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| Appendix B: Written Response Packet | |
| Solicitation Number: | ITN 20-05 |
| Title: | Trustee and Securities Lending Services |
| Issuer: | Florida Prepaid College Board  1801 Hermitage Boulevard, Suite 210  Tallahassee, FL 32308 |
| When completing this Written Response Packet, the Respondent should give clear, concise, and, where appropriate, quantifiable replies to all questions. The length of the Response is at the discretion of the Respondent; however, Responses are expected to be brief and to contain full and fair disclosure of essential elements without references to an appendix or attachment, unless otherwise requested.  This packet is made available in Microsoft Word on the Board’s website for ease of completion.  Please visit: [myfloridaprepaid.com/who-we-are/about-the-board/board-reports-and-plans/](http://www.myfloridaprepaid.com/who-we-are/about-the-board/board-reports-and-plans/). | |

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| TAB 1: Invitation to Negotiate Acknowlegement | |
| Solicitation Number: | ITN 20-05 |
| Title: | Trustee and Securities Lending Services |
| Issuer: | Florida Prepaid College Board  1801 Hermitage Boulevard, Suite 210  Tallahassee, FL 32308 |
| This sheet and the accompanying negotiation documents constitute an offer from the Respondent to provide the services detailed in the solicitation under the contractual terms provided therein.  By completing this acknowledgment, I agree to abide by all conditions of this negotiation and certify that (1) I am authorized to sign this Response and (2) that the offer complies with all requirements of the solicitation. | |
| Respondent (Firm): |  |
| Contact Person: |  |
| Address: |  |
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| Telephone: |  |
| E-Mail Address: |  |
| Authorized Signature: |  |
| Date: |  |
| Printed Name & Title: |  |

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| Tab 2: Minimum Qualifications | | | | |
| Solicitation Number: | ITN 20-05 | | | |
| Title: | Trustee and Securities Lending Services | | | |
| Respondent: |  | | | |
| The following represent minimum qualifications. A mark in a field indicates an affirmative response to the statement. Any Respondent that does not satisfy the criteria herein shall be rejected. | | | | |
| EXPERIENCE | |  |  | Yes/No |
| Respondents must affirmatively state, via written response, that the Respondent has: | | | | |
| Greater than $5 trillion in institutional assets under custody. | |  |  |  |
| A minimum of 20 years experience in performing trustee services. | |  |  |  |
| A minimum of 20 years experience providing securities lending services. | |  |  |  |
| Experience providing custody services for public funds. | |  |  |  |
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| STATUTORY REQUIREMENTS | |  |  | Yes/No |
| Section 1009.971(5), Florida Statutes limits the type of entities that may be an investment manager for the Board. Indicate whether the Respondent is one of the following: | | | | |
| An authorized insurer as defined in Section 624.09, Florida Statutes. | |  |  |  |
| A bank as defined in Section 658.12, Florida Statutes. | |  |  |  |
| An association as defined in Section 665.012, Florida Statutes. | |  |  |  |
| An authorized Securities and Exchange Commission investment adviser. | |  |  |  |
| An investment company as defined in the Investment Company Act of 1940. | |  |  |  |
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| STATUTORY REQUIREMENTS (Continued) | |  |  | Yes/No |
| Indicate whether the Respondent: | |  |  |  |
| Has their principal place of business and corporate charter located and registered in the United States. | |  |  |  |
| Agrees to meet the obligations of the Board to Qualified Beneficiaries if moneys in the Fund fail to offset the obligations of the Board as a result of imprudent investing by the Respondent. | |  |  |  |

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| Tab 3: Organization And Experience | |
| Solicitation Number: | ITN 20-05 |
| Title: | Trustee and Securities Lending Services |
| Respondent: |  |
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| **Organization Overview** | |
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| 1. Introduce the Respondent by providing a brief organization overview including:    1. History (including years Respondent began providing trustee and securities lending services)    2. Services provided    3. Ownership structure (including any parent/subsidiary relationships)    4. Assets by Service    5. Organization changes (i.e., mergers, acquisitions, key personnel changes, etc.) that are in process or have occurred over the previous three years    6. Office location from which services will be provided | |
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| 1. Briefly describe what makes the Respondent an industry leading trustee services provider (e.g., organization structure, staff, technology utilized, services provided, etc.). | |
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| 1. What is the Respondent’s approximate percentage of revenue contribution from Institutional Trust and Custody services vs. overall company revenue? | |
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| 1. Provide the number of Section 529 Qualified Tuition Programs the Respondent provides trustee and securities lending services for and the related total of assets. | |
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| |  | | --- | | 1. Provide three public fund references for which the Respondent provides both Trustee and securities lending services. Include entity name, services provided, dollars, and a contact person with e-mail and telephone number. | |  |  1. For the following periods, provide the below requested information for the Respondent’s **Trust and Custody Clients**.   **Trust and Custody Clients**   |  |  |  |  |  | | --- | --- | --- | --- | --- | | **As of June 30,** | **Total Number of Clients** | **Total Number of Public Fund Clients** | **Total Number of Clients with assets over $10 billion** | **Total Asset Value**  **(US$ millions)** | | **2016** |  |  |  |  | | **2017** |  |  |  |  | | **2018** |  |  |  |  | | **2019** |  |  |  |  | | **2020** |  |  |  |  |  1. For the following periods, provide the Respondent’s number and aggregate value of **Trust and Custody Accounts** gained and/or lost.   **Trust and Custody Clients Only**   |  |  |  |  |  | | --- | --- | --- | --- | --- | | **Calendar Year** | **Clients Gained**  **(Number)** | **Clients Gained (US$ millions)** | **Clients Lost**  **(Number)** | **Clients Lost (US$ millions)** | | **2016** |  |  |  |  | | **2017** |  |  |  |  | | **2018** |  |  |  |  | | **2019** |  |  |  |  | | **2020 (as of September 30, 2020 )** |  |  |  |  | | |
| |  | | --- | | 1. Indicate if the Respondent will subcontract any of the services required in this ITN (e.g., sub-custody network, pricing, accounting & reporting, securities lending, performance measurement, proxy, etc.). If so, provide the subcontractor name and service the subcontractor will provide. | |  |  1. Provide a breakdown of your staff servicing trust and custody clients by the following locations: Americas, EMEA, APAC, and Other.  |  | | --- | |  | | |
| **Financial Stability** | |
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| 1. Describe any substantive issues reported (or qualified opinions) in the Respondent’s SOC 1or SOC 2 audits within the most recent three years. Include how the Respondent is/has resolved any substantive issues. | |
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| 1. Indicate if the Respondent’s financial statement audits, for the most recent three years, included any Qualified Opinion or Going Concern language. If so, please describe. | |
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| 1. Provide the Respondent’s current short and long term credit ratings. If the credit rating has changed within the last three years, please indicate the change and explain the cause. | |
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| 1. What insurance and indemnification does the respondent provide to protect your clients?  |  | | --- | |  | | |
| **Regulatory Restrictions, Litigation and Conflicts of Interest** | |
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| 1. State whether or not there are any past or pending regulatory restrictions, consent orders, stipulations or litigation to which the Respondent, any subcontractor, any Related Entity of the Respondent or any subcontractor, or any of their principals, owners, directors or officers, has ever been a party that would affect its or their ability to provide the required services or which alleges any unfair, illegal or unethical business practice. If so, a detailed description of each must be provided. | |
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| 1. State whether or not any officers, principals, owners, directors and all proposed contract employees of the Respondent or any subcontractor that will provide services related to this ITN have been convicted of, or have plead guilty or nolo contendere to, any felony, regardless of whether adjudication of guilt was withheld. If so, a detailed description of each incident must be included. | |
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| 1. State whether or not any penalties, fines or liquidated damages have been imposed against the Respondent, any subcontractors or any Related Entity of the Respondent or any subcontractor, including without limitation thereto, those associated with any contract for services entered into by the Respondent, any subcontractor, or any Related Entity of the Respondent or any subcontractor, within the past five (5) years. If so, a detailed description of each such incident, including the amount of the penalty, fine, or liquidated damages imposed, must be included in the Response. | |
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| 1. State whether or not the Respondent or any subcontractor has ever been involved in any litigation with any Section 529 Qualified Tuition Plan. If so, a detailed description of each lawsuit must be provided. | |
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| 1. State whether or not the Respondent or any Related Entity has ever been contacted by any regulatory body (federal, state or industry) regarding any potentially illegal, non-compliant, unethical or improper activities involving the Respondent, any Related Entity, or any of the employees of the Respondent or any Related Entity. If so, a detailed description must be provided that indicates whether the Respondent or any Related Entity conducted an investigation of those matters. | |
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| 1. Confirm that the Respondent has not been placed on the convicted vendor list and that it will comply with the provisions of s. 287.133, F.S. Section 287.133(2)(a), F.S., which provides:   *A person or affiliate who has been placed on the convicted vendor list following a conviction for a public entity crime may not submit a bid, proposal, or reply on a contract to provide any goods or services to a public entity; may not submit a bid, proposal, or reply on a contract with a public entity for the construction or repair of a public building or public work; may not submit bids, proposals, or replies on leases of real property to a public entity; may not be awarded or perform work as a contractor, supplier, subcontractor, or consultant under a contract with any public entity; and may not transact business with any public entity in excess of the threshold amount provided in s. 287.017 for CATEGORY TWO for a period of 36 months following the date of being placed on the convicted vendor list.* | |
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| 1. Confirm that the Respondent has not been placed on the discriminatory vendor list and that it will comply with the provisions of s. 287.134(2)(a), F.S. which provides that:   *An entity or affiliate who has been placed on the discriminatory vendor list may not submit a bid, proposal, or reply on a contract to provide any goods or services to a public entity; may not submit a bid, proposal, or reply on a contract with a public entity for the construction or repair of a public building or public work; may not submit bids, proposals, or replies on leases of real property to a public entity; may not be awarded or perform work as a contractor, supplier, subcontractor, or consultant under a contract with any public entity; and may not transact business with any public entity.* | |
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| 1. Pursuant to the provisions of Chapter 112, F.S., Respondents must disclose with their Response the name of any officer, director, or agent who is also an employee of the State of Florida, the Board, or any State agency. Respondents must disclose the name of any state employee who owns, directly or indirectly, interest of five percent or more in the Respondent. Respondents must disclose all investment products, annuities, mutual funds or other similar type savings plans that are marketed or sold by the Respondent or its proposed subcontractors for other states as a part of a prepaid college fund or a college savings fund. | |
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| **Contract** |
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| 1. Describe any changes the Respondent would **request** to the contract provided in Appendix A and specify which request items are **required**. Requested changes may be submitted as a red-lined version of the contract. |
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| Tab 4: Trustee Services | |
| Solicitation Number: | ITN 20-05 |
| Title: | Trustee and Securities Lending Services |
| Respondent: |  |
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| **Team** | |
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| 1. Provide an organization chart for the Respondent’s teams that will be servicing this ITN. Summarize your client service approach, philosophy, and how the individual teams (custody, performance, reporting, compliance, securities lending, etc.) work together. | |
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| 1. Provide the below information for the Respondent’s key team members that will be servicing this account (at a minimum, include key staff in the following areas: executive management, primary relationship support, accounting/reporting, performance, and compliance):  * Name * Location * Responsibility * Number of Client Relationships * Total Assets of Clients * Years with the Respondent | |
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| 1. Describe how the Respondent’s team will interact with the Board (single point of contact vs multiple points of contact) and the how the proposal may be distinctive from other clients. Include how continuous coverage of the relationship will be maintained in the absence of key client servicing team members. | |
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| 1. If the relationship manager or client facing day-to-day contact is out of the office, do you have dedicated back-ups for both roles?  |  | | --- | |  | | |
| **Technology** | |

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| 1. Describe how the Respondent ensures its technology is maintained from both a user functionality and data security perspective. |
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| 1. Describe any significant technology enhancements the Respondent has made in the last three years and anticipates making in the next three years. |
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| 1. Describe how the Board accesses the Respondent’s technology, including security measures, via online access and data transfers. |
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| 1. Provide the Respondent’s technology budget specific for the custody business over the past 3 years (2018-2020)?  |  | | --- | |  |  1. Provide the Respondent’s technology budget specific for the custody business over the next 3 years (2021-2023)?  |  | | --- | |  | |

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| 1. Provide an executive summary of how the Respondent’s technology team manages the following:   (a) Back‑up and recovery  (b) Emergency response  (c) Cyber security protection and testing  (d) Historical data (including how long retained) |
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| **Trade Processing, Settlement and Custody** |

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| 1. Describe the Respondent procedures for investment manager trade processing, for both buys and sells, including accepting the trade from the investment manager, reconciling the trade with the other party, and settling the trade. |
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| 1. The structure of the Board’s Programs include separately managed accounts (managed by external investment managers) and mutual funds (managed by Board staff). Describe the Respondent’s procedures for the Board’s buying/selling shares of mutual funds. |
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| 1. Describe the Respondent’s securities settlement and clearance procedures. Confirm that Respondent employs contractual settlement date. |
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| 1. Describe how the Respondent will hold the Board’s securities in a manner that demonstrates and secures our ownership. |
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| 1. In what markets does the Respondent act as custodian, and in what markets do you utilize a sub-custodian?  |  | | --- | |  |  1. Describe the Respondent’s reconciliation process for depositories and sub-custodians.  |  | | --- | |  |  1. Describe how the Respondent monitors/selects sub-custodians?  |  | | --- | |  | |

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| **Income Collection** |

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| 1. Describe the Respondent’s standard policies on cash crediting and debiting, including cut-off deadlines for all securities, both domestic and international. |
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| 1. Describe the Respondent’s procedures for ensuring that interest, dividends, and maturities (domestic and international) are timely received into the Board’s accounts. Will payments be credited same day funds? |
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| 1. When and in what instances does the Respondent rescind contractual income collections? What are the Respondent’s policies for both domestic and international markets? |
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| 1. Does the Respondent track late collections of income, produce a tracking report detailing outstanding claims and/or notify clients of failures to collect or late collections of income? | |
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| |  | | --- | | **Accounting and Reporting** |  |  | | --- | | 1. Describe any reconciliations the Respondent’s will perform with the Board’s investment managers. Are the reconciliations proactive, reactive, or is the onus with the investment manager to reconcile to the Respondent’s information? | |  | |  | | 1. What is the name of the accounting and reporting systems the Respondent utilizes? Is the Respondent’s accounting and reporting system(s) maintained in-house, or subcontracted with a third-party? If subcontracted, please specify the vendor name, description of the relationship, and how access to the data is maintained. | |  | |  | | 1. Describe the level of integration between the Respondent’s custody and accounting systems.  |  | | --- | |  |  1. Does the Respondent have a general ledger accounting system in a full accrual trade date multi-currency basis? | |  | |  |  |  | | --- | | 1. The Florida Prepaid College Board considers the custodian as the “book of record” for the assets and transactions maintained by the Respondent on behalf of the Board. Describe the controls that are in place to ensure the assets and transactions are correct. | |  | | 1. How long does it take for the Respondent to issue new statements once an error is identified? What notifications does the Respondent send to the client when an error in accounting occurs? What notifications are sent to the client when a new monthly accounting statement is created?  |  | | --- | |  |  1. Does the Respondent have an independent team that works with the auditors and provides audit support to clients, or is this support from the client service team?  |  | | --- | |  |  |  | | --- | | **Cash Management and Short Term Investing of Excess Cash** |  |  | | --- | | 1. Describe the Respondent’s cash management capabilities relating to the Board staff’s access to daily cash balances, ability to initiate outgoing wires or book entry transfers between accounts (same day or future dated), and cut-off times for same day wire processing and book entry transfers. | |  | | 1. How many days can the Respondent’s online system project cash into the future (cash forecasting)? List any items excluded from cash forecast reporting.  |  | | --- | |  | | | 1. The Board requires the sweep of excess cash balances in each account to/from a low-risk Short Term Investment Fund (STIF). Related to this, describe:    1. The process to automatically sweep excess cash balances    2. How interest income is credited to each account    3. Any liquidity or other restrictions    4. Any relevant cut-off times for both purchases and redemptions    5. Any transactional fees associated with cash sweep | |  | |  | | 1. Provide the following summary information related to the Respondent’s proposed STIF products:    1. The investment philosophies of each    2. The investment advisor/manager    3. If the option is SEC rule 2a7 compliant    4. Any short term ratings    5. Exposure limits    6. Credit Quality guidelines    7. Average maturity    8. Derivatives policy    9. Floating rate note policy    10. Net return for the past five years vs benchmark    11. Market Value as of June 30, 2020 | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | 1. In the event of an overdraft, is a notification automatically pushed to clients and managers? Are overdraft notifications sent before or after the overdraft occurs?  |  | | --- | |  |  |  | | --- | | **Performance and Risk Analytics** |  |  | | --- | | 1. Describe the Respondent’s gross and net of fees performance calculation process, including controls that are performed to assure the data is accurate. | |  | | 1. Describe the Respondent’s procedure to verify returns with investment managers.  |  | | --- | |  |  |  | | --- | | 1. Describe the Respondent’s security pricing process, including sources and any controls that are performed to ensure securities are priced accurately. | |  | | | 1. Describe the Respondent’s performance reporting capabilities. At a minimum discuss:    1. Frequency information can be received: daily, monthly, quarterly, etc.    2. Reporting periods available: monthly, quarterly, year to date, 1-10 year, since inception, etc.    3. Levels of reporting available: individual account level, composite level, etc.    4. Access: on demand reports, on demand web access, etc.   Please provide sample performance reports. | |  | | 1. Does the Respondent provide attribution reporting? If so, discuss how attribution is calculated and what attribution reports are available (total fund, asset class level, etc.)  |  | | --- | |  | | | 1. The Board currently pays most investment managers out of operating funds on a quarterly basis. Does the Respondent have the ability to accrue the investment management fee from the investment options daily and pay the investment managers quarterly? If so, please describe the process and the Respondent’s ability to provide both gross and net performance. | |  | |  |  |  | | --- | | 1. Describe the Respondent’s risk analytic reporting capabilities. At a minimum include:    1. Levels of risk analytics can be run (account, composite, total fund)    2. Risk metrics available    3. The ability to produce reports, including scenario testing    4. If the Respondent offers multiple levels of risk management reporting/analytics, state what services are included in the Respondent’s fee proposal and what services are available for an additional fee.   Please provide sample risk analytic reports. | |  | | |  | | --- | | **Compliance Monitoring** |  |  | | --- | | 1. Describe the Respondent’s compliance monitoring and reporting capabilities. At a minimum, include:    1. How the Board’s Comprehensive Investment Plan’s requirements are transferred into the monitoring system    2. Any asset class limitations    3. Frequency of testing and reporting    4. Board’s access to reports (on-line, hard copy, e-mail) | |  | |  | | 1. Based on the Board’s Comprehensive Investment Plan’s (provided in Appendix D and E) what is the estimated level of compliance monitoring the Respondent would be able to provide? | |  | |  | | 1. Does the Respondent provide different levels of compliance monitoring services (i.e., basic, intermediate or advanced)? If so, please describe each level and indicate which level is included in the fee proposal. Also, provide the additional fees for any other level not proposed. | |  | |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | |  | | --- | | **Foreign Exchange** |  |  | | --- | | 1. Provide an executive summary of the Respondent’s Foreign Currency management capabilities. | |  | | 1. Describe the different methods available to provide transparency into FX trading (time-stamps, benchmarks, etc.).  |  | | --- | |  | | | | | | | |
| |  | | --- | | **Savings Program Processing** |  |  | | --- | | 1. The Board’s record keeper sends daily buy/sell files to the Trustee for the Savings Program accounts (at summary investment option level, Trustee does not maintain participant level information). Describe the Respondent’s ability to receive and process buy/sell files electronically. | |  | |  | | 1. The Savings Program includes investment options that are comprised of multiple underlying investment funds (age-based options, static income, static growth, etc.). Describe the Respondent’s ability to:    1. Maintain Net Asset Values and investment performance at both the investment option and underlying investment manager level    2. Perform periodic (daily, weekly, monthly, etc.) rebalancing of identified investment options to re-align the weightings of the underlying funds. | |  | |

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| 1. The Board utilizes cash liquidity accounts for each investment option to control cash flows into the underlying funds. The cash balance in each liquidity account is maintained as a targeted percentage of the investment option (e.g., .50% of the fixed income option) with upper and lower limits (+/- .25%). Daily the cash balance is reviewed and if the limits are reached funds are sent to or liquidated from the investment option investment manager. Cash balances are swept to STIF accounts for investing. Discuss the Respondent’s ability to maintain the liquidity accounts as described and any alternative processes the Respondent may propose. |
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| 1. The Board may assess the Savings Program participants administrative fees. Describe the Respondent’s ability to accrue these fees within the investment option (reducing the NAV) and transfer the accumulated amount to the Board’s clearing account periodically (weekly, monthly, etc.). |
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| 1. Describe the Respondent’s ability to provide the below Savings Program processes:    1. Calculate a daily Net Asset Value (NAV) for each investment option and send a NAV file to the Board’s Record Keeper (typically by 9:00 P.M.)    2. Receive a trade file from the Board’s Record Keeper for same day trading of the investment options (typically by 12:00 A.M.) based on that day’s activity and NAV    3. Receive cash settlement for daily purchases via next business day wire into a single clearing account for the Board held with the Respondent    4. Transfer appropriate purchase amounts from the single clearing account to the investment options/underlying funds    5. For daily sales, liquidate from the appropriate investment options/underlying funds and transfer to the Board’s disbursement account held with the Board’s third party bank |
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| |  | | --- | | **Other Services** |  |  | | --- | | 1. Describe the Respondent’s ability to perform corporate action processing support. | |  | |  | | 1. Describe the Respondent’s ability to perform international tax reclaim services. | |  |  |  |  | | --- | --- | | 1. Describe the Respondent’s ability to perform proxy voting services.  |  | | --- | |  | | |

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| 1. Describe the Respondent’s ability to perform class action and bankruptcy proof of claim filing services. |
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| 1. Describe the Respondent’s process for converting a new client onto your platform. What team member in your organization is the owner or 'project manager' of the conversion in or out of the bank?  |  | | --- | |  |  1. Describe the Respondent’s client reporting package provided after a conversion that includes details on post-conversion reconciliation and the overall success of the event.  |  | | --- | |  |  1. From time to time, the Board may restructure the investments of the Fund by terminating or reducing the asset allocation of certain investment managers and increasing the allocation to others. Describe the respondent’s ability to provide transition management services (receiving the assets of the terminated investment manager and liquidating them to allow for a cash transfer to the new investment manager) relating to these restructures. Discuss the fee structure for these services. |
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| |  |  | | --- | --- | | Tab 5: Securities Lending Services | | | Solicitation Number: | ITN 20-05 | | Title: | Trustee and Securities Lending Services | | Respondent: |  | |  | | | **General** | | |  | | | 1. Describe how the securities lending function is aligned within the Respondent’s organization. If the Respondent is a bank, is the securities lending function operated as a separate investment company as defined in the Investment Company Act of 1940? Confirm the Respondent can act as a fiduciary for the securities lending functions. | | |  | | |  | | | 1. Provide an executive summary of the Respondent’s securities lending capabilities and team that would be supporting this ITN. | | |  | | | 1. Provide the Respondent’s approximate average revenue and profit contribution of the securities lending business to the overall Respondent’s revenue and profit. | | |  | | |  | | | 1. Confirm that the securities lending functions are included in the Respondent’s SOC 1 audits. Indicate if there have been any findings relating to the securities lending functions over the past three years and how they have been resolved. | | |  | | | 1. Without disclosing client names, provide the Respondent’s current securities lending client base as of **June 30, 2020**.  |  |  |  | | --- | --- | --- | | **Asset Levels** | **No. of Clients** | **Lendable Base** | | Lendable Assets < $10 billion |  |  | | Lendable Assets > $10 billion |  |  | | **TOTAL** |  |  |  1. Provide the number of securities lending clientsgained and/or lost for the periods listed in the following matrix.   **Securities Lending Clients Only**   |  |  |  |  |  | | --- | --- | --- | --- | --- | | **Calendar Year** | **Clients Gained**  **(Number)** | **Clients Gained (US$ millions)** | **Clients Lost**  **(Number)** | **Clients Lost**  **(US$ millions)** | | **2017** |  |  |  |  | | **2018** |  |  |  |  | | **2019** |  |  |  |  | | **2020** (as of September 30, 2020) |  |  |  |  |  1. For each of the asset classes provided below, provide the Respondent’s daily average loan information for the 12 months ended June 30, 2020.   **Daily Average Loan Information for the 12 months ending June 30, 2020**   |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | **Asset Classes** | **Daily Avg. Lendable Base**  **(US$ millions)** | **Daily Avg. Out on Loan**  **(US$ millions)** | **Cash Collateral Avg. Rebate Rate/Fees (bp)** | **Non-Cash Collateral 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 Treasuries |  |  |  |  |  |  | | US Agencies |  |  |  |  |  |  | | TIPS |  |  |  |  |  |  | | Non-US Equity |  |  |  |  |  |  | | Non-US Fixed Income |  |  |  |  |  |  |  1. List the Respondent’s top 10 borrows with their percentages on loan.  |  |  | | --- | --- | | |  | | --- | |  |  1. Describe the Respondent’s reporting capabilities relating to securities lending. At a minimum describe the following:    1. Types of reports (percentage on loan, cash vs. non-cash loans, income reports, cash reinvestment performance, etc.)    2. Method of obtaining reports (website, e-mail, etc.)    3. Frequency of availability (daily, monthly, quarterly, etc.)    4. Ability to customize | |  |  1. Describe how the Respondent benchmark securities lending performance.  |  | | --- | |  |  1. For new clients, describe the Respondent’s dedicated personnel, processes, and controls that are used when onboarding a client portfolio that is on loan with another agent.  |  | | --- | |  | | | | **Lending** | |  |  | | --- | | 1. Describe the Respondent’s capabilities of lending the following types of securities, including any distinguishing factors that separates the Respondent from the competition:    1. Fixed Income    2. Domestic Equities    3. International Equities | |  | |  | | 1. Describe the Respondent’s process for approving and monitoring counterparties. How many approved counterparties does the Respondent currently have? Describe other ways the Respondent reduces counterparty default risk. | |  | |  | | 1. Describe the Respondent’s process for allocating loans among their clients. | |  |  |  |  | | --- | --- | | 1. Describe the Respondent’s procedures if a borrower defaults.  |  | | --- | |  | |  |  | | --- | | **Collateralization** |  |  | | --- | | 1. Describe the Respondent’s capabilities in receiving the following types of collateral, including the average loan percentage for each over the past 12 months, as of June 30, 2020:    1. Cash    2. Non-cash | |  | |  | | 1. Provide the Respondent’s typical collateralization percentage requirements for fixed income, domestic equities, and international equities). Describe the basis for calculating the percentage (cost, market value, including accrued interest, etc.). | |  | |  | | 1. Describe the Respondent’s collateral monitoring process. At a minimum include the following:    1. Frequency the Respondent marks to market the collateral    2. Level of monitoring (loan, security, counterparty, etc.)    3. Levels that trigger a margin call    4. Timing of receiving additional collateral (same or next day)    5. How over-collateralized loans are handled    6. Controls in place to ensure prohibited collateral is not accepted | |  |  |  | | --- | |  |  |  | | --- | | **Cash Collateral Reinvestment** |  |  | | --- | | 1. Provide an organization chart of Respondent’s cash collateral reinvestment team. Describe the role of dedicated portfolio managers and credit analysts. | |  | | |  | | --- | | 1. Describe the Respondent’s cash collateral reinvestment strategy. At a minimum, describe how the Respondent addresses:    1. Interest rate risk    2. Credit risk    3. Liquidity risk | |  |  1. Confirm the Respondent can manage the Board’s cash collateral in a separately managed account in accordance with the provided investment guidelines (Appendix D). Provide any recommended updates to the investment guidelines the Respondent would propose that may increase performance without introducing material risk. | |  | | 1. Describe the Respondent’s compliance process and controls as they relate to ensuring that collateral reinvestments are made pursuant to clients' reinvestment guidelines.  |  | | --- | |  | | | 1. Provide additional options, if any, the Respondent may recommend for the Board’s cash collateral reinvestment. Include investment policies, historical performance, and any price reductions/increases not included in the fee proposal for each option. | |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | | |  | | --- | | **Indemnification** |  |  | | --- | | 1. Confirm that the Respondent is able to provide operational and borrower default indemnification within the securities lending program. Describe the Respondent’s operational and borrower default indemnification policy. At a minimum, address the following:  * Borrower files for bankruptcy for whatever reason * Respondent fails to recall securities before settlement date * Respondent fails to secure additional collateral and margin requirements * Respondent fails to receive dividends, distributions, and all economic benefits of ownership * Limitations of operational and borrower default indemnification | |  | |  | | 1. Describe additional types of indemnification the Respondent offers, if any. | |  |  |  |  | | --- | --- | | 1. Describe the capital structure behind the Respondent’s indemnity.  |  | | --- | |  | | |   Tab 6: Pricing Schedule | |
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| Title: | Trustee and Securities Lending Services |
| Respondent: |  |
| 1. **Securities Lending Split** - Supply your proposed securities lending revenue split as compensation for providing the trustee and securities lending services, with an assumed $11 billion in lendable assets:   Percentage of Securities Lending Revenues to be  **Received by the Trustee**: \_\_\_\_ %  **Received by the Board**: \_\_\_\_ %  TOTAL: 100 %   |  | | --- | | 1. **Tiered Fee Schedule –** Respondent may propose a tiered fee scale based on lendable asset ranges. If proposing a tiered fee scale, provide the lendable asset ranges for each tier and corresponding revenue split. | |  |  1. **Minimum Annual Income Floor** – Respondent may propose a minimum annual income floor based on the proposed fee split. If proposing a minimum annual income floor and the annual income received by the Respondent, based on the proposed securities lending fee revenue spit, does not at least meet the floor amount, the Board will pay the Respondent the difference. Provide the Respondent’s proposed annual income floor below.  |  | | --- | |  |   **Calculation of Fee**  The compensation due to the Respondent for trustee and securities lending services shall be determined each month on an accrual basis by multiplying the “Percentage of Securities Lending Revenue to be Received by the Trustee,” as reflected on this Pricing Schedule, by the sum of all revenues received by the Trustee resulting from lending of securities included in the Board’s portfolio during that month. The calculation shall be performed each month during the term of this Contract. The Trustee shall absorb all fees and charges relating to securities lending, or any other costs, with the exception of rebates. All revenues from lending securities that belong to the Board which are received by the Trustee each month, less the percentage of such revenues to which the Trustee shall be entitled as a fee (the “Percentage of Securities Lending Revenues to be Received by the Trustee” on the Pricing Schedule), shall be paid by the Respondent to the Board, in the manner directed by the Board, not later than fifteen days following the end of the month in which such revenues were earned.  For each 12 month period after the contract start date, the total revenue received by the Respondent over the previous 12 months, as calculated above, will be compared to any agreed upon annual income floor. If the total revenue received by the Respondent **is less than** the agreed upon annual income floor, the Board will pay the Respondent the difference between the income received and the annual income floor. If the total revenue received by the Respondent is more than the annual income floor, no additional payments will be due to the Respondent from the Board. | |
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