services required by MCERA? Kindly state contract vendor name and for which service functions or deliverables.
- 8) Please describe your business continuity and disaster recovery plans. Does this include pandemic planning, cyber-attack (penetration testing), and rogue events? When was the most recent test done? Indicate the date, test type and summary results of the last testing of such emergency plan(s).
- 9) MCERA would like to understand your data retention, data transfer, and limited access vendor relationship processes specific to custody and related services requested in this RFP. Please describe.
- 10) Regarding access to client information, how does your firm monitor and track employees' access to client information, including if an employee has downloaded any or a substantial amount of confidential client information (i.e. account numbers, fund names, manager names, security level information, etc.)?
- 11) Are any of the services required by MCERA processed, maintained, and stored in and outside of the US? Please identify critical custody and ancillary services.

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- 12) Does your firm have an internal audit and control team overseeing all services required by MCERA? If so, who comprises the team, what are their roles, how and when do they audit, and what is their level of independence?

D. Systems, R&D, and Technology

- 1) Please provide the Systems, R&D, and Technology budgets (in actual US\$ terms) specific to trust and custody services over both the past three years and the next three years.
- 2) Provide a brief description of the information delivery system or workstation for client interface. Include a description of client interface technical requirements (i.e., PC operating system, Mac OS, web browser software and version). Describe the levels of service, if any.
- 3) Is the above delivery system subcontracted or developed in-house? If subcontracted, please specify the vendor name and release number, including the description of the relationship and how access to the source code is defined.
- 4) Are you undergoing any level of system integration, retiring/sunseting of platforms, major software or application upgrades, migration to a new internal application or to a third party vendor application specific to custody/asset servicing, accounting, performance measurement & analytics, and related services contemplated in this RFP?
- 5) Is your custody and accounting platform able to interface with various third party accounting systems such as AccountMate, Oracle, SAP, Great Plains, etc.? Is your accounting system able to map and categorize custody accounts specific to a client's chart of accounts?
- 6) Is your organization able to deliver professional expert-level Microsoft Excel spreadsheets (data direct and interactive spreadsheets)? If so, is this available or in development? What information and reports does interactive spreadsheets support (i.e., accounting, GASB support, etc.)?
- 7) What is your vision over the next five years in terms of your technology and processing capabilities, including next-generation initiatives?
- 8) Describe how your organization views and is keeping informed on developing technology such as Blockchain, Artificial Intelligence (AI), Robotics, etc.

E. Trade Processing, Settlement, and Custody

- 1) Are you able to meet the following functions?
 - Accept daily instructions from investment managers and the client.
 - Advise investment managers of daily changes in cash equivalent balances.
 - Immediately advise investment managers of additions or withdrawals from account.
 - Notify investment managers of tenders, rights, fractional shares or other dispositions of holdings.
 - Resolve any problems that investment managers may have relating to custodial account, including security pricing differences.
 - Safekeeping of securities.
 - Interest and dividend collection.

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- Process all investment manager transactions.
 - Collect proceeds from maturing securities.
 - Disburse all income or principal cash balances as directed.
 - Daily feed of beginning of day holdings and cash balances, including end of day information.
 - Provide monthly statements by investment manager account and consolidated statement of all assets on a plan and total trust levels.
- 2) State the value of assets held (as of June 30, 2019) at Depository Trust Company and Federal Reserve and the length of the direct participant relationship with these custodians.
 - 3) State the value of assets for basic international depositories, such as Euroclear, Clearstream, etc. as of June 30, 2019.
 - 4) Does your organization employ actual or contractual settlement date? It is the requirement of MCERA to have contractual settlement. Is this requirement acceptable?
 - 5) Does your firm have global custody capabilities and do you employ SEC 17f-5 and 17f-7 in the review and contracting arrangements with your sub-custody network? Please explain your role as Custody Manager and tracking of sub-custodians and the inherent risks associated with such arrangements. Please specify any limitations you make regarding your contracts with your sub-custodians.
 - 6) What is normal protocol in handling not-in-bank assets such as commingled funds and LPs? What is different about your custody platform or product/service deliverable that distinguishes your capabilities compared with the competition especially with an investment structure similar to MCERA?
 - 7) In a separate exhibit, please provide a side-by-side comparison of daily vs. monthly controls, audit, and review for each of the functions – trade processing, settlements, income, corporate actions, securities pricing, and position and cash reconciliation. Please label accordingly.
 - 8) There is growing concern regarding the requirement for an Independent Tax Agent in certain countries where the Plan is currently invested or can invest in the future. Please describe how you support the Registration Process, designation of an Independent Tax Agent and preparation of the Global Power of Attorney for the Plan. How do you ensure that this is not a burden to MCERA?
 - 9) Related to the previous question, identify the countries for which you have formulated a solution for Independent Tax Agent requirements, including distinct policies. Who is the normal contracted Independent Tax Agent assisting clients like MCERA?

F. Income Collection

- 1) Describe your procedures for ensuring that interest and dividends (domestic and international) are paid.
- 2) When and in what instances do you rescind contractual income collections? What is/are your policy(s) for both domestic and international markets?

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- 3) Do you track late collections of income? Can you produce a tracking report detailing outstanding claims? Do you notify clients of failures to collect or late collections of income?
- 4) Please describe your tax reclaim procedures for ADRs and international securities. Are you able to guarantee 100% relief?
- 5) There is always the potential that an investment could generate Unrelated Business Taxable Income (UBTI). Although your firm is not the portfolio manager, how do you assist clients report or track the potential for UBTI? Please discuss any procedures that your organization has in place for assisting clients in dealing with any potential UBTI.

G. Corporate Actions, Proxy Voting, and Class Action Claims Filing

- 1) Describe the organization structure and staffing of your corporate actions, proxy voting support, securities litigation and class action claims filing services. Do you have one or more dedicated units focusing on these services, or other structures?
- 2) Specific to proxy actions, can you support proxy voting by the investment managers, third party vendor, or client? Please answer the following:
 - a. Briefly describe the custodian's corporate action procedures for domestic and foreign securities, including providing proxy notification, monitoring, etc. Include a list of the various sources the custodian uses for corporate action announcements.
 - b. How would the client access all proxy notification or voting matters?
 - c. Do you have the capabilities to transfer holding information on a daily, weekly or monthly basis to a third party?
 - d. Do you have the capability to monitor upcoming international votes?
 - e. How do you address the share blocking issues with global securities?
 - f. How do you address potential premiums paid for voting securities in certain markets?
 - g. How do you account for all possible shares being voted?
 - h. Are you able to recall shares on loan prior to record date to participate in the proxy process?
- 3) What is distinct about your proxy notification and proxy voting support service, whether in-house or subcontracted to a third-party?
- 4) Is class action monitoring and filing of claims performed in-house or subcontracted? What can your firm do and not do in terms of class action monitoring, handling, and filing?
- 5) Do you have experience providing data to third party class action monitoring vendors designated by clients? Are data feeds customized for each vendor or are only standard file formats available?
- 6) Please describe your class action monitoring and claims filing processes and procedures in detail, including but not limited to the following:
 - a. Identifying all eligible security positions and match trading history against open class action cases
 - b. Calculating recognized losses
 - c. Preparing supporting materials for a claim and submit a timely, complete and acceptable filing

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- d. Tracking administration of the settlement
 - e. Handling award distribution payments to investors
 - f. Handling of claim deficiency notices
- 7) Are you willing to file all claims with class periods that predate the conversion using data supplied by the previous custodian of record?

H. Accounting and Reporting

- 1) MCERA would like to institute a formal manager reconciliation process to verify month-end audited statements. What is your investment manager reconciliation policy and procedure before audited statements are sent to clients? Is this proactive, reactive, or is the onus on the investment manager to reconcile to your information?
- 2) Specific to the above investment manager reconciliation process, is it any different for custodied assets versus not-in-bank assets?
- 3) How is your accounting capability different for separately managed accounts versus commingled funds? Is the capability any different if it is domestic or international and by asset class?
- 4) Describe your firm's investment and fund accounting capability (include system name and year developed). Is the system maintained in-house or subcontracted or maintained through a service bureau arrangement with a third-party?
- 5) Is the above system able to handle plan, trust, pooled, and unitized accounting for multiple participating entities?
- 6) Does your organization have a general ledger accounting system in a full accrual trade date multi-currency basis?
- 7) Enumerate a complete description of the general ledger system and the accounting fields (asset and transaction buckets, debit and credit tables, etc.) available.
- 8) Does your organization have the capability to accommodate client-defined reference data such as asset descriptions and reference numbers?
- 9) What are the different cost methodologies and tax lots available?
- 10) Are you able to track Principal and Income, including Realized and Unrealized Gains/Losses?
- 11) Do you have the capabilities to provide partnership accounting and sub-fund accounting? Please describe.
- 12) MCERA would consider the trust/custodian fund accounting provider as the "book of record" for assets and transactions. Do you accept this responsibility?

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- 13) What are the future or planned enhancements to your current accounting and reporting system? If planned changes or enhancements are envisioned, what are the advantages to clients?
- 14) Enumerate all data vendors utilized by your institution for pricing, fixed-income (i.e., swaps) and mortgage factors, corporate actions, etc. Specify primary, secondary and tertiary sources.

| Pricing Sources | For what type of Securities, Instruments or Asset Class | Specify if Primary or Secondary | Daily Feeds (Yes or No) |
|-----------------|---|---------------------------------|-------------------------|
| | | | |
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| | | | |
| | | | |

- 15) What types of reports are available to clients? List both standard and non-standard reports. Please provide samples.
- 16) Describe the basis for monthly audited reports. Are the asset holdings and transactions based on settlement date accounting, settlement date accounting with pending trade adjustments, or trade date accounting? Describe in detail the closing cycle and the ability to close individual accounts (or in phases) while still ensuring that all accounts are closed on a timely basis.
- 17) Given the investment account structure of MCERA, are you able to meet the requirement that audited statements be available by the 8th business day after month end? Is this acceptable?
- 18) Is your firm able to independently calculate management and performance incentive fees and post accruals monthly? How do you ensure that accruals are reversed when payment is made?
- 19) How does your organization handle derivatives and other complex instruments such as collateralized mortgage obligations, options/futures, swaps, commodities, bank loans, short sales (leverage), and hedge fund accounting? Include the method used to calculate realized and unrealized gains and losses and the corresponding GASB (and or appropriate GASB equivalent) utilized to guide methodologies.
- 20) Do you have the capability to provide GASB 72 reporting, including leveling? Please describe your methodology to delineate, assign, and determine the leveling required.
- 21) Are you able to generate accounting and reporting information for GASB 40 purposes? Please describe and provide sample reports.
- 22) Does your firm provide audit (GASB 28) reports? If so, how frequently?

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- 23) How does your organization handle GASB 53 requirements specific to commingled funds, real estate, commodities, private equity, absolute return, and OTC derivatives?
- 24) Are the general classifications for GASB 53 within GAAP guidelines as determined by an independent third party vendor (i.e., E&Y, Deloitte, PwC, etc.)?
- 25) How does your organization keep abreast of new GASB standards and provide support to your clients with implementation? Please describe your plan to track and address future GASB requirements.
- 26) Are you able to furnish the financial reports listed in Attachment A – Accounting and Reporting Requirements?
- 27) What is distinct about your derivatives processing and valuation (e.g. swaps, etc.) capabilities that MCERA should be aware of beyond basic line item tracking? Provide detail of capabilities and support.
- 28) How do you handle security/cash transfers between accounts, specifically between custodied accounts and non-custodied accounts such as commingled funds? How does the client know that the cash balances and positions are in sync?
- 29) Specific to commingled funds, do you have the ability to drill down and capture the client's pro-rata share of holdings for use in terms of monitoring and analytics?
- 30) Describe special procedures for the processing, valuing and reporting of Securities Held Elsewhere assets such as real estate, commodities, alternative investments, private equity, venture capital, and non-traditional assets including the following:
 - a. Private Equity estimated and final valuations
 - b. Unlagged private equity and real estate valuations – adjusting current period closing valuations, ensuring all expected valuations have been received, handling timing differences (e.g., accrued capital calls)
 - c. Unfunded commitments – reserve commitments, investment period monitoring, recallable distributions
 - d. Private investment distributions – identifying components (cost, realized gain/loss, etc.), adjusting lagged valuations, timing differences (declared by fund, received, liquidated)
 - e. Advanced technology for capital calls – workflow, client wire initiation
- 31) Specific to alternative investments, do you have capabilities to drill down to the company (security) or partnership level in terms of monitoring? Kindly enumerate and delineate by types of alternative investments such as hedge funds, distressed, private equity, venture capital, real estate, absolute strategies, convertibles, etc.
- 32) What is distinct about your capabilities in the area of private investments (commodities, real estate, etc.), including capital calls and cash/stock distributions? What services are available to support this important area?

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- 33) How does your firm coordinate with multiple commingled funds in order to render consolidated reporting and performance measurement services? Do you have a special team that handles such arrangements?

I. Cash Management (Short Term Investment Management) and FX Capabilities

- 1) To the extent MCERA would use STIFs managed and offered by the custodian, please list acceptable vehicles for the sweep of frictional cash. Please identify each available vehicle as required in the table below and provide a summary description of each and attach appropriate prospectus/fund fact sheets, and fund cut-off time accordingly.

| Short Term Fund Vehicle Name and Investment Manager | Regulatory Framework for Inv. Policies & Guidelines (Complies with SEC Rule 2a-7 MMF, OCC Reg 9 STIF, or Other - specify) | Valuation Methodology (Constant \$1NAV or Variable \$1NAV) | Available for Public Funds and Qualified Tax-exempt Institutional Investors (Yes or No) | Total Asset Market Value as of June 30, 2019 (US\$) | Asset Management Fees/Costs or Expense Ratios (bps) |
|---|--|---|--|--|--|
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

- 2) What is(are) your position(s) and policy(ies) specific to SEC Rule 2a-7 requirements, primarily regarding liquidity, gating/redemption, and floating NAVs?
- 3) Have any of your short term investment vehicles ever “broken the buck” or experienced losses?
- 4) Did any of your firm’s short-term investment funds suffer losses or liquidity issues such that clients were unable to sell shares/units in these funds? Explain why or why not.
- 5) What is your daily compensation and overdraft policy? The custodian is required to provide formal monthly overdraft reporting which at a minimum includes the following information: Account Overdrawn, Amount Overdrawn, Number of Days Overdrawn, Reason for Overdraft, Responsible Party, and Amount of Overdraft Fees. Is your firm able to meet this requirement?
- 6) Does your organization have the capability to provide a cash availability projection report? How many days is the cash projection (i.e., 5 days, 10 days, 30 days, 60 days or 90 days)?
- 7) Specific to money movement, expense payment, wires and/or capital calls initiated by MCERA, what are your policies and procedures (i.e. authorization, approval, tracking/monitoring, access codes, authentication process, etc.)? Describe a progressive cash flow movement and control process for MCERA.
- 8) Does your organization charge a penalty or administrative fee/cost for maintaining/holding balances in certain currencies? Please explain and provide specific pricing if applicable.

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- 9) Please furnish discussion for each of the banking services you offer in the following areas:
 - a. Lockbox Processing
 - b. Remote Deposit Capture
 - c. Wire Transfer Services
 - d. Technology and Web Enabled Platform
- 10) Does your organization have experience supporting clients similar to MCERA requiring Remote Deposit Capture or Lock Box services?
- 11) Are banking services such as Remote Deposit Capture supported by the same client service group that supports the trust/custody relationship? If not, please describe your service model.
- 12) Describe your Foreign Currency (FX) management capabilities and competitiveness, including transparency, reporting, benchmarking, compliance culture, and risk discipline.
- 13) Has your firm been investigated for any issues related to FX trading? If so, please explain.
- 14) MCERA reserves the right to allow managers to execute any and all FX trades with third party brokers. What different FX execution options can you provide to both MCERA and its investment managers beyond custody FX execution venues (i.e., direct and indirect FX, Street FX, Pre-Negotiated FX, Electronic FX Execution Platforms, etc.)?
- 15) Does your organization charge a penalty or administrative cost for currencies executed by a third-party other than the custodian bank?

J. Securities Lending

- 1) Does your firm provide indemnification for the following risks emanating from securities lending?
 - a. Borrower/Counterparty Risk and Default
 - b. Collateral Investment Risk
 - c. Interest Rate Risk
 - d. Credit Spread Risk
 - e. Liquidity Risk
 - f. Trade Settlement Risk
 - g. Operational Negligence
 - h. Sovereign Risk
 - i. Currency Fluctuation Risk
- 2) List and describe all pending or threatened litigation against your organization in reference to securities lending services. List and describe all agency supervision associated with the pending or threatened litigation. What has been your experience with regard to litigation or agency supervision over the past ten years?
- 3) Have you experienced any losses due to operational negligence, collateral reinvestment and/or security specific reinvestments, and/or broker default since the inception of your securities lending program?

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- 4) Do you stress test your securities lending program? Describe the methodology and procedures utilized for stress testing, including the frequency of testing. Provide summary results for the most recent stress test conducted.
- 5) Specify the weighted average duration mismatch between lending and reinvesting for the following quarters. (Provide separate answers for each lending pool or separate accounts that you offer in your program.)

| Year | 1 st Qtr. | 2 nd Qtr. | 3 rd Qtr. | 4 th Qtr. |
|------|----------------------|----------------------|----------------------|----------------------|
| 2017 | | | | |
| 2018 | | | | |
| 2019 | | | | |

- 6) How does your organization propose to address issues related to prohibited transactions based on DOL ERISA guidelines specific to 81-6 and 2006-16 on lending to non-US registered borrowers and the acceptance of non-US\$ collateral within the context of MCERA?
- 7) Provide a list of your current borrowers. Identify the top ten borrowers and the percentage these borrowers represent of the total program. Can a client restrict specific borrowers?
- 8) Does the borrower list include your firm, affiliates, subsidiaries, and/or other entities managed or controlled by your firm or parent? If so, please identify.
- 9) What are the forms of collateral (cash and non-cash) that your organization accepts for all securities lending programs enterprise-wide? Please enumerate and delineate if acceptable under the safe harbor of ERISA DOL PTE 81-6 and 2006-16 or applicable/negotiated on a client by client basis.
- 10) What collateralization percentage is required for each of the security types (domestic and international equities and fixed income) and delineated by cash and non-cash collateral? What value (market value only, including accrued interest, etc.) is the basis for this percentage?
- 11) What are the collateralization levels (initial margin and daily margin) for non-cash collateral other than US Treasury and Agencies? Enumerate and specify by collateral type.
- 12) MCERA requires full operational and borrower default indemnification within the securities lending program. Are you able to comply with this requirement? Describe your full operational and borrower default indemnification policy. Be sure to address the following:
 - a. Borrower files for bankruptcy for whatever reason.
 - b. Failure to recall securities before settlement date.
 - c. Failure to secure additional collateral and margin requirements.
 - d. Failure to receive dividends, distributions, and all economic benefits of ownership.
 - e. Immediate use of Non-Cash Collateral in lieu of Borrower Bankruptcy.
- 13) What are the specific limitations of your indemnification?

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- 14) Is your organization able to provide for total or partial collateral investment risk indemnification? Does your organization have clients with such arrangements? If so, please describe.
- 15) Does your organization charge an additional fee to provide any of the types of indemnification noted above? If so, please describe.
- 16) Describe your current client base. How many clients participate in your lending program? Without disclosing client names, list as follows as of **June 30, 2019**.

| Plan Sponsor Type | No. of Clients (Agent Relationship) | Lendable Base (Agent Relationship) |
|---|--|---|
| Public | | |
| Corporates | | |
| Endowment and Foundations | | |
| Taft-Hartley, Union | | |
| Mutual Funds, Investment Manager's Commingled Funds | | |
| Insurance Companies | | |
| Others | | |
| TOTAL | | |

- 17) What was the daily average dollar volume of securities loans outstanding for the last 12 months ending June 30, 2019? Specify in US\$ millions.

For the 12 months ending June 30, 2019

| Asset Classes | Daily Avg. Lendable Base (US\$ millions) | Daily Avg. Out on Loan (US\$ millions) | Avg. Rebate Rate/Fees (bp) | Avg. Daily Spreads Net of Rebate (bp) |
|--------------------------|---|---|-----------------------------------|--|
| US Large Cap Equities | | | | |
| US MidSmall Cap Equities | | | | |
| US Corporate Bonds | | | | |
| High Yield | | | | |
| REITS | | | | |
| US Government Bonds | | | | |
| TIPS | | | | |
| Non-US Equity | | | | |
| Non-US Fixed Income | | | | |

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- 18) What is your organization's proposal for the revenue sharing arrangement (principal) and/or the split of security lending income (agent)? Is the split also applicable to negative income if it occurs?
- 19) Provide a brief description of cash collateral reinvestment vehicles (REPO, overnight Treasury, STIF, commingled, customized, separate, 2a-7, etc.) utilized in the reinvestment of cash collateral applicable to the Plan. Furnish, as a separate attachment, the Investment Policies and Guidelines for all funds available for the reinvestment of cash collateral.
- 20) Does your organization have a 100% full overnight option? Please describe.
- 21) Does your organization have cash collateral pools dedicated to securities lending or separate accounts that conform at a minimum with a SEC registered 2a-7 fund structure?
- 22) Do you offer an indemnified REPO program? Please describe the program parameters.
- 23) Do you charge a management fee (bp) and/or administration fees (bp) plus expense ratios for each type of collateral reinvestment fund, separate accounts or collateral reinvestment fund? If so, specify the fee and if fees are deducted before or after the split.
- 24) Furnish a revenue estimate of the securities lending income for MCERA for one (1) year ending June 30, 2019 utilizing the holdings listed in Attachment F. (Please note that the estimate is backward looking and not forward looking into the future. Thus, for the one-year estimate ending June 30, 2019, utilize the holdings provided and assume that the holdings are in a buy and hold strategy from July 1, 2018 to June 30, 2019.) Assume that collateral is reinvested in a commingled fund or separate account that utilizes the following guidelines, namely: (a) strictly intrinsic value lending of 50 bps minimum with overnight cash collateral US Treasury REPO reinvestment guideline; (b) Intrinsic value lending of 25 bps minimum and SEC 2a-7 guideline with overnight cash in a REPO reinvestment guideline; and (c) Intrinsic value lending of 25 bps minimum and assume guidelines similar to reinvestment guidelines in Attachment E. Provide calculations in fee calculation matrices specified in Attachment D – Worksheets 1, 2, and 3.

K. Conversion Process

- 1) Describe your organization's formal transition planning process, including a timeline, for the Plan as it would apply to MCERA specific to trust/custody.
- 2) For example, given a notification of engagement by April 1, 2020 and a targeted conversion of July 1, 2020, please provide a detailed transition calendar.
- 3) On what date would you commence parallel processing in order to develop history, test procedures, and establish entitlements/accruals given a full conversion by July 1, 2020?
- 4) How do you conduct the transfer of line items, commingled funds, securities and cash from a prior custodian and its sub-custodians to control the risk of loss of assets and assure that all are received and accounted for properly?
- 5) Given the structure of the Plan, what should MCERA look out for, areas of concern and heightened level of sensitivity during the conversion period?

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6) What are the transition and conversion fees/costs to MCERA that we should be aware of?

III. CUSTODY AND RELATED SERVICES COSTS AND FEES

This Fee Section is divided into two sections, namely: flat fee and unit cost basis. Bid competitively.

A. Please provide an annual flat fee for trust/custody services required by MCERA. All quoted fees should be on a flat dollar (in US dollars) basis. If fee minimums are required, please do state so, accordingly.

| Monthly Audited, Daily Priced | Flat Dollar Fee |
|-------------------------------|-----------------|
| 1st Year | |
| 2nd Year | |
| 3rd Year | |
| 4th Year | |
| 5th Year | |

B. What are the short term investment vehicles you propose as applicable to MCERA? Identify the total expense ratio, including management fees, and cut-off time for each. (Specify: Sweep Options, Late Day Cash, Overnight, FDIC approved, 2a-7 funds, and US Government Only.)

C. What are the overdraft charges for domestic and international transactions?

D. Identify the services included in the flat fee stated in Item A and based on the current investment structure of MCERA:

a) Custody Services for all Asset Types (i.e. domestic and international)? **yes** ___ **no** ___

If **no**, what are the charges?

| | |
|------------------------|------------------------|
| Safekeeping | \$ _____ charge or fee |
| Asset Servicing | \$ _____ charge or fee |
| Transaction Processing | \$ _____ charge or fee |
| Other (global custody) | \$ _____ charge or fee |

b) Commingled Fund and Intra-Account Fund Transfers? **yes** ___ **no** ___

If **no**, what are the charges?

| | |
|---------------------|------------------------|
| Transfer In and Out | \$ _____ charge or fee |
| Cash In and Out | \$ _____ charge or fee |
| Wires In and Out | \$ _____ charge or fee |

c) Commingled Fund Look Through? **yes** ___ **no** ___

If **no**, what are the charges?

| | |
|---------------|------------------------|
| Per portfolio | \$ _____ charge or fee |
|---------------|------------------------|

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d) Accounting - Monthly Valuation, but Daily Price? **yes** ___ **no** ___

If **no**, what are the charges?

| | | |
|--------------------------------------|----------|---------------|
| Per portfolio | \$ _____ | charge or fee |
| Per Asset Level, Fund or Composite | \$ _____ | charge or fee |
| Per Plan, Unitization or Sub-account | \$ _____ | charge or fee |

e) Daily On-line/Internet services? **yes** ___ **no** ___

If **no**, what are the charges?

| | | |
|-------|----------|---------------|
| _____ | \$ _____ | charge or fee |
| _____ | \$ _____ | charge or fee |

f) Contractual Settlement and auto-credit program for income collection/tax reclaims? **yes** ___ **no** ___

If **no**, what are the charges?

| | | |
|---------------|----------|---------------|
| Domestic | \$ _____ | charge or fee |
| International | \$ _____ | charge or fee |
| ADR's | \$ _____ | charge or fee |

g) Transition, conversion, and reregistration costs? **yes** ___ **no** ___

If **no**, what are the charges?

| | |
|----------|---------------|
| \$ _____ | charge or fee |
| \$ _____ | charge or fee |
| \$ _____ | charge or fee |

h) Penalty costs? **yes** ___ **no** ___

If **no**, what are the costs?

| | | |
|---------------------------------|----------|-----------|
| Third-party FX trades | \$ _____ | per trade |
| Overdrafts Charges | \$ _____ | per trade |
| Negative Currency Cash Balances | \$ _____ | per trade |

i) Out-of-pocket expenses? **yes** ___ **no** ___

If **no**, what are the charges?

| | | |
|---------------------|----------|---------------|
| Wire transfer | \$ _____ | charge or fee |
| Courier service | \$ _____ | charge or fee |
| Telex charges | \$ _____ | charge or fee |
| Computer processing | \$ _____ | charge or fee |
| Staff training | \$ _____ | charge or fee |
| Stamp duty | \$ _____ | charge or fee |
| Registration | \$ _____ | charge or fee |
| Others: (specify) | \$ _____ | charge or fee |

j) Proxy notification? **yes** ___ **no** ___

If **no**, what are the charges?

| | | |
|-----------------|----------|---------------|
| Reporting: | \$ _____ | charge or fee |
| On-line Access: | \$ _____ | charge or fee |
| Others: _____ | \$ _____ | charge or fee |

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k) Corporate Actions – both Domestic and International? **yes** ___ **no** ___

Voluntary/Mandatory \$ _____ charge or fee
Involuntary \$ _____ charge or fee
Others: \$ _____ charge or fee

l) Class Action Processing? **yes** ___ **no** ___

If **no**, what are the charges?

Reporting: \$ _____ charge or fee
On-line Access: \$ _____ charge or fee
Legal Filings \$ _____ charge or fee
Others: _____ \$ _____ charge or fee

m) Investment Compliance Monitoring? **yes** ___ **no** ___

If **no**, what are the fees or charges?

Basic (software solution only) \$ _____ charge or fee
Intermediate (monthly outsource) \$ _____ charge or fee
Advance (daily full outsource) \$ _____ charge or fee
Other: (specify) \$ _____ charge or fee

n) Regulatory and GASB Reporting Support? **yes** ___ **no** ___

If **no**, what are the fees or charges?

_____ \$ _____ charge or fee
_____ \$ _____ charge or fee

o) MCERA requires a minimum of 20 hours for training and continuing education for keeping clients abreast of new developments within your organization and the trust/custody industry.

Is your organization able to meet this requirement? **yes** ___ **no** ___

If **no**, what are the (annual?) fees or charges?

_____ \$ _____ charge or fee
_____ \$ _____ charge or fee
_____ \$ _____ charge or fee

p) Independent Derivatives Processing and Valuation? **yes** ___ **no** ___

If **no**, what are the charges?

Exchange Traded Derivatives

Valuation and Reporting: \$ _____ charge or fee
Processing: \$ _____ charge or fee
Others: _____ \$ _____ charge or fee

OTC Derivatives

Valuation and Reporting: \$ _____ charge or fee
Processing: \$ _____ charge or fee
Others: _____ \$ _____ charge or fee

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q) Data Interface with Internal and External Providers? **yes** ___ **no** ___

If **no**, what are the fees or charges?

| | |
|--|----------|
| External Auditors | \$ _____ |
| Consultants | \$ _____ |
| Internal G/L | \$ _____ |
| 3 rd Party Class Action Agent | \$ _____ |
| 3 rd Party Tax Agent | \$ _____ |
| 3 rd Party Proxy Voting Service | \$ _____ |
| Others: (specify) | \$ _____ |

r) Specify other charges and fees not included in the proposed FLAT FEE. If a charge or fee is in direct response to a particular RFP question, identify both section and question.

| | |
|-------|------------------------|
| _____ | \$ _____ charge or fee |
| _____ | \$ _____ charge or fee |
| _____ | \$ _____ charge or fee |

FOR FURTHER CONSIDERATION AND REVIEW ONLY: The following are services that MCERA would like to learn about and their corresponding unit fees and costs.

1) Pool/Unitized Accounting:

| | |
|--|------------------------|
| Per Account | \$ _____ charge or fee |
| Per Asset Level, Fund and/or Composite | \$ _____ charge or fee |
| Per Sub-Fund account | \$ _____ charge or fee |
| Others: _____ | \$ _____ charge or fee |

2) Corporate Governance Tools

What are the fees or charges?

| | |
|-------------|------------------------|
| ESG Metrics | \$ _____ charge or fee |
| Others: | \$ _____ charge or fee |

3) Alternative Investment Support

– Private Equity, Hedge Funds, Real Estate, Commodities, etc.

What are the fees or charges?

| | |
|----------------------------|----------|
| Basic Line Item Reporting | \$ _____ |
| Reporting and Monitoring | \$ _____ |
| Full Drill Down (Holdings) | \$ _____ |
| Distributions | \$ _____ |
| Capital Calls | \$ _____ |
| Document Management | \$ _____ |
| Others: (specify) | \$ _____ |

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– Specific to Alternative Investment Support

What are the fees or charges?

Burgiss Group

Private I \$ _____

Informant \$ _____

Analyst \$ _____

IQ \$ _____

Others: (specify) \$ _____

SunGard Investran \$ _____

Private Edge (AIS) \$ _____

Custody/Acctg \$ _____

Administration \$ _____

Core Analytics/Recordkeep \$ _____

Value Add \$ _____

Others: (specify) \$ _____

Venture Economics \$ _____

Hedge Fund Research \$ _____

Others: (Please specify) \$ _____

4) Document Management and Library Maintenance

What are the fees or charges?

_____ \$ _____

_____ \$ _____

F. Fee Calculation Workbook:

For purposes of unit cost verification and calculation methodology, please complete Attachment B

– Fee Calculation Workbook

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VI. TRANSMITTAL LETTER

The following certifies that all services and systems described are available, deliverable and performed by professionals abiding by the highest fiduciary standards. In addition, audits performed by independent parties are diligently accomplished and documented. The undersigned hereby certifies that he or she is authorized to execute this proposal upon behalf of _____ and that the information, commitments, representations, and other provisions of the foregoing proposal are true and correct to the best of his or her knowledge or belief.

Name _____

Title _____

Date _____

END OF RFP

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ATTACHMENT A Accounting and Reporting Requirements

The following list is not intended to be all-inclusive. Each item below will be required by the Plan as applicable.

- Annual certified trust statements for audit purposes
- Annual certified custody statements for audit purposes
- Monthly Audited Statements with requisite Financial and Balance Sheet Reports (Working Trial Balance, Changes in Net Assets, Cash Flow Statements, etc.)
- All Fair Value reporting requirements under ASC 820, ASU 2009-12, ASU 2010-06, ASU 2011-11, etc. including:
 - Level 3 asset roll forward detail:
 - Acquisitions, dispositions, transfers into, transfers out of, unrealized gains/(losses), realized gains/(losses) all on a gross basis
 - Transfers between all levels of assets on a gross basis (i.e. all transfers in to a level reported separately from transfers out of the same level)
 - Information required for derivative instruments:
 - Listing of each type of derivative separated between assets and liabilities
 - Notional amount of derivatives by type
 - Net gains/(losses) reported by each derivative category
 - Information regarding securities lending:
 - Detail listing of securities loaned
 - Income from securities lending activities
 - Valuation of securities lending collateral
 - Valuation of securities lending obligation
- Certification of assets annually for auditors
- Valuation methodologies and procedures of custodian and pricing vendors/services utilized
- Plan expenses by month and fiscal year
- Currency settlement reports
- Pending transaction reports
- Derivatives:
 - Volume of derivative contracts by type by month
 - Market value of derivatives
 - Collateral reports (including shares, security details, and market value of all collateral posted and held)
- GASB 28 – Accounting and Financial Reporting for Securities Lending Transactions
- GASB 40 – Deposit and Investment Risk Disclosures, an amendment of Statement No. 3
- GASB 53 – Accounting and Financial Reporting for Derivative Instruments
- GASB 72 – Fair Value Measurement and Application

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**ATTACHMENT B
Fee Calculation Workbook**

[Included as separate attachment]

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**ATTACHMENT C
Model Agreement for Custody Services**

[Included as separate attachment]

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**ATTACHMENT D
Securities Lending Calculation Worksheets**

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MCERA

CALCULATION WORKSHEET #1 (Assume Intrinsic Value Lending of at least 50 bps and invested Indemnified US Treasury REPO Overnight Basis Only)

| Asset Class | Lendable Assets (US\$) | Percent on Loan (using a 12 month rolling average) | Assets on Loan (US\$) | Intrinsic Spread (bps) | Rebate Rate in bps (using a 12 month rolling average) | Re-invest Rate (bps) | Avg. Daily Spreads Net Rebate and Fees (bps) | Gross Income (US\$) | MCERA Share of Revenue w/ Borrower Default Indemnification (Percent) | MCERA Securities Lending Income (US\$ millions) |
|-----------------------------|------------------------|--|-----------------------|------------------------|---|----------------------|--|---------------------|--|---|
| US Large Cap Equities | | | | | | | | | | |
| US Mid & Small Cap Equities | | | | | | | | | | |
| U.S. Corp Bonds | | | | | | | | | | |
| High Yield | | | | | | | | | | |
| Mortgages | | | | | | | | | | |
| U.S. Govt Bonds | | | | | | | | | | |
| TIPS | | | | | | | | | | |
| Non-US Equities | | | | | | | | | | |
| TOTAL | | | | | | | | | | |

For example: \$100 million loan outstanding for one year with a 0.20% net spread and a split of 80/20 is equal to \$160,000 (\$100,000,000 x 0.002 x 0.80).

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MCERA

CALCULATION WORKSHEET #2 (Strictly intrinsic value lending of 25 bps minimum with SEC Rule 2a-7 Reinvestment Guideline)

| Asset Class | Lendable Assets (US\$) | Percent on Loan (using a 12 month rolling average) | Assets on Loan (US\$) | Intrinsic Spread (bps) | Rebate Rate in bps (using a 12 month rolling average) | Re-invest Rate (bps) | Avg. Daily Spreads Net Rebate and Fees (bps) | Gross Income (US\$) | MCERA Share of Revenue w/ Borrower Default Indemnification (Percent) | Net MCERA Securities Lending Income (US\$ millions) |
|-----------------------------|------------------------|--|-----------------------|------------------------|---|----------------------|--|---------------------|--|---|
| US Large Cap Equities | | | | | | | | | | |
| US Mid & Small Cap Equities | | | | | | | | | | |
| U.S. Corp Bonds | | | | | | | | | | |
| High Yield | | | | | | | | | | |
| Mortgages | | | | | | | | | | |
| U.S. Govt Bonds | | | | | | | | | | |
| TIPS | | | | | | | | | | |
| Non-US Equities | | | | | | | | | | |
| TOTAL | | | | | | | | | | |

For example: \$100 million loan outstanding for one year with a 0.20% net spread and a split of 80/20 is equal to \$160,000 ($\$100,000,000 \times 0.002 \times 0.80$).

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MCERA

CALCULATION WORKSHEET #3 (Assume Cash Reinvestment Guidelines and Managed in Separate Account as specified in Attachment E)

| Asset Class | Lendable Assets (US\$) | Percent on Loan (using a 12 month rolling average) | Assets on Loan (US\$) | Intrinsic Spread (bps) | Rebate Rate in bps (using a 12 month rolling average) | Re-invest Rate (bps) | Avg. Daily Spreads Net Rebate and Fees (bps) | Gross Income (US\$) | MCERA Share of Revenue w/ Borrower Default Indemnification (Percent) | Net MCERA Securities Lending Income (US\$ millions) |
|-----------------------------|------------------------|--|-----------------------|------------------------|---|----------------------|--|---------------------|--|---|
| US Large Cap Equities | | | | | | | | | | |
| US Mid & Small Cap Equities | | | | | | | | | | |
| U.S. Corp Bonds | | | | | | | | | | |
| High Yield | | | | | | | | | | |
| Mortgages | | | | | | | | | | |
| U.S. Govt Bonds | | | | | | | | | | |
| TIPS | | | | | | | | | | |
| Non-US Equities | | | | | | | | | | |
| TOTAL | | | | | | | | | | |

For example: \$100 million loan outstanding for one year with a 0.20% net spread and a split of 80/20 is equal to \$160,000 ($\$100,000,000 \times 0.002 \times 0.80$).

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**ATTACHMENT E
Collateral Reinvestment Guidelines**

Fund Guidelines: The investment manager shall maintain the dollar-weighted average maturity of the Quality D Fund in a manner that the investment manager believes is appropriate to the objective of the Quality D Fund; provided that (i) in no event shall any Eligible Security be acquired with a remaining legal final maturity (i.e., the date on which principal must be repaid) of greater than 18 months, (ii) the investment manager shall endeavor to maintain dollar-weighted average maturity of the Quality D Fund not to exceed 75 calendar days and (iii) the investment manager shall endeavor to maintain a dollar-weighted average maturity to final of the Quality D Fund not to exceed 180 calendar days.

At the time of purchase, (i) all Eligible Securities with maturities of 13 months or less shall (x) be rated at least A1, P1, or F1 by at least any two of the following nationally recognized statistical rating organizations: Standard & Poor's Corp. ("S&P"), Moody's Investor Services, Inc. ("Moody's"), or Fitch, Inc. ("Fitch") or (y) be determined by the investment manager to be of comparable quality and (ii) all Eligible Securities with maturities in excess of 13 months shall (x) be rated at least A-, A3, or A- by at least any two of S&P, Moody's, or Fitch, or (y) be determined by the investment manager to be of comparable quality. The Quality D Fund may invest up to 10% of its assets at time of purchase in commingled vehicles manager by the Trustee or its affiliates that conform to the Investment Policy Guidelines.

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**ATTACHMENT F
MCERA Holdings**

As of June 30, 2019

[Included as separate attachment]