**Appendix A: TECHNICAL PROPOSAL**

Read this document thoroughly before formulating a proposal. You are encouraged to be succinct and answer the questions as asked. Please be specific. Please note that the response to the RFP will be made part of the final legal custody agreement between SFERS and the custody provider. *Kindly restate each question and provide the answers accordingly*.

**MINIMUM QUALIFICATIONS**

Kindly state if your organization is able to satisfy all of the qualifications and statutory requirements listed below and furnish appropriate documentation, accordingly.

A Proposer can submit a response to this RFP for custody services only (Sections I and III, securities lending services only (Sections II and IV), or for both service mandates (Sections I, II, III, and IV).

**Custody**

* At least $1 billion in total market capitalization as of September 30, 2015.
* At least $500 billion in total tax-exempt assets under trust/custody as of September 30, 2015.
* Minimum of 10 years’ experience in providing global trust/custody services for institutional tax-exempt investors.
* Minimum of 5 years’ experience in providing performance measurement (portfolio characteristics, universe comparison, and attribution) and advanced risk analytics (Value at Risk, Scenario and Stress Testing) for institutional tax-exempt investors as of September 30, 2015.
* The firm must carry Errors and Omissions Insurance coverage or must have applied for such coverage by the submission date of the RFP. E&O insurance will be required throughout the duration of the contract.

**Securities Lending**

* At least $1 billion in total market capitalization as of September 30, 2015.
* Minimum of 10 years’ experience in providing securities lending services for institutional tax-exempt investors.
* At least $100 billion in securities lending lendable base for each of the last five years ending September 30, 2015.
* Will accept responsibility for securities lending program as a fully indemnified agent program specific to borrower default and operational negligence.
* The firm must carry Errors and Omissions Insurance coverage or must have applied for such coverage by the submission date of the RFP. E&O insurance will be required throughout the duration of the contract.

**I. CUSTODY AND SAFEKEEPING SERVICES**

**A. Experience**

1. State your firm’s lines of business. Where does custody of retirement plans fit within the organization as a service or product offering?
2. What is the approximate revenue contribution of your Institutional Trust and Custody Business to overall company revenue in percentage terms?
3. Are there any current organizational issues (i.e., mergers, acquisitions, personnel changes, business concerns, etc.) at your institution that we should know about? Have there been any organizational issues over the last three years?
4. Describe in detail any potential conflicts of interest your firm may have in the custody of the SFERS account, or in the alternative, state that no potential conflicts exist, including any known relationships the organization or any staff has with any member of SFERS’ Retirement Board or staff. Respondent must list all gifts or things of value given to members of SFERS’ Retirement Board and staff within the twelve months immediately prior to the date of this RFP. Include (1) the name of the person receiving the gift or thing of value, (2) the earlier of the date the gift of thing of value was promised or given, (3) a brief description of the gift or thing of value, and (4) the fair market value of the gift or thing of value when promised or given, whichever is greater.
5. Describe in detail any potential conflicts of interest your firm may have with Callan retained by SFERS for the solicitation and procurement of master global custody and related services.
6. 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 the periods specified.

**Total Tax Exempt Trust and Custody Clients Only**

|  |  |  |
| --- | --- | --- |
|  | **Total Number of Clients** | **Asset Value**  **(US$ millions)** |
| **2010** |  |  |
| **2011** |  |  |
| **2012** |  |  |
| **2013** |  |  |
| **2014** |  |  |
| **As of September 30, 2015** |  |  |

**Public Fund Custody Clients Only**

|  |  |  |
| --- | --- | --- |
|  | **Total Number of Clients** | **Asset Value**  **(US$ millions)** |
| **2010** |  |  |
| **2011** |  |  |
| **2012** |  |  |
| **2013** |  |  |
| **2014** |  |  |
| **As of September 30, 2015** |  |  |

1. Provide the number of **tax-exempt** **trust and custody accounts**, including global custody clients, 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 Trust and Custody Clients Only**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Clients Gained**  **(Number)** | **Clients Gained (US$ millions)** | **Clients Lost**  **(Number)** | **Clients Lost (US$ millions)** |
| **2010** |  |  |  |  |
| **2011** |  |  |  |  |
| **2012** |  |  |  |  |
| **2013** |  |  |  |  |
| **2014** |  |  |  |  |
| **As of September 30, 2015** |  |  |  |  |

1. List and provide a summary description of all pending or threatened litigation, class action lawsuits, penalties, censures, regarding sustody or securities lending 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 seven years? (Please note that providing a link to a website or company maintained internet portal will not be accepted and will be deemed unresponsive specific to this question.)
2. Provide your organization’s client distribution as specified in the following table. Report aggregate market values of total assets under custody in US$ millions as of September 30, 2015.

**Tax-Exempt Client Asset Size Distribution**

| **Distribution** | **Number of Clients** | **Number of Plans** | **Aggregate Market Value**  **(US$ millions)** |
| --- | --- | --- | --- |
| ***Public Funds*** |  |  |  |
| **Below $500 million** |  |  |  |
| **$500+ million to $1 billion** |  |  |  |
| **$1+ billion to $5 billion** |  |  |  |
| **$5+ billion and Up** |  |  |  |
| ***Corporate*** |  |  |  |
| **Below $500 million** |  |  |  |
| **$500+ million to $1 billion** |  |  |  |
| **$1+ billion to $5 billion** |  |  |  |
| **$5+ billion and Up** |  |  |  |
| ***Taft Hartley-Union*** |  |  |  |
| **Below $500 million** |  |  |  |
| **$500+ million to $1 billion** |  |  |  |
| **$1+ billion to $5 billion** |  |  |  |
| **$5+ billion and Up** |  |  |  |
| ***Endowments & Foundations, etc.*** |  |  |  |
| **Below $500 million** |  |  |  |
| **$500+ million to $1 billion** |  |  |  |
| **$1+ billion to $5 billion** |  |  |  |
| **$5+ billion and Up** |  |  |  |
| **TOTAL** |  |  |  |

**B. Client Servicing**

1. What is your approach to client servicing and what would be the most distinct element of your client servicing approach that SFERS would benefit from and consider exceptional as per the Overview Section of this RFP?
2. How do you propose to staff for SFERS both from a client servicing perspective and actual daily service deliverables point of view?
3. Please provide the names and bios including experience of the proposed client servicing team members as follows and as specified in the table below:
4. Management Sponsor
5. Client Servicing Team
6. Custody and Accounting
7. Trade Processing and Securities Settlement, including Cash and Expense Reconciliation
8. Technology and Systems Support
9. Performance Measurement and Analytics
10. Alternative Investment Support
11. Banking

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

1. Does the team handle other public fund clients, with a similar configuration as that of SFERS? Kindly list other clients handled by the team. (Please note that SFERS reserves the right to accept or request changes to the team and individuals assigned to the relationship.)
2. Please discuss opportunities, which your financial institution offers to clients for training and continuing education, and whether those educational opportunities would be available to SFERS and the cost to be incurred for such training and education.
3. Please provide a list of three (3) current and three (3) former/departed public fund client references of similar size and configuration as SFERS over the last three years and furnish corresponding contact information.

**C. Risk and Insurance**

1. Please address any substantive issues raised by independent auditors in your SSAE 16 and/or SAS 70 and issues published in your Form 10-Q. Provide a copy of the most recent annual report, Form 10-Q and SSAE 16 or SAS 70. Please label appropriately.
2. Provide the following data and explain how it meets the Federal Reserve stipulated requirements.

**Capital Base**

**December 31, 2014**

|  |  |  |
| --- | --- | --- |
| **Capital Requirements** | **Actual** | **Current Requirements** |
| **Tier 1 Capital Ratio** |  |  |
| **Total Capital Ratio** |  |  |
| **Leverage Ratio** |  |  |
| **Tangible Common Equity** |  |  |

1. Provide your organization’s current short term and long term credit rating.
2. Please provide guidance on how you intend to meet Basel III in terms of capital adequacy and liquidity.
3. Has your firm participated in the Federal Reserve’s most recent assessments of capital adequacy for bank holding companies including the Comprehensive Capital Analysis and Review (CCAR) or Capital Plan Review (CapPR)? If so, please disclose the results if permitted.
4. What is the nature and size of any “off balance sheet items” in your annual report and what are the three critical areas that pose the most at risk exposure to the bank?
5. Please furnish a copy of a Standard Trust/Custody Agreement for a Public Fund for SFERS’s review. Kindly label accordingly as a separate attachment.
6. Describe the various types of insurance coverage and indemnification provided by your firm to protect clients of service(s) proposed. Each description should include:
7. Risk Coverage
8. Carriers
9. Levels
10. Limits
11. Deductibles
12. Expiration
13. Does your organization subcontract any of the services required by SFERS? Kindly state contract vendor name and for which service a subcontractor would be used (e.g., subcustody network, pricing, accounting & reporting, internet delivery, securities lending, performance measurement, proxy, disaster recovery, data storage and retention, etc.).
14. Describe your business continuity and disaster recovery plans, including pandemic planning. When was the most recent test done? Indicate the date, scope, and results of the last testing of such emergency plan(s) and promptly report to SFERS the results of any test conducted subsequent to your response to this RFP.
15. What will be the recovery time(s) and service level for critical custodial services in the case of a major disaster?
16. Does your organization perform periodic vulnerability assessments or penetration tests on internal or external networks? If possible, please indicate the date, scope, and high level results of the last such testing.
17. As noted in the Overview Section, SFERS would like to understand your data retention, data transfer, and vendor relationship processes specific to custody and related services requested in this RFP. Please describe.

**D. Systems, R&D and Technology**

1. Please provide the Technology, R&D and Systems budgets (in actual US$ terms) specific to trust and custody services over both the past three and 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, web browser software and version). Describe the levels of service, if any.
3. Is the above information delivery system subcontracted or 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/sunsetting of platforms, major software or application upgrades, migration to a new application internal or to a 3rd party vendor specific to custody/asset servicing, accounting, performance measurement & analytics, and related services contemplated in this RFP?
5. What is your vision over the next five years in terms of your technology and processing capabilities that will ensure your competitiveness and existence?
6. Is your custody and accounting platform able to interface with various investment accounting systems? How does your organization handle client specified G/L feeds to an in-house application?
7. Is your organization able to deliver the next level of 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, etc.)?

**E. Trade Processing, Settlement and Custody**

1. Are you able to meet the following functions?
2. Accept daily instructions from investment managers and SFERS.
3. Advise investment managers of daily changes in cash equivalent balances.
4. Immediately advise investment managers of additions or withdrawals from account.
5. Notify investment managers of tenders, rights, fractional shares or other dispositions of holdings.
6. Resolve any problems that investment managers may have relating to custodial account, including security pricing differences.
7. Safekeeping of securities.
8. Interest and dividend collection.
9. Process all investment manager transactions.
10. Collect proceeds from maturing securities.
11. Disburse all income or principal cash balances as directed.
12. Daily feed of beginning of day holdings and cash balances, including end of day information.
13. Provide monthly statements by investment manager account and consolidated statement of all assets on a plan and total trust levels.
14. State the value of assets held (as of September 30, 2015) at Depository Trust Company and Federal Reserve and the length of the direct participant relationship with these custodians.
15. State the value of assets for basic international depositories, such as Euroclear, Clearstream, etc. as of September 30, 2015.
16. Is your system capable of producing a report which shows all failed trades across all of a client’s investment manager accounts at any given point in time?
17. Does your organization employ actual or contractual settlement date? It is the requirement of SFERS to have a contractual settlement. Is this requirement acceptable?
18. 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.
19. List all depositories, agents, and sub-custodian banks used in each country, including the US as well as emerging and frontier markets/countries, on behalf of clients in the format described in the following chart. Identify those, which are affiliated with your company. For each country, indicate whether you use a central depository or physical delivery.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Country | Subcustodian Bank | Hired or Established | Ownership Structure (Direct or Sub-Contract) | Depository /Clearing Agent | FX Execution Restricted to Sub-Custodian (Yes or No) | Average Annual Fail Rate Sales + Purchases |
| ex. Japan | Bank of Tokyo | 1987 | subcontract | N/A | No | <5% |
|  |  |  |  |  |  |  |

1. Concerning China A Shares, describe in detail how your organization handles the custody of on-shore (China A Shares, etc.) investments in China.  Discuss procedures for working with investments through a Qualified Foreign Institutional Investor (QFII) as well as through the Hong Kong - Shanghai Connect program.  Are these types of assets held in custody by your organization or through a sub-custodial relationship?  If sub-custodians are used, please list the firms. Do you have clear indicia of ownership for clients?
2. What is normal protocol in handling non-in bank assets? What is different about your custody platform or product/service deliverable that distinguishes your capabilities compared with the competition?
3. Specific to the internally managed portfolio (both S&P 500 and Bond/Fixed-Income), is your firm able to provide a trade order management system (TOMS) to automate the manually intensive process and improve compliance checking (i.e., faxing and phone calls)? Please describe solutions available for SFERS’ consideration.
4. In addition to the previous question, what would be the trade affirmation process required for the internally managed portfolios? Is this automated, and through what platform?

**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?
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. What percentage and US$ value of tax reclaims for the last three years ending December 31, 2014, was your organization able to reclaim?

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Period** | **Total Tax Reclaims**  **(US$)** | **Actual Reclaims Collected**  **(US$)** | **Actual Reclaims Collected as a percent of Total Tax Reclaims**  **(%)** | **Outstanding Reclaims**  **(US$)** | **Outstanding Reclaims as a percent of Total Tax Reclaims**  **(%)** |
| **2012** |  |  |  |  |  |
| **2013** |  |  |  |  |  |
| **2014** |  |  |  |  |  |
| **2015 (YTD)** |  |  |  |  |  |

1. There is growing concern regarding the requirement for an Independent Tax Agent in certain countries in which SFERS is invested. Please describe how you support the Registration Process, designation of an Independent Tax Agent and preparation of the Global Power of Attorney for SFERS. How do you ensure that this is not a burden to SFERS?
2. There is always the potential that an investment could generate Unrelated Business Taxable Income (UBTI) (e.g., MLPs). Although your firm is not the portfolio manager, how do you assist clients identify the potential for UBTI (Unrelated Business Taxable Income)? Please discuss any procedures that your organization has in place for assisting clients in dealing with any potential UBTI.

**G. Corporate Actions, Proxy Voting Support 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:
3. 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.
4. How would SFERS access all proxy notification or voting matters?
5. Do you have the capabilities to transfer holding information on a daily, weekly or monthly basis to a third party?
6. Do you have the capability to monitor upcoming international votes?
7. How do you address the share blocking issues with global securities?
8. How do you address potential premiums paid for voting securities in certain markets?
9. How do you account for all possible shares being voted?
10. Are you able to recall shares on loan prior to record date to participate in the proxy process?
11. Please describe your experience with ISS as the 3rd party proxy voting entity currently utilized by SFERS.
12. What is distinct about your proxy notification and proxy voting support service, whether in-house or subcontracted to a third-party?
13. How do you obtain information about and handle class action suits both domestic and international? How quickly is security class action information updated in your system? What information is reported?
14. Is class action monitoring and filing of claims performed in-house or subcontracted? Please describe your class action monitoring and claims filing processes and procedures in detail, including but not limited to how you identify all eligible security positions and match trading history against open class action cases, calculate recognized losses, prepare supporting materials for a claim and submit a timely, complete and acceptable filing, track administration of the settlement, and handle award distribution payments to investors. Please describe how many claim deficiency notices you have received in the past 3 calendar years, and what percentage of claims filed that represents. What actions do you take in response to a deficiency notice. Please describe the technology and systems you use for this service, and all client reports you provide on class actions and claims filing and award distributions. Please describe any quality control processes or audits you use related to claims filing and distribution payments. Be very specific.
15. Are you willing to file all claims with class periods that predate the conversion using data supplied by a third party?

**H. Accounting and Reporting**

1. What are your investment manager reconciliation policies and procedures prior to issuing audited statements to clients? Is this proactive, reactive, or is the onus with the investment manager to reconcile to your information?
2. Specific to the above investment manager reconciliation process, how is it different for custodied and non-in- bank assets?
3. SFERS (in coordination with the custodian and investment managers) has implemented a rigorous formal monthly reconciliation process to help monitor and resolve any valuation differences. Is your organization willing to continue this formal monthly manager reconciliation process?
4. Describe your organization’s trust and plan accounting capability (include system name and year developed).
5. Does your organization have a general ledger accounting system in a full accrual trade date multi-currency basis?
6. SFERS considers the custodian as the “book of record” of the sub-ledgers for assets and transactions. Do you accept this responsibility? Please describe.
7. 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)** |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |

1. As custodian and fund accountant provider, SFERS will rely on your organization for independent valuation and pricing of securities and transactions. Given your reliance on 3rd party vendors for pricing, data and market information, how do you ensure accuracy, appropriateness, and errors are detected/rectified? Do you indemnify SFERS for pricing, data, market information errors of your 3rd party vendors utilized in the provision of audited statements – Yes or No, and explain?
2. Describe your organization’s ability to provide a direct “data feed” of all investment account information to SFERS’s G/L Spreadsheet on a monthly basis. Include a description for the accounts held in at the custodian and those held by entities outside of the custodian (e.g., how would you gather the information and provide it to SFERS).
3. Are you able to generate the reports specified in Appendix E – SFERS Reports? If yes, are there any additional costs or fees that we should be aware of in order to generate the listed reports? Please specify.
4. Are you able to generate accounting and reporting information for GASB 3, 10, 25, 28, 31, 40 and 53 purposes? Please describe and provide sample reports.
5. 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.
6. Do you have the capability to generate trade cost analysis reports? Is there a cost for this service?
7. What is distinct about your derivatives processing and valuation capabilities that SFERS should be aware of beyond line item tracking? Provide detail of capabilities and support.
8. How does your organization handle GASB 53 requirements specific to commingled funds, real estate, commodities, private equity, absolute return, and OTC derivatives?
9. 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.)?
10. Describe your capabilities in custody and accounting of foreign currency (FX) overlay strategies.
11. Describe special procedures for the processing, valuing and reporting of Securities Held Elsewhere, such as real estate, commodities, alternative investments, private equity, and absolute return strategies (hedge funds).
12. Specific to commingled funds, do you have the ability to capture the plan’s pro-rata share of holdings for use in terms of monitoring and analytics?
13. Are outside vendors or software employed to handle real estate and alternative investments? If not, how did your organization achieve the in-house expertise?
14. Specific to alternative investments, do you have capabilities to drill down to 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, senior secured debt, etc.
15. SFERS has a requirement to "right to audit" or examine the books and records at the custodian's place of business and/or the custodian making such books and records available for SFERS's inspection. Does your firm accept and agree to this requirement?

**I. Cash Management (Short Term Investment Management)**

1. To the extent that SFERS 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, 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 $1NAV) | **Available for Public** **Funds and Qualified Tax-exempt Institutional Investors**  (Yes or No) | **Total Asset** **Market Value as of June 30, 2015**  (US$) | **Asset Management Fees/Costs or Expense Ratios**  (bps) |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

1. What is(are) your position and policy specific to the pending SEC Rule 2a-7 requirements, primarily liquidity, gating/redemption and floating NAVs?
2. Have any of your short term investment vehicles ever “broken the buck” or experienced losses?
3. Did any of your firm’s short-term Investment funds suffer losses or liquidity issues such that clients were unable sell shares/units in these funds? Explain why or why not.
4. What is your daily compensation and overdraft policy?
5. 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)?
6. Specific to money movement, expense payment, wires and/or capital calls initiated by SFERS, 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 SFERS.
7. 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.
8. Please furnish discussion for each of the banking services you offer in the following areas:

Wire Transfer Services

* + Online account inquiry and payment processing
  + Integration with custody platform

Technology and Web Enabled Platform

* + Security and Authentication
  + User authorization levels
  + Disaster recovery/contingency

**J. Foreign Exchange Capabilities**

1. Describe your Foreign Currency (FX) management capabilities. Be sure to discuss the following:
2. How does your organization demonstrate the competitiveness of your foreign exchange and how does your firm ensure that custodial clients achieve best execution?
3. What documentation or analysis would your organization provide to SFERS that demonstrates such?
4. How does your organization handle the repatriation of foreign income (e.g., interest and dividends) into U.S. Dollars?
5. Is your organization willing to disclose both explicit and implicit costs of FX Trades?
6. Is your organization willing and able to provide a “time-stamped” FX trade and disclose at what price your firm valued the FX trade?
7. Does your organization flag off-market transactions (considered to be 10% or greater variance) automatically?
8. How are off market transactions reviewed independently?
9. Describe your trade settlement capabilities for FX trades executed with counterparties other than the custodian. How does your organization support the tracking of non-custody bank executed FX trades of investment managers and/or SFERS?
10. What different FX execution options can you provide to both SFERS and its investment managers beyond custody FX execution for both standing instructions (i.e., dividend repatriation) and settlement driven (i.e., cap calls, money movement to clear funding and settlement), including direct and indirect FX execution?
11. The FX controversy has not abated. What level of transparency can you provide SFERS to achieve peace of mind?
12. Has your firm been investigated for any issues related to FX trading? If so, please explain.
13. SFERS 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 SFERS and its investment managers beyond custody FX execution venues (i.e., Street FX, Pre-Negotiated FX, Electronic FX Execution Platforms, etc.)?
14. Does your organization charge a penalty or administrative cost for currencies executed by a third-party other than the custodian bank?
15. Will your firm use a competitive bidding structure to execute FX transactions? Will your organization be able to provide performance reporting or best execution or trade cost analysis reports for FX transactions?
16. List and describe all pending or threatened litigation against your organization in reference to foreign exchange execution 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 seven years? (Please note that providing a link to a website or company maintained internet portal will not be accepted and will be deemed unresponsive specific to this question.)
17. List and describe all pending negotiations or discussions regarding losses by clients in reference to foreign exchange execution services.
18. SFERS requires that the foreign exchange execution agent act as a fiduciary for the foreign exchange execution services function. Please verify that your firm is able to do this.

**K. Performance, Investment Guideline Compliance and Risk Analytics**

1. Are there different levels of performance measurement and analytics services? If there are different service levels, describe whether they reside in one performance measurement module/system or multiple modules/systems.
2. Are you able to calculate both gross and net of fees performance? How about lag and non-lag performance measurement calculations? Please describe the methodology employed.
3. What method do you use to calculate performance for public markets portfolios when there are cash flows in/out of the portfolio during a month? Are you able to provide multi-holding period calculations when there are intra-month cash flows? Please specify whether this option would be available only with daily portfolio pricing or regardless.
4. Are you able to assist SFERS with the monitoring and reporting of risk in the portfolio? Do you offer multiple levels of risk management reporting/analytics? If so, please state what services are included in your fee proposal and what services are available for an additional fee. Is your software or application able to produce reports for scenario testing, full bore risk analysis, and Value at Risk (VAR)? Please provide a sample report.
5. List all indices, benchmarks and universe returns available to SFERS. Are returns available on-line? How soon after month-end are audited returns (final) available? How far back do you carry historical returns and name the frequency (daily, monthly)? Do you have the ability to load prior months and/or years returns? Do you have the ability to accommodate custom benchmarks? Is there a limit on how many custom benchmarks a client can have?
6. Describe in detail your attribution analysis and peer group comparison capabilities.
7. Please provide a complete description of your capabilities for monitoring required compliance with the Patriot Act, Anti-Money Laundering, and OFAC SDN List. Are you able to identify companies held in SFERS accounts which have been fined by OFAC?
8. Please describe your organization’s offering with respect to corporate governance tools and support to clients. What services are available?
9. If you are subscribing to private equity tracking software, will you provide administrative and technical support for the use of the software? Will you be responsible for loading historic cash flows and performance data into the software product? Describe the plan for accomplishing this conversion.
10. How do you handle hedge funds within your accounting, reporting and performance platform? Do you have Hedge Fund Transparency tools and tracking capabilities? Please explain.
11. Do you offer a compliance tool/module to monitor portfolios for investment guideline compliance? If so, are users able to add rules and guidelines or does it require coding by you. What support, initial and on-going, do you provide for the compliance tool /module?
12. Provide a description of the different levels of compliance monitoring (i.e., basic, intermediate or advanced) you provide and advise which services are included in your fee proposal and which are available for an additional fee.
13. Is compliance monitoring performed for all asset classes? Is it performed daily? Is it on a Post-Trade, Pre-Settlement basis? Is it available on-line?

**L. Conversion Process**

1. Describe your organization’s formal transition planning process as it would apply to this contract. In addition, describe the role of the client servicing team and/or conversion team assigned to the relationship.
2. For example, given a notification of engagement by March 31, 2016 and a targeted conversion of December 1, 2016, please provide a 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 December 1, 2016?
4. What should the SFERS look out for, and what are areas of concern and any heightened level of sensitivity during the conversion period? Please discuss how tax reclaims, reregistration, accruals, etc. are handled during the conversion period.
5. How will you handle class action filings and income due related to settlement periods under prior custodians and settlements that cross over from the prior custodian to the new custodial contract?
6. How will you handle open tax reclaims related to reclaims filed by prior custodian?
7. How should SFERS handle securities out on loan during the conversion process? What should SFERS consider in terms of unwinding without a loss, novation, substitution, recall, etc.?
8. Describe how you will support an external audit process to confirm and test assets balances during the transition.

**M. Benefit Payment Services (For Review Purpose Only)**

SFERS currently utilizes the services of a third party to provide benefit payment services. However, SFERS is reviewing a disaster recovery infrastructure for such services.

1. Does your organization have experience as a back-up or disaster recovery provider for benefit payment services for clients? Please describe the structure of such arrangements even though you are not the main provider of benefit payment services?
2. Please describe your benefit payment processing capabilities.
3. Please include your ability to withhold and remit payroll taxes to federal and state agencies for month-end and mid-month transactions.
4. Systems:

* What hardware is used to process plan data? What type of interface is required from SFERS to access your system for inquiry?
* Where is your computer hardware located?
* Do you own the computer equipment?

Yes \_\_\_ No \_\_\_

If not, describe the relationship.

* Is your hardware system shared or dedicated? If shared, describe the established priorities.
* Describe your documented disaster recovery plan.
* Do you have a secondary-processing site? If yes, where is the secondary site located?

Yes \_\_\_ No \_\_\_

* Describe any recent experience in recovering from primary system failure.
* Describe your maintenance and back-up procedures.

Number of daily backups

Retention Schedule

Do you store tapes off-site?

* Who developed your software and when was it installed?
* Who maintains your software?
* If you are using an outside vendor, does the licensing agreement permit your company to modify the system?
* Do you have access to the system source code?
* How do you ensure participant data confidentiality and privacy? Please describe your data security procedures.
* Have any breaches of security and participant data occurred over the last three years? Please describe such occurrences and the remedies provided. Have you had a security penetration test performed within the last 2-3 years? If so, please share the results of this test.
* How many programmers and systems staff do you employ to maintain the system?
* How often is the software updated? Provide information about any pending system modifications and include release dates.
* Are you going through any system conversions or major changes now or in the next three years? If so, please describe and give dates.
* Do you have on-line or web enabled applications that SFERS can utilize to access benefit payment information? Please describe.
* Do retirees have the capability to call up his or her own account to see the status of his or her payment(s) via the Internet or on-line access is limited to SFERS as gatekeeper of all participant records?
* Can SFERS or designated plan administrator track checks (cleared or outstanding) via the Internet or other on-line applications?
* Can SFERS or designated plan administrator run ad-hoc reports via the Internet or other on-line applications?

1. Payment Processing:

* How many benefit payment checks (hard checks and electronic fund transfers/direct deposits) do you process on a monthly basis? Please delineate by recurring and non-recurring payments.
* What is the error rate (i.e. wrong amounts, wrong checks, delivery to the wrong address, wrong deductions, etc.) for benefit checks and electronic fund transfers over the last three years?
* How many earnings and deduction codes can the system handle?
* Can the system handle multiple payment types on one check to the retiree?
* Can you accommodate multiple payment cycles: i.e., some checks issued at the beginning of the month and some checks issued the end of the month?
* Can you do off-cycle payments? Please provide a discussion of your process and how such occurrences fit in your reconciliation process.
* How do you handle check forgeries and other fraudulent encashment of hardcopy checks?
* Is a direct deposit service routinely provided to payees?
* When are advices mailed?
* Are you able to print messages with retiree checks? Any limitations on the text? Are there additional costs associated with such messages?
* Can SFERS (the designated plan administrator) include additional mailings and flyers? Are there extra costs associated with such additional mailings?
* Can you wire lump sum payments to rollover institutions?
* How does your organization handle current retirees under existing EFT agreements?
* Are state taxes, insurance premiums, etc. routinely withheld?
* Regarding benefit payment services, detail a typical processing cycle including timing requirements for additions, deletions and other changes to a file.
* Describe the funding process for the pension payment-checking amount, including checks and balances.
* Describe the policies and procedures for Timely Notification of Returned Payments.
* Can you handle customer service queries via email for the re-issue or stop payment of checks and other services that do not require an authorized signature for completion?
* How are refunds due to overpayments collected?
* What is your float management policy?
* Please provide a complete description of how outstanding check issues are handled, namely soliciting retirees, aging process, and death searches.
* Please provide complete process for handling and processing stale dated checks that are outstanding for a period of 12 months or longer.
* What is the procedure for investment of the funds being disbursed, that is, funds for which checks have been written but have not cleared? Are interest bearing accounts operated to hold unpaid funds and who receives the interest on the float?
* Is follow up on old outstanding checks provided and what type of interface with the plan sponsor and/or recordkeeper is required?

1. Reporting:

* What types of benefit payment reports/reconciliations are available to clients? Provide report samples.
* Since SFERS will require detailed reporting, does the benefit payment system allow tracking of pension payments, by type of payment (monthly pension, death, lump sum, $5,000 or less, mandatory cash-outs, etc.), by subsidiary, by type of employee (i.e., executive, represented, non-represented)? Further, would the reporting separately track restorations, tax refunds, taxes withheld and actual benefits?
* In order to maintain the accuracy and timely funding of the monthly benefit payments, can you provide SFERS (the designated plan administrator) a summary of the funding required and the timing of the report? Will it be fully reconciled?
* Please describe in full your tax reporting capabilities, including disability payments.
* Please indicate how you report stop payments and re-issues with regard to reconciliation of tax reporting, especially when a tax year has passed.
* Are benefit payment fees adjusted on who gets the float? If so, is this consistent with DoL pronouncements?
* Is the acceptability of the float policy contingent on how the payment account is structured either as a demand deposit account (DDA) or controlled disbursement account (CDA)?
* Can mailing labels be provided upon request?
* How do you partner with customers to provide Plan Participants in pay status with communications?

**II. SECURITIES LENDING SERVICES**

Securities lending will be utilized primarily to generate incremental return. SFERS believes in a risk-controlled program. SFERS requires a fully indemnified program specific to operational risk and borrower default. Additional levels of indemnification beyond operational risk and borrower default are also welcome, including collateral reinvestment risk if reinvestment is included. Daily reporting should include internet access to information about its securities lending program, including security level loans outstanding, shares on loan, days out on loan, term and open trades, borrowers for each block of securities lent, collateralization levels, earnings (top 25 securities sorted by earnings), cash collateral reinvestment and other daily, weekly and monthly reporting requirements at the security and aggregate levels.

On a daily basis, SFERS requires full transparency to loans, counterparties, rebates/fees, collateral posted, and collateral investments, including information specific to NAV (fair market value), credit, risk and liquidity risks. THIS REQUIREMENT IS NON-NEGOTIABLE.

The following questions should be answered in full. Please tailor your response for each item, specifically in the areas of risk and return, relative to your proposed approach.

**A. General Information**

1. Are there any current organizational issues (i.e., mergers, acquisitions, personnel changes, business concerns, etc.) about your institution regarding securities lending that we should know about? Describe.
2. Describe in detail any potential conflicts of interest your firm may have in the securities lending of the SFERS account, or in the alternative, state that no potential conflicts exist, including any known relationships the organization or any staff has with any member of SFERS’ Retirement Board or staff. Respondent must list all gifts or things of value given to members of SFERS’ Retirement Board and staff within the twelve months immediately prior to the date of this RFP. Include (1) the name of the person receiving the gift or thing of value, (2) the earlier of the date the gift or thing of value was promised or given, (3) a brief description of the gift of thing of value, and (4) the fair market value of the gift or thing of value when promised or given, whichever is greater.
3. Describe in detail any potential conflicts of interest your firm may have with Callan retained by SFERS for the solicitation and procurement of securities lending services.
4. Describe the various types of insurance coverage and indemnification provided to protect your securities lending clients. Each description should include:
5. Risk Coverage
6. Carriers
7. A.M. Best Rating
8. Levels
9. Limits
10. Deductibles
11. Expiration
12. Dishonesty Coverage
13. 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 seven years? (Please note that providing a link to a website or company maintained internet portal will not be accepted and will be deemed unresponsive specific to this question.)
14. List and describe all pending negotiations or discussions regarding losses by clients in reference to securities lending services.
15. SFERS requires that the securities lending agent act as a fiduciary for the securities lending function. Please verify that your firm is able to do this.

**B. Capabilities**

1. What is the primary form of lending your firm offers - agent, principal, or both? Describe. What is the percentage breakdown between agent and principal lending from a total client basis?
2. Is your firm a NASD/FINRA member, a primary reporting dealer or a bank? Is your securities lending operation registered as an investment adviser (i.e., SEC, FSA, etc.)?
3. How is enterprise risk management deployed to assess borrower credit and cash collateral reinvestment credit analysis?

**C. Organization**

1. Provide names, brief profiles and biographies of individuals who are responsible for the lending function and the cash collateral reinvestment function. If your program can be truncated by asset class, (e.g. equity, fixed-income, international, etc.), delineate the professional staff as such.
2. Submit a breakdown of persons dedicated to providing securities lending services for each of the following categories: (Do not double-count)

Operations/Administration \_\_\_\_\_\_\_

Credit and Liquidity Analysis \_\_\_\_\_\_\_

Risk Mgmt/Compliance/Legal \_\_\_\_\_\_\_

Asset/Liability \_\_\_\_\_\_\_

Lending/Trading \_\_\_\_\_\_\_

Non-Cash Collateral Management \_\_\_\_\_\_\_

Cash Reinvestment \_\_\_\_\_\_\_

Tax Specialist \_\_\_\_\_\_\_

Currency Management \_\_\_\_\_\_\_

Marketing/Client Servicing \_\_\_\_\_\_\_

Others \_\_\_\_\_\_\_

TOTAL \_\_\_\_\_\_\_

**D. Risk**

1. How does your firm manage the following risks?

* Borrower/Counterparty Risk and Default
* Collateral Investment Risk
* Interest Rate Risk
* Credit Spread Risk
* Liquidity Risk
* Trade Settlement Risk
* Operational Negligence
* Sovereign Risk
* Currency Fluctuation Risk

1. Has your organization 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? Describe. What was the recourse provided to clients and the level of dialogue to explain (resolve) the issues?
2. Please discuss in detail how your organization handled the 2008/2009 financial crisis as it related to Securities Lending. Where there any instances where client assets were frozen as a result – such as: (a) Securities out on loan were not returned when needed for settlement; (b) Deficits in Cash Collateral that required a “true-up” payment from a client; and, (c) Gating of the program to manage client redemptions and liquidity needs?
3. How does your organization conduct asset/liability (gap) analysis, specifically the duration of the loan and cash investments?
4. Does your firm stress test your securities lending program? Describe the methodology and procedures utilized for stress testing, including the frequency of testing.
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 offered in your program.)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Year** | **1st Qtr** | **2nd Qtr** | **3rd Qtr** | **4th Qtr** |
| **2010** |  |  |  |  |
| **2011** |  |  |  |  |
| **2012** |  |  |  |  |
| **2013** |  |  |  |  |
| **2014** |  |  |  |  |
| **2015 (Thru 9/30)** |  |  |  |  |

1. How quickly (# of days) can your firm shorten the duration or gap between investments and liabilities (loans) as requested by the client for whatever reason?
2. If a client wished to withdraw from your firm's securities lending program, what notice period is required to ensure 100% on the dollar payoff?
3. What are the specific redemption or gating policies for direct lending (custody clients) that your firm has enforced and the underlying rationale behind the policies and guidelines?

**E. Borrower Consideration**

1. Describe how credit analysis is performed and with what frequency the individual borrowers are reviewed.
2. 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?
3. 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.
4. Does your Borrower’s Agreement specify that “borrowing to manipulate a proxy” is restricted?
5. Kindly state when was the last time your organization visited the top ten borrowers within your program and enumerate accordingly.
6. Does your organization have compensation arrangements with borrowers beyond the normal form of negotiating rebates/fees that SFERS should know about?

**F. Collateralization**

1. 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 ERISA DoL PTE 81-6 and 2006-16 or applicable/negotiated on a client by client basis.
2. 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?
3. In addition to US$, US Treasuries, and Irrevocable Letters of Credit, what are the other forms of non-cash collateral accepted by your program specific to Public Funds?
4. 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.
5. What is the “de minimus” policy?
6. How frequently does your firm mark to market the collateral? When is additional collateral requested (same day, next day)?
7. How far below the required collateralization percentage must the collateral dip before a margin call is made?
8. Is the mark to market process done by loan or security or in aggregate? Please describe both mark-up and mark-down process.
9. Is non-cash collateral covered under your borrower default indemnity regardless of SIPC and Orderly Liquidation Authority (OLA – Dodd Frank Act) pronouncements?

**G. Indemnification**

1. SFERS requires full operational and borrower default indemnification within the securities lending program. Is your organization able to comply with this requirement? Describe your full operational and borrower default indemnification policy. Be sure to address the following:

* Borrower files for bankruptcy for whatever reason.
* Failure to recall securities before settlement date.
* Failure to secure additional collateral and margin requirements.
* Failure to receive dividends, distributions, and all economic benefits of ownership.
* Immediate use of Non-Cash Collateral in lieu of Borrower Bankruptcy.

1. Does your firm provide additional types of indemnification beyond broker default (i.e., collateral, negligence, trade settlement, etc.)? If so, can your firm provide SFERS with these additional levels of indemnification? Describe.
2. 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?
3. What are the specific limitations of your indemnification?

**H. Lending Clients**

1. Describe your current client base. How many clients participate in your lending program? Without disclosing client names, list as follows as of **September 30, 2015**.

|  |  |  |
| --- | --- | --- |
| **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** |  |  |

1. Provide the number of **clients (all market segments)** 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.

**Securities Lending Clients Only**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Clients Gained**  **(Number)** | **Clients Gained (US$ millions)** | **Clients Lost**  **(Number)** | **Clients Lost (US$ millions)** |
| **2010** |  |  |  |  |
| **2011** |  |  |  |  |
| **2012** |  |  |  |  |
| **2013** |  |  |  |  |
| **2014** |  |  |  |  |
| **2015 (thru 9/30)** |  |  |  |  |

**I. Lending Volume**

1. What was the daily average dollar volume of securities loans outstanding for the last 12 months? Specify in US$ millions.

**For the 12 months ending September 30, 2015**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Asset Classes** | **Daily Avg. Lendable Base**  **(US$ millions)** | **Daily Avg. Out on Loan**  **(US$ millions)** | **Utilization Rate**  **(%)** | **Avg. Rebate Rate/Fees (bp)** | **Average Demand Spread**  **(bp)** | **Average Reinvest Spread**  **(bp)** | **Avg. Daily Spreads Net of Rebate (bp)** |
| US Large Cap Equities |  |  |  |  |  |  |  |
| US Mid & Small Cap Equities |  |  |  |  |  |  |  |
| US Corp Bonds |  |  |  |  |  |  |  |
| High Yield |  |  |  |  |  |  |  |
| REITS |  |  |  |  |  |  |  |
| US Govt Bonds |  |  |  |  |  |  |  |
| TIPS |  |  |  |  |  |  |  |
| Non-US Equity |  |  |  |  |  |  |  |
| Non-US Fixed Income |  |  |  |  |  |  |  |
| Other Assets (describe) |  |  |  |  |  |  |  |

**J. Lending Process and Limits**

1. Does your organization have an internal limit on how much of a client’s portfolio of lendable assets can be lent on any given day? If so, please describe your policy.
2. Related to the question above, does your firm have an internal limit on how much of a client’s lendable assets can be lent to a single borrower on any given day? What is the exposure limit? Is it possible during the allocation queue that SFERS can have full counterparty exposure to a single borrower at any given point in time?
3. Can a client limit lending on any specific security such as: 33 1/3 rule, maintain at least 100 shares, maximum of 25%, tradable lots per position, and/or client specific parameters per security? Please explain.
4. Can a client limit lending at a specific security level based on Intrinsic Value such as at least 50 bps of pure demand spread without reinvest, only on negative rebate levels, and/or earnings based on overnight reinvest only? Please explain.
5. Describe your allocation or queuing process and relevant entitlement methodology.
6. What system is utilized for lending securities? What version? Who updates the program? What is distinct with your current system? Is the system only for lending?
7. What system is utilized for reinvestment of collateral? What is distinct advantage of the current system for compliance and risk management purposes?

**K. Reporting**

1. Is your firm able to provide internet access to information about your securities lending program, including loans outstanding, shares on loan, days out on loan, term or open trades, borrowers for each block of securities lent, collateral portfolio details, collateralization levels, earnings, and other weekly and monthly reporting requirements? If yes, provide samples.
2. On a daily basis, SFERS requires full transparency to loans, counterparties, rebates/fees, collateral posted, and collateral investments, including information specific to NAV (fair market value), credit, risk and liquidity risks. Are you able to comply with this requirement and how?
3. Does your firm provide audit (GASB 28) reports? If so, how frequent?

**L. Collateral Reinvest Management**

1. Provide a brief description of cash collateral reinvestment vehicles (REPO, overnight SFERS, STIF, commingled, customized, separate, 2a-7, etc.) utilized in the reinvestment of cash collateral applicable to SFERS.
2. Does your organization have cash collateral pools dedicated to securities lending or separate accounts that conform to a registered 2a-7 fund structure and Rule 619 of the Volcker Rule regarding Covered Funds? Does your organization have a 100% full overnight option? Please describe.
3. Please specify if the cash collateral reinvestment vehicles are daily valued at market or based on amortized cost.
4. Clearly state the gating and redemption procedures your firm instituted, enhanced, or codified regarding client’s rights regarding securities lending exit or withdrawal from the program.
5. Are you able to handle separate cash collateral reinvestment accounts managed by a third party? Explain how cash flow and communication would work. What would be the minimum cash collateral balance for a sustainable and diversified separate account?
6. SFERS expects to require a separate account for the Reinvestment of Collateral. Provide details on your organization’s Asset/Liability reporting capabilities as they related to Securities Lending. Will SFERS be able to monitor and track the following parameters: - a) Assets available to lend; b) Asset currently out on loan (and associated maturities); c) Reinvested collateral portfolio; and, d) Net Position? Please provide a sample report showing the above 4 parameters.

**M. Conversion Process**

1. Describe your organization’s formal transition planning process as it would apply to securities lending program.
2. For example, given a notification of engagement by the end of March 2016 and a targeted conversion of December 1, 2016, please provide a transition calendar.
3. How should we handle securities out on loan during the conversion process? What should we consider in terms of unwinding without a loss, novation, substitution, recall, etc.?

## III. CUSTODY AND RELATED SERVICES FEES

**Based upon the information provided in this request for proposal, state your annual fee for the next five years for the proposed relationship with SFERS. Please provide six separate fee quotes:**

* 1. **Custody with securities lending;**
  2. **Custody without securities lending (unbundled) whatsoever,**
  3. **Fees for banking services; and**
  4. **Fees for benefit payment services.**

**Please note that this Fee Section is divided into two (2) sections – Flat Fee Basis and Unit Cost Basis. The Securities Lending Revenue Sharing Arrangement is in Section IV.**

**FLAT FEE BASIS**

1. **Please provide an annual flat fee for custody services required by SFERS. The flat fee should be quoted in a flat dollar (in US dollars) basis. Please note that the below fees are for Custody and Related Services Only. (Benefit Payment Services is not included, but specified as a separate fee schedule under the Unit Cost Section for information purposes only.)**

If the function of securities lending is allowed: (Please note that SFERS is asking “if your organization is given the mandate” to lend securities and not to net the revenue stream generated from securities lending to the flat dollar fee.)

|  |  |
| --- | --- |
| **SFERS Custody and Related Services** | **Flat Dollar Fee** |
| **1st Year** |  |
| **2nd Year** |  |
| **3rd Year** |  |
| **4th Year** |  |
| **5th Year** |  |

If the function of securities lending is not allowed: (Please note that SFERS is asking “if your organization is not given the mandate” to lend securities.)

|  |  |
| --- | --- |
| **SFERS Custody and Related Services** | **Flat Dollar Fee** |
| **1st Year** |  |
| **2nd Year** |  |
| **3rd Year** |  |
| **4th Year** |  |
| **5th Year** |  |

1. **What are the short term investment vehicles you propose as applicable to SFERS? What is the total expense ratio, including management fees? (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. What is the proposed Securities Lending Revenue Sharing Arrangement or Split, including the level of indemnification provided?**

**E. For foreign currency executed by the custodian bank for SFERS and investment managers, what is the minimum and maximum spread earned by your organization? Is your organization able to agree to pre-negotiate such spreads relative to a benchmark or range?**

**F. Identify the services included in the flat fee stated in Item A and based on the current investment structure of SFERS:**

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

Do the custody services include? (please check)

\_\_\_\_ Power of Attorney Support

\_\_\_\_ Global Tax Agent Support

\_\_\_\_ Country Regulatory Registration

\_\_\_\_ Tax-Exempt Filing Assistance

\_\_\_\_ Market Guide

b) Multicurrency Full Accrual Trade Date Accounting and Reporting?  **yes \_\_\_ no \_\_\_**

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

Standard reports $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

Customized reporting $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

c) 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

d) Daily On-line/Internet services?  **yes \_\_\_ no \_\_\_**

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

\_\_\_\_\_\_\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

\_\_\_\_\_\_\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

e) Contractual Settlement and Auto credit program?  **yes \_\_\_ no \_\_\_**

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

Domestic $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

International $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

ADR's $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

f) Transition, conversion, and reregistration costs? **yes \_\_\_ no \_\_\_**

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

\_\_\_\_\_\_\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

\_\_\_\_\_\_\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

\_\_\_\_\_\_\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

g) Penalty costs? **yes \_\_\_ no \_\_\_**

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

Third-party FX trades \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ per trade

Third-party Sec lending \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ based administration fee

Others: (specify) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_transactions (see below)

Specific to support for Third Party Securities Lending Programs (If fees are different than those delineated below list additional fees)

|  |  |
| --- | --- |
| Third party | $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee |
| Annual third party collateral custody fee (based on Cash Collateral NAV) | $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee |
| Third party purchases/sales transactions – DTC Manual | $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee |
| Third party purchases/sales transactions – DTC Electronic | $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee |
| Third party purchases/sales transactions – Euroclear Manual | $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee |
| Third party loans/loan returns – DTC and FED book entry manual processing | $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee |
| Third party loans/loan returns – DTC and FED book electronic delivery | $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee |
| Third party marks – DTC SPO – Flat monthly fee – manual | $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee |
| Third party marks – DTC SPO – Flat monthly fee – electronic | $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee |
| Third party marks – DTC SPO – FED book entry – manual processing (each way) | $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee |
| Third party marks – DTC SPO – FED book entry – electronic processing (each way) | $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee |
| Third party outgoing wires | $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee |
| Third party incoming wires | $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee |
| Third party Cash Monitoring system fees | $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee |
| Third party DDA fees (monthly per DDA) | $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee |
| Third party Cash Monitoring installation fees | $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee |
| Third party technology/programming development time (hours) INCLUDED in core/transition | $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee |
| Third party technology/programming development time hourly rate after included quantity | $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee |
| Third party monthly file maintenance fee (24/7/365 monitoring, support and maintenance) | $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee |
| Any additional clarification of third party support (bundled program support with all applicable limits (# lenders, etc.) and clarifications) | $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee |
| Any/All other charges (explain). | $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee |

h) 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

Travel: (specify) $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

Others: (specify) $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

i) Corporate Actions – both Domestic and International?

Voluntary/Mandatory $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

Involuntary $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

Others: $\_\_\_\_\_\_\_\_\_\_\_\_\_\_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

k) Class Action – both Domestic and International? **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

l) SFERS requires a minimum of 8 hours for training and continuing education specific to industry best practice, regulatory updates, enhancement to services, on-line training, custody related courses, etc. Are there charges for these services?

**yes \_\_\_ no \_\_\_**

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

\_\_\_\_\_\_\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

\_\_\_\_\_\_\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

\_\_\_\_\_\_\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

m) Investment compliance checking **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

Others: (specify) $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

n) Independent Derivatives Processing and Valuation **yes \_\_\_ no \_\_\_**

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

Valuation and Reporting: $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

Processing: $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

Collateral Management $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

Others: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

o) Performance Calcs **yes \_\_\_ no \_\_\_**

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

Monthly return calculation $**\_\_\_\_\_\_\_\_\_\_\_\_**

Daily return calculation $**\_\_\_\_\_\_\_\_\_\_\_\_**

Historical data download$**\_\_\_\_\_\_\_\_\_\_\_\_**

Gross and Net of Fees $**\_\_\_\_\_\_\_\_\_\_\_\_**

Lagged and Non-Lagged $**\_\_\_\_\_\_\_\_\_\_\_\_**

IRR and Time Weighted $**\_\_\_\_\_\_\_\_\_\_\_\_**

Others: \_\_\_\_\_\_\_\_\_\_\_\_\_\_ $**\_\_\_\_\_\_\_\_\_\_\_\_**

p) Performance Measurement and Analytics **yes \_\_\_ no \_\_\_**

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

Benchmark/Index $**\_\_\_\_\_\_\_\_\_\_\_\_**

Peer Group/Universe Comp$**\_\_\_\_\_\_\_\_\_\_\_\_**

Portfolio Characteristics$**\_\_\_\_\_\_\_\_\_\_\_\_**

Risk-Adjusted Return Calcs$**\_\_\_\_\_\_\_\_\_\_\_\_**

Historical data download$**\_\_\_\_\_\_\_\_\_\_\_\_**

Board Reports$**\_\_\_\_\_\_\_\_\_\_\_\_**

Drill DownCommingled funds $**\_\_\_\_\_\_\_\_\_\_\_\_**

Customized benchmarks/universes $**\_\_\_\_\_\_\_\_\_\_\_\_**

Bond Analytics $**\_\_\_\_\_\_\_\_\_\_\_\_**

Attribution $**\_\_\_\_\_\_\_\_\_\_\_\_**

Trading cost analysis $**\_\_\_\_\_\_\_\_\_\_\_\_**

Others: (specify) $**\_\_\_\_\_\_\_\_\_\_\_\_**

Specific to Performance Tools, are any of the following included? **yes \_\_\_ no \_\_\_**

BARRA Analytics $**\_\_\_\_\_\_\_\_\_\_\_\_**

Vestek $**\_\_\_\_\_\_\_\_\_\_\_\_**

Style Research $**\_\_\_\_\_\_\_\_\_\_\_\_**

TUCS $**\_\_\_\_\_\_\_\_\_\_\_\_**

BondEdge $**\_\_\_\_\_\_\_\_\_\_\_\_**

BlackRock Solutions $**\_\_\_\_\_\_\_\_\_\_\_\_**

Wilshire Analytics $**\_\_\_\_\_\_\_\_\_\_\_\_**

Yield Book $**\_\_\_\_\_\_\_\_\_\_\_\_**

Others: (specify) $**\_\_\_\_\_\_\_\_\_\_\_\_**

q) Advanced Risk Analytics **yes \_\_\_ no \_\_\_**

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

Value at Risk (VaR) $**\_\_\_\_\_\_\_\_\_\_\_\_**

Stress Testing $**\_\_\_\_\_\_\_\_\_\_\_\_**

Scenario Analysis $**\_\_\_\_\_\_\_\_\_\_\_\_**

Others: (specify) $**\_\_\_\_\_\_\_\_\_\_\_\_**

r) Data Interface with 3rd Party Providers **yes \_\_\_ no \_\_\_**

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

Fund Consultants $**\_\_\_\_\_\_\_\_\_\_\_\_**

Actuary $**\_\_\_\_\_\_\_\_\_\_\_\_**

External Auditors $**\_\_\_\_\_\_\_\_\_\_\_\_**

Eagle Systems $\_\_\_\_\_\_\_\_\_\_\_\_

Nottingham $\_\_\_\_\_\_\_\_\_\_\_\_

3rd Party Class Action Agent $**\_\_\_\_\_\_\_\_\_\_\_\_**

3rd Party Tax Reclaim Agent $**\_\_\_\_\_\_\_\_\_\_\_\_**

3rd Party Proxy Voting Service $**\_\_\_\_\_\_\_\_\_\_\_\_**

Others: (specify) $**\_\_\_\_\_\_\_\_\_\_\_\_**

s) Trade Order Management System and Cash Movement **yes \_\_\_ no \_\_\_**

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

TOMS: Equity Specify Costs and Fees

Equity Portfolio Module $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

Compliance $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

Others \_\_\_\_\_\_ $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

TOMS: Bond Specify Costs and Fees

Bond Portfolio Module $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

Compliance $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

Others \_\_\_\_\_\_ $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

Cash Flow Module/Web Cash Movement $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

Wires Transfers $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

Others: (specify) $**\_\_\_\_\_\_\_\_\_\_\_\_**

t) Corporate Governance Tools? **yes \_\_\_ no \_\_\_**

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

$\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

$\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

$\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

u) Alternative Investment Support

– Private Equity, Hedge Funds, Real Estate, Commodities, etc.? **yes \_\_\_ no \_\_\_**

If **no**, list the service and associated charge.

Basic Line Item Reporting $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

Reporting and Monitoring $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

Full Drill Down (Holdings) $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

Full Outsource Support $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

Shadow Accounting $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

Distributions $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

Capital Calls $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

Document Management $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

Others: (specify) $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

Specific to alternative inv. support, are any of the following included? **yes \_\_\_ no \_\_\_**

Burgiss Group

Informant $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

Archivist $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

Others: (specify) $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

SunGard Investran $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

Private Edge $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

Venture Economics $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

Hedge Fund Research $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

Others: (specify) $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

v) Document Management and Library Maintenance? **yes \_\_\_ no \_\_\_**

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

\_\_\_\_\_\_\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

\_\_\_\_\_\_\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

w) 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**. Failure to specify other charges, whether explicit or implicit costs, would be considered a non-responsive proposal.**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_\_\_\_\_\_\_charge or fee

**UNIT COST BASIS**

**G. You are required to provide the following information. Provide an estimate of fees/costs that SFERS will incur annually based on the assumptions specified and the services specified in this RFP. Utilize your organization’s schedule or methodology, namely: traditional asset based, account based and transaction charges. State assumptions. Enumerate all charges for Custody and Related Services, Banking Services and Benefit Payment Services.**

**SFERS**

**Custody Services**

|  |  |  |  |
| --- | --- | --- | --- |
| **Account Fees** | **# of Accounts** | **Fees** | **Pro-Forma Cost** |
| **SFERS** |  |  |  |
| **Number of Plans** | 1 DB Plan |  |  |
| **Domestic Equities** |  |  |  |
| Separate Accounts | 14 |  |  |
| Commingled/Line Items | 2 |  |  |
| **International Equities** |  |  |  |
| Separate Accounts | 10 |  |  |
| Commingled/Line Items | 7 |  |  |
| **Domestic Fixed Income** |  |  |  |
| Separate Accounts | 3 |  |  |
| Commingled/Line Items | 15 |  |  |
| **International Fixed-Income** |  |  |  |
| Separate Accounts | 7 |  |  |
| Commingled/Line Items | 1 |  |  |
| **Real Estate** |  |  |  |
| Direct/Separate Accounts REIT Securities | 0 |  |  |
| Commingled/Line Items | 35 |  |  |
| **Private Equity** |  |  |  |
| Direct/Separate Accounts | 0 |  |  |
| Commingled/Line Items | 229 |  |  |
| **Cash Accounts** |  |  |  |
| Direct/Separate Accounts | 4 |  |  |
| Commingled/Line Items | 0 |  |  |
| **Transition Accounts** |  |  |  |
| Direct/Separate Accounts | 3 |  |  |
|  |  |  |  |
|  |  |  |  |
| **Custody Fees** | **Corresponding Market Values as of**  **December 31, 2014** | **Fees** | **Pro-Forma Cost** |
| **SFERS** | **19,983,945,277.86** |  |  |
| **Domestic Equities** | **5,397,439,880.51** |  |  |
| Separate Accounts | 4,878,498,052.79 |  |  |
| Commingled/Line Items | 518,941,827.72 |  |  |
| **International Equities** | **5,101,558,073.04** |  |  |
| Separate Accounts | 3,632,854,448.01 |  |  |
| Commingled/Line Items | 1,468,703,625.03 |  |  |
| **Domestic Fixed Income** | **1,828,584,895.41** |  |  |
| Separate Accounts | 653,088,171.92 |  |  |
| Commingled/Line Items | 1,175,496,723.49 |  |  |
| **International Fixed-Income** | **3,083,663,837.21** |  |  |
| Separate Accounts | 3,069,391,123.87 |  |  |
| Commingled/Line Items | 14,272,713.34 |  |  |
| **Real Estate** | **1,628,816,612.47** |  |  |
| Direct/Separate Accounts | 0.00 |  |  |
| Commingled/Line Items | 1,628,816,612.47 |  |  |
| **Private Equity** | **2,383,547,598.27** |  |  |
| Direct/Separate Accounts | 0.00 |  |  |
| Commingled/Line Items | 2,383,547,598.27 |  |  |
| **Cash Accounts** | **353,594,517.52** |  |  |
| Direct/Separate Accounts | 353,594,517.52 |  |  |
| Commingled/Line Items | 0.00 |  |  |
| **Transition Accounts** | **206,739,863.43** |  |  |
| Direct/Separate Accounts | 206,739,863.43 |  |  |
|  |  |  |  |
| **For International Securities** | **Corresponding Market Values in USD as of December 31, 2014** |  |  |
| Argentina | 103,739.58 |  |  |
| Australia | 132,951,776.73 |  |  |
| Austria | 6,911,424.23 |  |  |
| Barbados | 529,321.18 |  |  |
| Belgium | 33,317,073.90 |  |  |
| Bermuda | 64,348,791.16 |  |  |
| Brazil | 79,941,765.80 |  |  |
| British Virgin Islands | 9,050,612.99 |  |  |
| Bulgaria | 717,039.42 |  |  |
| Canada | 155,522,792.57 |  |  |
| Cayman Islands | 522,256,927.00 |  |  |
| Chile | 9,287,231.69 |  |  |
| China – Hong Kong Dollar | 31,611,303.19 |  |  |
| Colombia | 8,986,309.76 |  |  |
| Cyprus | 712,312.69 |  |  |
| Czech Republic | 1,225,656.61 |  |  |
| Denmark | 37,444,044.55 |  |  |
| European Union | 14,375.31 |  |  |
| Finland | 22,013,451.90 |  |  |
| France | 288,435,948.28 |  |  |
| Germany | 218,784,115.24 |  |  |
| Greece | 6,737,448.77 |  |  |
| Guernsey, Channel Islands | 4,733,533.29 |  |  |
| Hong Kong | 174,386,805.62 |  |  |
| Hungary | 706,812.13 |  |  |
| Iceland | 1,338,725.02 |  |  |
| India | 44,312,352.29 |  |  |
| Indonesia | 25,675,768.38 |  |  |
| Ireland | 87,377,396.61 |  |  |
| Isle of Man | 3,538,760.63 |  |  |
| Israel | 7,830,236.17 |  |  |
| Italy | 77,566,201.97 |  |  |
| Japan | 606,894,482.70 |  |  |
| Jersey, Channel Islands | 56,386,028.67 |  |  |
| Kazakhstan | 3,534,201.00 |  |  |
| Korea, Republic of | 95,470,473.03 |  |  |
| Liberia | 1,417,393.29 |  |  |
| Luxembourg | 106,334,805.61 |  |  |
| Malaysia | 30,545,811.66 |  |  |
| Marshall Islands | 530,182.40 |  |  |
| Mauritius | 592,041.75 |  |  |
| Mexico | 53,129,760.09 |  |  |
| Multi-National Agencies Region | 22,150,457.07 |  |  |
| Netherlands | 211,502,495.17 |  |  |
| Netherlands Antilles | 25,807,094.22 |  |  |
| New Zealand | 11,851,960.63 |  |  |
| Nigeria | 1,369,706.11 |  |  |
| Norway | 19,330,787.83 |  |  |
| Panama | 13,134,974.28 |  |  |
| Papua New Guinea (Independent State of) | 7,649,032.91 |  |  |
| Paraguay | 213,747.22 |  |  |
| Peru | 3,891,803.19 |  |  |
| Philippines | 11,211,054.79 |  |  |
| Poland | 13,632,841.67 |  |  |
| Portugal | 1,510,786.82 |  |  |
| Puerto Rico | 362,564.40 |  |  |
| Qatar | 8,371,923.19 |  |  |
| Romania | 2,209,275.87 |  |  |
| Russian Federation | 10,990,700.28 |  |  |
| Singapore | 37,623,892.81 |  |  |
| South Africa | 36,736,962.58 |  |  |
| Spain | 67,655,584.99 |  |  |
| Sweden | 99,316,046.84 |  |  |
| Switzerland | 267,204,316.73 |  |  |
| Taiwan | 58,896,911.61 |  |  |
| Thailand | 14,593,424.87 |  |  |
| Turkey | 29,449,150.34 |  |  |
| United Arab Emirates | 6,011,559.58 |  |  |
| United Kingdom | 833,102,736.09 |  |  |
|  |  |  |  |
| **Transactions** | **Annual Volume** | **Fees** | **Pro-Forma Cost** |
| **SFERS** |  |  |  |
| Domestic Depository Trades (DTC/Fed Book) | 28,390 |  |  |
| Domestic Non-Depository Trades | 3,278 |  |  |
| Physicals | 5 |  |  |
| Principal Payments | 6,458 |  |  |
| Maturities | 1 |  |  |
| Dividend/Income Receipts | 27,370 |  |  |
| Tax Reclaims | 253 |  |  |
| Wires | 785 |  |  |
| Capital Calls | 691 |  |  |
| Options/Futures | 7,560 |  |  |
| Swaps | 87 |  |  |
| 3rd Party FX | 9,356 |  |  |
| Custody FX Trades | 3,969 |  |  |
| Proxy Notification | 5,060 |  |  |
| Corporate Actions (Splits, Voluntary/Involuntary) | 1,355 |  |  |
| Class Action Filings | 105 |  |  |
|  |  |  |  |
| Other International Transactions -- |  |  |  |
| Argentina | 1 |  |  |
| Asia Region | 52 |  |  |
| Australia | 510 |  |  |
| Austria | 72 |  |  |
| Bahamas | 2 |  |  |
| Barbados | 2 |  |  |
| Belgium | 103 |  |  |
| Bermuda | 16 |  |  |
| Brazil | 564 |  |  |
| British Virgin Islands | 8 |  |  |
| Bulgaria | 4 |  |  |
| Canada | 482 |  |  |
| Cayman Islands | 142 |  |  |
| Chile | 98 |  |  |
| China | 865 |  |  |
| Colombia | 85 |  |  |
| Costa Rica | 2 |  |  |
| Cote d’Ivoire | 2 |  |  |
| Cyprus | 4 |  |  |
| Czech Republic | 11 |  |  |
| Denmark | 82 |  |  |
| Dominican Republic | 2 |  |  |
| Emerging Markets Region | 27 |  |  |
| Europe Region | 25 |  |  |
| European Union | 11 |  |  |
| Finland | 147 |  |  |
| France | 825 |  |  |
| Germany | 472 |  |  |
| Ghana | 4 |  |  |
| Global Region | 199 |  |  |
| Greece | 57 |  |  |
| Guatemala | 3 |  |  |
| Hong Kong | 804 |  |  |
| Hungary | 1 |  |  |
| India | 182 |  |  |
| Indonesia | 180 |  |  |
| International Region | 9 |  |  |
| Ireland | 243 |  |  |
| Israel | 150 |  |  |
| Italy | 126 |  |  |
| Jamaica | 1 |  |  |
| Japan | 1,587 |  |  |
| Jersey, Channel Islands | 6 |  |  |
| Kazakhstan | 2 |  |  |
| Korea, Democratic People’s Republic of | 3 |  |  |
| Korea, Republic of | 358 |  |  |
| Luxembourg | 71 |  |  |
| Macau | 6 |  |  |
| Malaysia | 155 |  |  |
| Marshall Islands | 1 |  |  |
| Mauritius | 1 |  |  |
| Mexico | 374 |  |  |
| Multi-National Agencies Region | 10 |  |  |
| Netherlands | 281 |  |  |
| New Zealand | 22 |  |  |
| Nigeria | 13 |  |  |
| North America Region | 18 |  |  |
| Norway | 95 |  |  |
| Panama | 23 |  |  |
| Paraguay | 1 |  |  |
| Peru | 78 |  |  |
| Philippines | 25 |  |  |
| Poland | 36 |  |  |
| Portugal | 57 |  |  |
| Qatar | 28 |  |  |
| Romania | 23 |  |  |
| Russian Federation | 150 |  |  |
| Singapore | 409 |  |  |
| South Africa | 208 |  |  |
| Spain | 288 |  |  |
| Sweden | 205 |  |  |
| Switzerland | 479 |  |  |
| Taiwan | 231 |  |  |
| Thailand | 116 |  |  |
| Turkey | 97 |  |  |
| United Arab Emirates | 56 |  |  |
| United Kingdom | 1,670 |  |  |
|  |  |  |  |
| **Others: (Enumerate)** |  |  |  |
| **Global Custody – Support**  Power of Attorney  Global Tax Agent  Country Registration  Tax-Exempt Filing  Market Guide |  |  |  |
| **On-line or Internet Access**  User Interface  Subscription  Assets/Holding  Cash  Transactions  Standard reports  Customized reporting  Executive/Board reporting  Income Inquiry Reports  Corporate Actions Reporting  Terminal charge  Communication software  CPU connect time  Others: (specify) |  |  |  |
| **Contractual Settlement and Auto Credit**  Domestic  International  ADRs |  |  |  |
| **Transition & Conversion**  Reregistration  Scrip Fees  Etc. |  |  |  |
| **Penalty Costs**  Third Party FX  Third Party Seclending  Etc. |  |  |  |
| **Out of Pocket**  Wire Transfer  Courier Service  Telex Charges  Computer processing  Staff Training  Stamp Duty  Reregistration  Others: |  |  |  |
| **Corporate Actions**  Voluntary/Mandatory  Involuntary |  |  |  |
| **Proxy Notification**  Reporting  On-line Access  Others |  |  |  |
| **Class Action**  Reporting  On-line Access  Legal Filings  Others: |  |  |  |
| **Investment Guideline Compliance**  Basic  Intermediate  Advance  (See below accounts) |  |  |  |
| **Domestic Equities** |  |  |  |
| Separate Accounts | 14 |  |  |
| Commingled/Line Items | 2 |  |  |
| **International Equities** |  |  |  |
| Separate Accounts | 10 |  |  |
| Commingled/Line Items | 7 |  |  |
| **Domestic Fixed Income** |  |  |  |
| Separate Accounts | 3 |  |  |
| Commingled/Line Items | 15 |  |  |
| **International Fixed-Income** |  |  |  |
| Separate Accounts | 7 |  |  |
| Commingled/Line Items | 1 |  |  |
| **Real Estate** |  |  |  |
| Direct/Separate Accounts | 0 |  |  |
| Commingled/Line Items | 35 |  |  |
| **Private Equity** |  |  |  |
| Direct/Separate Accounts | 0 |  |  |
| Commingled/Line Items | 229 |  |  |
| **Cash Accounts** |  |  |  |
| Direct/Separate Accounts | 4 |  |  |
| Commingled/Line Items | 0 |  |  |
| **Transition Accounts** |  |  |  |
| Direct/Separate Accounts | 3 |  |  |
|  |  |  |  |
|  |  |  |  |
| **Independent Derivatives Processing and Valuation**  OTC:  Reporting  Pricing  Processing  Collateral Management  Non-OTC:  Reporting  Pricing  Processing  Collateral Management  FX Overlay:  Reporting  Pricing  Processing  Collateral Management |  |  |  |
| **Performance Measurement**  Monthly Return Calcs  Historical Data Download  Gross/Net of Fees  Lagged and Non-Lagged  IRR  Time Weighted  Portfolio Characteristics  Peer Comparison  Portfolio Attribution  (see below accounts) |  |  |  |
| **Domestic Equities** |  |  |  |
| Separate Accounts | 14 |  |  |
| Commingled/Line Items | 2 |  |  |
| **International Equities** |  |  |  |
| Separate Accounts | 10 |  |  |
| Commingled/Line Items | 7 |  |  |
| **Domestic Fixed Income** |  |  |  |
| Separate Accounts | 3 |  |  |
| Commingled/Line Items | 15 |  |  |
| **International Fixed-Income** |  |  |  |
| Separate Accounts | 7 |  |  |
| Commingled/Line Items | 1 |  |  |
| **Real Estate** |  |  |  |
| Direct/Separate Accounts | 0 |  |  |
| Commingled/Line Items | 35 |  |  |
| **Private Equity** |  |  |  |
| Direct/Separate Accounts | 0 |  |  |
| Commingled/Line Items | 229 |  |  |
| **Cash Accounts** |  |  |  |
| Direct/Separate Accounts | 4 |  |  |
| Commingled/Line Items | 0 |  |  |
| **Transition Accounts** |  |  |  |
| Direct/Separate Accounts | 3 |  |  |
|  |  |  |  |
|  |  |  |  |
| **Advanced Risk Analytics**  VaR Testing  Stress Testing  Scenario Testing  Etc.  (see accounts below) |  |  |  |
| **Domestic Equities** |  |  |  |
| Separate Accounts | 14 |  |  |
| Commingled/Line Items | 2 |  |  |
| **International Equities** |  |  |  |
| Separate Accounts | 10 |  |  |
| Commingled/Line Items | 7 |  |  |
| **Domestic Fixed Income** |  |  |  |
| Separate Accounts | 3 |  |  |
| Commingled/Line Items | 15 |  |  |
| **International Fixed-Income** |  |  |  |
| Separate Accounts | 7 |  |  |
| Commingled/Line Items | 1 |  |  |
| **Real Estate** |  |  |  |
| Direct/Separate Accounts | 0 |  |  |
| Commingled/Line Items | 35 |  |  |
| Non-USD Line Item |  |  |  |
| **Private Equity** |  |  |  |
| Direct/Separate Accounts | 0 |  |  |
| Commingled/Line Items | 229 |  |  |
| **Cash Accounts** |  |  |  |
| Direct/Separate Accounts | 4 |  |  |
| Commingled/Line Items | 0 |  |  |
| **Transition Accounts** |  |  |  |
| Direct/Separate Accounts | 3 |  |  |
|  |  |  |  |
|  |  |  |  |
| **Data Interface with 3rd Party Providers**  Fund Consultants  Actuary  External Auditors  Eagle Systems  Nottingham  Class Action Agent  Tax Reclaim Agent  Proxy Voting Agent  Others: |  |  |  |
|  |  |  |  |
| **Vaulting Services**  Specify – |  |  |  |
| **Corporate Governance Tools**  Specify – |  |  |  |
| **Look Thru Analysis**  **(see accounts below)** |  |  |  |
| **Domestic Equities** |  |  |  |
| Commingled/Line Items | 2 |  |  |
| **International Equities** |  |  |  |
| Commingled/Line Items | 7 |  |  |
| **Domestic Fixed Income** |  |  |  |
| Commingled/Line Items | 15 |  |  |
| **International Fixed-Income** |  |  |  |
| Commingled/Line Items | 1 |  |  |
| **Real Estate** |  |  |  |
| Commingled/Line Items | 35 |  |  |
| **Private Equity** |  |  |  |
| Commingled/Line Items | 229 |  |  |
| **Cash Accounts** |  |  |  |
| Commingled/Line Items | 0 |  |  |
|  |  |  |  |
|  |  |  |  |
| **Alternative Investment Support**  Basic Line Item  Reporting/Monitoring  Full Drill Down  Full Outsource  Shadow Accounting  Distributions Mgmt.  Capital Call Mgmt.  Document Mgmt.  Others:  (see accounts below) |  |  |  |
| **Real Estate** |  |  |  |
| Direct/Separate Accounts | 0 |  |  |
| Commingled/Line Items | 35 |  |  |
| **Private Equity** |  |  |  |
| Direct/Separate Accounts | 0 |  |  |
| Commingled/Line Items | 229 |  |  |
|  |  |  |  |
| **Document Management and Library Maintenance**  Specify- |  |  |  |
| **Trade Order Management System – Equity and Fixed Income**  Specify-  Module  Compliance  Wire and Movement  Affirmation  Others: \_\_\_\_ |  |  |  |

FOR REVIEW PURPOSES ONLY

**SFERS**

**Benefit Payment Services**

As noted on Page 7, this is for review purposes only. SFERS would like to fully understand your benefit payment capabilities, specifically as a disaster recovery platform for the payment of benefits. There is no intent to make changes to the current arrangement with the City of San Francisco and its local service provider. Please use the following assumptions in your estimate. Include unit cost and pro-forma cost for all services required based on these assumptions (i.e. postage, 1099-R, Federal and State tax filings, etc.):

Number of Pensioners Receiving Monthly Payments: 26,852

Number of Monthly ACH Payments: 13,426

Number of Monthly Check Payments: 13,426

|  |  |  |  |
| --- | --- | --- | --- |
| **Benefit Payment Services** | **Annual Volume** | **Fees** | **Pro-Forma Cost** |
| Number of Retirees |  |  |  |
| New Payment Set-up |  |  |  |
| ACH with Advice ex Postage |  |  |  |
| Check periodic ex Postage |  |  |  |
| Lump Sum Transfer |  |  |  |
| Lump Sum Payments |  |  |  |
| Postage |  |  |  |
| Inserts |  |  |  |
| Messages |  |  |  |
| 1099 |  |  |  |
| 1099-R postage |  |  |  |
| TEFRAs |  |  |  |
| State tax filings |  |  |  |
| Federal tax filings |  |  |  |
| Express Deliv/Overnight |  |  |  |
| Wires |  |  |  |
| Reports (Standard) |  |  |  |
| Reports - Check Registers |  |  |  |
| Reports - Death Searches |  |  |  |
| Others: (specify) |  |  |  |
|  |  |  |  |
| **TOTAL ESTIMATED COSTS** |  |  |  |

## IV. SECURITIES LENDING COSTS AND FEES

1. **Explain your methodology for calculating a client’s income and splitting methodology.**
2. **What is your organization’s proposal for the revenue sharing arrangement and/or the split of security lending income?**
3. **Is the split also applicable to negative income if it occurs? What are the limitations of your proposal specific to losses?**
4. **Are you able to accept a “clawback” feature wherein if losses materialize, both SFERS and lending agent’s revenues would be utilized to extinguish such losses or shortfall?**
5. **Are you able to accept a “agent zero split” feature wherein if losses materialize the whole revenue split would be 100% to the client’s favor for cash buffering purposes until losses are extinguished?**
6. **Does your firm charge a management fee (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.**
7. **Please provide your proposed securities lending income split:**

SFERS\_\_\_% Bank \_\_\_%

1. **If you are proposing additional indemnification beyond operational and broker default for agency-basis lending, kindly specify.**

\_\_\_\_ Borrower/Counterparty Risk and Default (Inability to Recall, Failure to deliver Income, Failure to post adequate margins, etc.)

\_\_\_\_ Collateral Investment Risk

\_\_\_\_ Credit Spread Risk

\_\_\_\_ Interest Rate Risk

\_\_\_\_ Trade Settlement Risk

\_\_\_\_ Operational Negligence

\_\_\_\_ Currency and Sovereign Risk

1. **If your entity is willing to provide full or partial indemnification for collateral reinvestment risk, what would be the parameters of your bid proposal for securities lending splits and assets to lend?**
2. **Specify administration, recordkeeping, and cash collateral reinvestment asset management fees for all types of cash collateral reinvestment vehicles, including separate accounts or SFERS guidelines.**
3. **Furnish a revenue estimate of the securities lending income for SFERS for one (1) year ending December 31, 2014 utilizing the holdings listed in Appendix G. (Please note that the estimate is backward looking and not forward looking into the future. Thus for the one-year estimate ending December 31, 2014, utilize the holdings provided and assume that the holdings are in a buy and hold strategy from January 1, 2014 to December 31, 2014.) 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 Indemnified US Treasury REPO reinvestment guideline; (b) strictly intrinsic value lending of 25 bps minimum with overnight cash in an Indemnified REPO Collateral (50% US Treasury, 25% US Agency, and 25% Equity S&P 500/Russell 1000) with 30 Day Absolute Term; (c) Current Guidelines as specified in Appendix H, and, (d) Straight SEC 2a-7 money market guideline. Provide calculations in the matrix provided on the next 3 pages.**

**CALCULATION WORKSHEET #1**

**Securities Lending Revenue Estimate 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$) | SFERS Share of Revenue w/ Borrower Default Indemnification (Percent) | Net SFERS Securities Lending Income (US$ millions) |
|  |  |  |  |  |  |  |  |  |  |  |
| US Large Cap Eq |  |  |  |  |  |  |  |  |  |  |
| US Mid & Small Cap Eq |  |  |  |  |  |  |  |  |  |  |
| U.S.  CorpBonds |  |  |  |  |  |  |  |  |  |  |
| 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).

**CALCULATION WORKSHEET #2**

**Securities Lending Revenue Estimate Worksheet – #2**

**(Strictly intrinsic value lending of 25 bps minimum with overnight cash**

**in an Indemnified REPO Collateral (50% US Treasury, 25% US Agency, and 25% Equity S&P 500/Russell 1000) with 30 Day Absolute Term)**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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$) | SFERS Share of Revenue w/ Borrower Default Indemnification (Percent) | Net SFERS Securities Lending Income (US$ millions) |
|  |  |  |  |  |  |  |  |  |  |  |
| US Large Cap Eq |  |  |  |  |  |  |  |  |  |  |
| US Mid & Small Cap Eq |  |  |  |  |  |  |  |  |  |  |
| 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).

**CALCULATION WORKSHEET #3**

**Securities Lending Revenue Estimate Worksheet – #3**

**(Assume Cash Reinvestment Guidelines as specified in Appendix H)**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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$) | SFERS Share of Revenue w/ Borrower Default Indemnification (Percent) | Net SFERS Securities Lending Income (US$ millions) |
|  |  |  |  |  |  |  |  |  |  |  |
| US Large Cap Eq |  |  |  |  |  |  |  |  |  |  |
| US Mid & Small Cap Eq |  |  |  |  |  |  |  |  |  |  |
| 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).

**CALCULATION WORKSHEET #4**

**Securities Lending Revenue Estimate Worksheet - #4**

**(Assume 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$) | SFERS Share of Revenue w/ Borrower Default Indemnification (Percent) | Net SFERS Securities Lending Income (US$ millions) |
|  |  |  |  |  |  |  |  |  |  |  |
| US Large Cap Eq |  |  |  |  |  |  |  |  |  |  |
| US Mid & Small Cap Eq |  |  |  |  |  |  |  |  |  |  |
| U.S.  CorpBonds |  |  |  |  |  |  |  |  |  |  |
| 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).

**CONTACT INFORMATION**

Provide the following information:

Name of Organization \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Business Address \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Primary Contact \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Address \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Phone, Fax, Email \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**CERTIFICATION**

The following certifies that all services and systems described are available, deliverable and performed by professionals abiding to 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**