

Memorandum

To: Prospective Bidders
From: Bo Abesamis
CC: Jeff Wickman (MCERA), Mark Kinoshita (Callan), Alvaro Vega (Callan)
Date: January 27, 2020
Subject: Marin County Employees' Retirement Association Custody Services RFP – Addendum A: Questions and Answers

Listed below are questions that were compiled from all of the candidate firms and answers are provided, accordingly. Kindly so mark this document as Addendum A – Marin County Employees' Retirement Association Custody Services RFP Questions and Answers.

- 1. Does the MCERA Securities Lending Program accept non-cash collateral? If yes, please confirm acceptable forms of non-cash collateral for use in the securities lending estimates requested.**

MCERA prefers the safe harbor of ERISA DoL PTE 2006-16: cash, irrevocable letters of credit, US Treasuries and Governments. However, MCERA currently accepts non-cash collateral as US Treasuries, irrevocable letters of credit, and other assets permissible under Rule 15c3-3 under the Exchange Act of 1934.

- 2. Does MCERA hold impaired securities lending cash collateral assets?**

No. To the extent that it has been reported to us, MCERA does not hold any impaired securities lending cash collateral assets.

- 3. Please confirm volumes for the following:**

- a. Monthly volumes of checks for lockbox**

Lockbox services are not currently utilized. MCERA is contemplating expanding the use of banking and treasury services available from the custodian bank, specifically lockbox and/or remote deposit image capture. Current check deposit volume is approximately 5-10 checks per week.

- b. Monthly volumes of checks for remote deposit**

Remote deposit services are not currently utilized. MCERA is contemplating expanding the use of banking and treasury services available from the custodian bank, specifically remote deposit image capture and/or lockbox. Current check deposit volume is approximately 5-10 checks per week.

c. Do they need both or would they use one service vs. the other?

MCERA would consider use of either service based on the reasonableness of proposed solution and cost.

d. Monthly volume of wires? Domestic?

The Monthly volume of cash receipt (CR) wires is 20. All wires are domestic.

4. Attachment B – Fee Calculation Worksheet

MCERA Tab

a. Cash Account: Is this the average daily cash balance held in your current custodians sweep vehicle? If not please provide.

Yes. Please use this figure in your assumptions for average cash balance in the custodian's sweep vehicle.

b. International Securities: Is the \$2,052,756 reported in the subtotal of the international securities section separate from the amounts provided in the portfolio market values section for international equities and fixed income?

The international securities subtotal is related to international fixed income securities.

Analytics & AIS Tab

a. There is no fee section for compliance monitoring within the Analytics & AIS tab. Is a fee needed for this service? If so, please update the Fee Worksheet accordingly.

While this service is not currently required, MCERA would like to understand the potential cost for compliance monitoring services for future consideration. Please provide unit pricing in the worksheet assuming 4 separately managed accounts as provided in the “MCERA worksheet”.

- b. The AIS worksheet does not have any volumes. Are fees needed for these services? If so, please update the Fee Worksheet accordingly.**

While MCERA does not currently subscribe to alternative investment support services of the custodian, MCERA would like to understand the potential costs for such services for future consideration. In particular, Capital Call Support is of immediate interest. Please provide unit pricing in the worksheet assuming 8 private equity LPs. Also provide indicative unit pricing for the additional AIS services using the assumptions as provided in the “MCERA worksheet” for the private equity portfolio.

- 5. Page 49 - ATTACHMENT E Collateral Reinvestment Guidelines: The RFP references the “Quality D” Fund for the guidelines to one of the Sec Lending estimate scenarios. We ask that you please provide those guidelines in order for us to model a return to use in the analysis.**

The guidelines provided in ATTACHMENT E are the “Quality D” Fund guidelines, which are the current investment guidelines for use in Calculation Worksheet #3.

- 6. Does MCERA plan to continue to participate in Securities Lending going forward?**

Yes, MCERA plans to continue to participate in Securities Lending going forward in a risk controlled program. Consideration will be given based on the reasonableness of proposals and solutions founded on risk management. However, MCERA reserves the right to discontinue participation in securities lending at any time.

- 7. Can you please provide your current fee split with the lending agent?**

The current fee split is 70/30 with the lending agent.

- 8. Attachment B – Fee Calculation Worksheet 1-15-2020 FINAL. Is the Unit Cost and associated Calculated Fee information in the workbook only required for the “For Further Consideration and Review Only” items as referenced on Section III, Page 39 and any other services not included in our flat fee proposal?**

While MCERA does not currently subscribe to services in the “For Further Consideration and Review Only” section, MCERA would like to understand the potential costs for such services for future consideration. As such, please provide unit costs associated with each service. Further, even if proposing only a flat fee, please provide indicative unit costs and calculated fees for services that would be included in the proposed flat fee. This will allow MCERA to understand how your organization arrived at the proposed flat fee for purposes of evaluation.