

BOARD RESPONSE TO WRITTEN REQUESTS FOR CLARIFICATION

RELATING TO:

INVITATION TO NEGOTIATE
FOR

Trustee and Securities Lending Services

#20-05

November 13, 2020

Florida Prepaid College Board
1801 Hermitage Blvd., Suite 210
Tallahassee, Florida 32308
(850) 488-8514

Memorandum

To: Prospective Respondents, ITN #20-05

From: Florida Prepaid College Board

Date: November 13, 2020

Subject: Board Response to Written Requests for Clarification relating to ITN #20-05: Trustee and Securities Lending Services

Any questions concerning conditions and specifications of this ITN were required to be submitted in the form of written questions, on the Request for Clarification Form, and pursuant to the schedule in Section 2.01. Please note, if any of these requirements were not met, the questions may not be included in the answer section below.

Company Name: BNY Mellon

Question	ITN Section	ITN Page	Question/Comment
1.	1.02	1	Please confirm the requirement for the respondent to serve as a Trustee as opposed to a Custodian.
The requirement is to serve as a Trustee.			

Question	ITN Section	ITN Page	Question/Comment
2.	4.03	7	Due to the pandemic and staff working off-site, are electronic copies (email) of the response acceptable as opposed to hardcopies?
The Board is updating the Delivery section of the ITN to only require complete electronic copies of the Response on USB hard drives. Hard copies will be optional. Responses must still be executed and submitted to the Board in a sealed package.			

Question	ITN Section	ITN Page	Question/Comment
3.	Appendix F—Prepaid Program Structure	1	Please provide the following information for the Prepaid Program: <ul style="list-style-type: none"> •Market value for the 7 separately managed accounts including any global assets with market values by country •Market value for the 3 mutual funds •# of holdings/positions for the separately managed accounts including # of holdings by country for any separately managed global assets •Annual # of buys and sells for the US assets as well as the global assets by country •Any other relevant annual transaction volumes such as wires, paydowns, derivatives, maturities, etc.. •Average balance in the custodian’s short term cash vehicle
Due to the volume and sensitive nature of the requested data, the Board will utilize readily available data and formatting to provide a timely response to the requesting respondent on			

November 18, 2020. If any additional potential respondents would like to obtain the information, please request a copy through the ITN administrator.

Question	ITN Section	ITN Page	Question/Comment
4.	Appendix F – Savings Program Structure	6-8	<p>Please provide the following information for the Savings Program:</p> <ul style="list-style-type: none"> •Market value for the separately managed account including any global assets with market values by country •Market value for the mutual funds/commingled funds/cash accounts •# of holdings/positions for the separately managed accounts including # of holdings by country for any separately managed global assets •Annual # of buys and sells for the US assets as well as the global assets by country •Any other relevant annual transaction volumes such as wires, paydowns, derivatives, maturities, etc.. •Average balance in the custodian’s short term cash vehicle

Due to the volume and sensitive nature of the requested data, the Board will utilize readily available data and formatting to provide a timely response to the requesting respondent on November 18, 2020. If any additional potential respondents would like to obtain the information, please request a copy through the ITN administrator.

Question	ITN Section	ITN Page	Question/Comment
5.	General Questions on Securities Lending		In addition to the historical information that was provided, please provide the GROSS earnings (net of rebate/premiums, but pre-lending agent fee split) by asset class for the past year? If you are unable to provide your earnings, please provide the average on loan spread or bps return on lendable that we can apply to the data you provided for our pricing calculations.

See Attachment A – Additional Securities Lending Data.

Question	ITN Section	ITN Page	Question/Comment
6.			What is your current securities lending fee sharing arrangement? Are you charged any administrative, cost recovery, management or any other fee related to the securities lending program?

Per the current contract, the percentage of securities lending revenues to be received by the Trustee is 15%. The contract also provides the Trustee shall absorb all fees and charges relating to securities lending, or any other costs, with the exception of rebates.

Question	ITN Section	ITN Page	Question/Comment
7.			<p>In order for us to calculate a securities lending estimate for pricing, please provide a holdings reporting in Excel with the following information:</p> <ol style="list-style-type: none"> Date (recent holdings as of) Plan Name (please confirm that only the Stanley G. Tate Florida Prepaid College (Prepaid) Program is permitted to lend and not the Florida 529 Savings (Savings) Program) Valid Security Identifiers (CUSIP, Sedol, ISIN)

			d. Security Name e. Number of Shares f. Market Values (USD base currency) g. Country of Issue
Due to the volume and sensitive nature of the requested data, the Board will utilize readily available data and formatting to provide a timely response to the requesting respondent on November 18, 2020. If any additional potential respondents would like to obtain the information, please request a copy through the ITN administrator.			
Only the Prepaid College (Prepaid) Program is permitted to lend securities.			

Question	ITN Section	ITN Page	Question/Comment
8.			Please provide your cash investment spread (example OBFR + ?? bps) or a spread attribution report for the past few years?

See Attachment A – Additional Securities Lending Data.

Question	ITN Section	ITN Page	Question/Comment
9.			Is your non-cash collateral still restricted to US government securities only? For example, do you accept equity collateral?

Eligible non-cash collateral instruments are restricted to obligations issued or guaranteed by the U.S. Government, or its agencies or instrumentalities.

Question	ITN Section	ITN Page	Question/Comment
10.			Please provide the net tax rates by market in which you hold lendable assets?

The Board does not have this information readily available.

Question	ITN Section	ITN Page	Question/Comment
11.			Do you impose any lending, borrower or other restriction that may inhibit the amount of revenue we may expect to make?

Restrictions are provided in the following ITN 20-05 documents: Appendix A – Trustee Services Contract and Appendix D – Prepaid Program Comprehensive Investment Plan and Investment Guidelines.

Question	ITN Section	ITN Page	Question/Comment
12.	General Question on Foreign Exchange		Please provide FX volumes for 12 months, separately for Custody FX (Standing Instructions) and Directly Negotiated. Please identify whether the volumes are in developed or emerging markets, or provide volume by currency.

Currently the Board has minor exposure to foreign currency. The Board does not have this information readily available.

Question	ITN Section	ITN Page	Question/Comment
13.	Savings Program Processing, question #50	Page 18	Please describe how this process works today. Is this performed using standing instruction or discreet instruction? What is the frequency?

The Board uses standing instructions for the daily accrual of administrative fees from the funds.

Question	ITN Section	ITN Page	Question/Comment
14.	General Question on Conversion		What is the anticipated conversion date?
The Board has allocated sufficient time for a conversion. Please propose a length of time required to perform a conversion.			

Question	ITN Section	ITN Page	Question/Comment
15.	Written Response Packet	Page 1	In order to be fully responsive to the questions in the written response packet, Is an attachment or an exhibit acceptable as an addition to a response?
Yes.			

Question	ITN Section	ITN Page	Question/Comment
16.	General Question		Please identify your recordkeeper on the plans.
Intuition College Savings Solutions, LLC.			

Company Name: State Street Bank

Question	ITN Section	ITN Page	Question/Comment
1.	Trust Agreement	Page 19	The section dealing with imprudent investing and the trustees obligation to offset the failure to meet obligations need further clarification. Does this only apply to the securities lending program, given the trustee is not an investment manager of assets. Please explain in greater detail. Please describe what a failure to meet obligations means, and provide an example how this could occur. Has this section ever been imposed against any previous trustee in the past?
If monies in the fund fail to offset the obligations of the Board as a result of imprudent selection or supervision of investment programs by the Trustee (e.g., the securities lending program and Short Term Investment Funds utilized by the Trustee), then the Trustee shall meet the obligations of the Board to qualified beneficiaries.			

Question	ITN Section	ITN Page	Question/Comment
2.	General Question	N/A	Why is the Florida Prepaid College Board out to bid for Trustee and Securities Lending Services?
The Board is required to competitively procure trustee services. The current contract is set to expire.			

Question	ITN Section	ITN Page	Question/Comment
3.	General Question	N/A	Is there any current dissatisfaction with the Northern Trust as the current trustee and Securities Lending provider? If so, please describe
Northern Trust is satisfactorily meeting all of the current contract requirements.			

Question	ITN Section	ITN Page	Question/Comment
4.	General Question	N/A	As incumbent, will Northern Trust also be participating in this RFP process? How many bidders have been solicited for participating in this process?

Northern Trust may participate in the ITN process.

The ITN is public and invites responses from all qualifying Trustees.

Question	ITN Section	ITN Page	Question/Comment
5.	General Question	N/A	Will the questions and answers of ALL questions submitted by ALL potential respondents be shared to the entire group who submitted questions?

Yes. Please note, due to the volume and sensitive nature of some of the requested data, the Board will utilize readily available data and formatting to provide a timely response to the requesting respondent on November 18, 2020. If any additional potential respondents would like to obtain the information, please request a copy through the ITN administrator.

Question	ITN Section	ITN Page	Question/Comment
6.	Securities Lending	Appendix H	What is the current securities lending split between Florida Prepaid College Board and Northern Trust?

Per the current contract, the percentage of securities lending revenues to be received by the Trustee is 15%. The contract also provides the Trustee shall absorb all fees and charges relating to securities lending, or any other costs, with the exception of rebates.

Question	ITN Section	ITN Page	Question/Comment
7.	Securities Lending	Appendix H	How much gross revenue was earned from the Securities Lending program for the period July 1-2019-June 30, 2020?

See Attachment A – Additional Securities Lending Data.

Question	ITN Section	ITN Page	Question/Comment
8.	Securities Lending	Appendix F	Please provide the underlying holdings/assets by manager for the 7 Separately managed accounts as identified within the Prepaid Program Structure. Please provide in excel format listing security name, security identifier (CUSIP/ISIN/SEDOL), shares and market value. This information is critical for any respondent to properly ascertain the securities lending revenue of Prepaid program's, in addition to identifying specific global markets and derivatives exposures

Due to the volume and sensitive nature of the requested data, the Board will utilize readily available data and formatting to provide a timely response to the requesting respondent on November 18, 2020. If any additional potential respondents would like to obtain the information, please request a copy through the ITN administrator.

Question	ITN Section	ITN Page	Question/Comment
9.	Scope of Services	Page 4	Please confirm the average monthly cash balances? What recordkeeping firm is providing daily participant plan accounting for the 529 plan? Please confirm the trustee is responsible for performance/risk/compliance? Please provide the market value of each investment manager (Prepaid program), and the market value of each investment pool and investment options (Savings program).

Due to the volume and sensitive nature of the requested data, the Board will utilize readily available data and formatting to provide a timely response to the requesting respondent on November 18, 2020. If any additional potential respondents would like to obtain the information, please request a copy through the ITN administrator.

Intuition College Savings Solutions, LLC. Is the Board's recordkeeper.

The Trustee is responsible for performance/risk/compliance reporting.

Question	ITN Section	ITN Page	Question/Comment
10.	Fees	N/A	Please confirm that no trustee/custody fees are currently being charged by Northern Trust...and that there is no fee schedule agreement in place other than the negotiated securities lending split.
Under the current contract, the Board pays an annual fee of \$135,000 for the services related to the Savings Plan.			

Attachment A – Additional Securities Lending Data

Security Lending Data July 1, 2019 to June 30, 2020

Security Type	Market Value (USD)		% on Loan	Gross Earnings (USD)			Spread (bps)			Gross BP Return (bp) *	Net Earnings (USD)		
	Avg. on Loan	Avg. Available		Lending	Investment	Total	Lending	Investment	Overall		Lending	Investment	Total
US Treasuries	1,645,110,902	5,995,731,326	27.4%	649,085	6,359,743	7,008,828	3.9	38.0	41.9	11.5	551,724	5,405,831	5,957,555
US Agencies	43,338,972	676,486,082	6.4%	-1,129	52,935	51,806	-0.3	12.0	11.8	0.8	-960	44,995	44,036
US Corp Bonds	135,806,330	2,166,569,455	6.3%	133,480	461,410	594,890	9.7	33.4	43.1	2.7	113,491	392,304	505,795
US Equities	171,479,026	1,817,514,003	9.4%	186,455	562,612	749,067	10.7	32.3	43.0	4.1	158,519	478,297	636,816
Global Sovereign	1,733,755	11,212,810	15.5%	1,812	10,262	12,074	10.3	58.2	68.5	10.6	1,540	8,723	10,263
Global Agencies	104,779	17,765,365	0.6%	7	544	551	0.7	51.0	51.7	0.3	6	462	468
Global Corp Bonds	16,182,312	273,580,169	5.9%	17,566	46,475	64,041	10.7	28.2	38.9	2.3	14,935	39,513	54,447
Global Equities	19,698,704	520,122,716	3.8%	96,922	46,513	143,436	48.4	23.2	71.6	2.7	82,389	39,543	121,931
Total	2,033,454,780	11,478,981,926	17.7%	1,084,199	7,540,494	8,624,693	5.2	36.5	41.7	7.4	921,644	6,409,667	7,331,311

When cash is taken as collateral on applicable loans, Rebates are based on an Industry [standard] overnight benchmark rate.

* Gross Basis Point Return equals On Loan Spread multiplied by % on Loan. GBPR is the measure of total return on a given asset class or portfolio.

Security Lending Data July 1, 2018 to June 30, 2019

Security Type	Market Value (USD)		% on Loan	Gross Earnings (USD)			Spread (bps)			Gross BP Return (bp) *	Net Earnings (USD)		
	Avg. on Loan	Avg. Available		Lending	Investment	Total	Lending	Investment	Overall		Lending	Investment	Total
US Treasuries	1,772,929,000	5,849,981,471	30.3%	198,700	2,928,367	3,127,066	1.1	16.3	17.4	5.3	168,875	2,489,179	2,658,054
US Agencies	41,351,757	724,747,469	5.7%	-16,854	76,454	59,601	-4.0	18.2	14.2	0.8	-14,326	64,987	50,661
US Corp Bonds	114,990,965	1,292,549,282	8.9%	151,433	162,304	313,737	13.0	13.9	26.9	2.4	128,771	138,033	266,804
US Equities	166,201,404	1,509,257,147	11.0%	257,951	246,052	504,003	15.3	14.6	29.9	3.3	219,303	209,199	428,501
Global Sovereign	1,089,848	5,156,665	21.1%	2,297	1,812	4,109	20.8	16.4	37.2	7.9	1,953	1,540	3,493
Global Agencies	0	10,360,610	0.0%	0	0	0	0.0	0.0	0.0	0.0	0	0	0
Global Corp Bonds	18,303,897	240,870,577	7.6%	24,612	23,039	47,650	13.3	12.4	25.7	2.0	20,926	19,591	40,517
Global Equities	19,043,958	440,507,784	4.3%	222,729	19,006	241,735	115.4	9.8	125.2	5.4	189,325	16,158	205,483
Total	2,133,910,828	10,073,431,004	21.2%	840,868	3,457,033	4,297,901	3.9	16.0	19.9	4.2	714,827	2,938,687	3,653,514

When cash is taken as collateral on applicable loans, Rebates are based on an industry [standard] overnight benchmark rate.

* Gross Basis Point Return equals On Loan Spread multiplied by % on Loan. GBPR is the measure of total return on a given asset class or portfolio.

Security Lending Data July 1, 2017 to June 30, 2018

Security Type	Market Value (USD)		% on Loan	Gross Earnings (USD)			Spread (bps)			Gross BP Return (bp) *	Net Earnings (USD)		
	Avg. on Loan	Avg. Available		Lending	Investment	Total	Lending	Investment	Overall		Lending	Investment	Total
US Treasuries	2,086,886,336	6,056,410,239	34.5%	1,837,167	2,459,837	4,297,004	8.7	11.6	20.3	7.0	1,561,615	2,090,894	3,652,509
US Agencies	22,551,093	876,263,763	2.6%	15,217	32,127	47,344	6.7	14.1	20.7	0.5	12,935	27,308	40,243
US Corp Bonds	124,979,669	1,132,347,714	11.0%	168,647	161,761	350,428	14.9	12.8	27.7	3.1	160,464	137,603	298,067
US Equities	147,123,935	1,370,602,155	10.7%	228,944	175,997	404,941	15.3	11.8	27.1	2.9	194,651	149,634	344,285
Global Sovereign	171,545	19,611,471	0.9%	203	394	597	11.7	22.7	34.3	0.3	172	335	508
Global Agencies	534	2,339,579	0.0%	1	1	2	15.5	17.2	32.7	0.0	1	1	2
Global Corp Bonds	24,726,661	183,329,105	13.5%	36,506	30,472	66,978	14.6	12.2	26.7	3.6	31,044	25,912	56,956
Global Equities	26,167,100	427,702,251	6.1%	198,459	20,686	219,145	74.7	7.6	82.5	5.1	168,697	17,586	186,283
Total	2,432,628,875	10,070,826,297	24.2%	2,505,144	2,881,294	5,386,438	10.2	11.7	21.8	6.3	2,129,579	2,449,273	4,578,852

Security Lending Data July 1, 2016 to June 30, 2017

Security Type	Market Value (USD)		% on Loan	Gross Earnings (USD)			Spread (bps)			Gross BP Return (bp) *	Net Earnings (USD)		
	Avg. on Loan	Avg. Available		Lending	Investment	Total	Lending	Investment	Overall		Lending	Investment	Total
US Treasuries	1,235,005,165	5,957,619,183	20.7%	837,055	2,131,355	2,968,410	6.7	17.0	23.7	4.9	711,505	1,811,670	2,523,176
US Agencies	55,430,113	845,548,720	6.6%	17,248	129,500	146,748	3.1	23.0	26.1	1.7	14,661	110,076	124,737
US Corp Bonds	102,224,562	1,161,426,703	8.8%	159,699	192,216	351,914	15.4	18.5	34.0	3.0	135,822	163,462	299,284
US Equities	160,518,900	1,280,966,090	12.5%	277,588	329,150	606,738	17.1	20.2	37.3	4.7	235,985	279,828	515,812
Global Agencies	95,251	2,852,240	3.3%	146	89	235	15.1	9.2	24.3	0.8	124	75	200
Global Corp Bonds	22,428,705	175,698,827	12.8%	34,539	42,251	76,790	15.2	18.6	33.8	4.3	29,370	35,925	65,294
Global Equities	32,417,158	414,381,279	7.8%	252,228	56,593	308,821	76.7	17.2	94.0	7.4	214,403	48,112	262,514
Total	1,608,119,854	9,838,493,041	16.3%	1,578,502	2,881,153	4,459,655	9.7	17.7	27.4	4.5	1,341,869	2,449,149	3,791,018

Security Lending Data July 1, 2015 to June 30, 2016

Security Type	Market Value (USD)		% on Loan	Gross Earnings (USD)			Spread (bps)			Gross BP Return (bp) *	Net Earnings (USD)		
	Avg. on Loan	Avg. Available		Lending	Investment	Total	Lending	Investment	Overall		Lending	Investment	Total
US Treasuries	1,277,695,741	5,892,440,895	21.7%	294,808	1,653,310	1,948,118	2.3	12.7	15.0	3.3	250,588	1,405,348	1,655,936
US Agencies	34,731,347	846,589,720	4.1%	6,048	53,844	59,892	1.7	15.2	17.0	0.7	5,141	45,768	50,909
US Corp Bonds	95,831,414	1,118,710,365	8.6%	131,171	124,496	255,668	13.5	12.8	26.2	2.2	111,550	105,878	217,428
US Equities	166,895,240	1,062,975,719	15.7%	336,661	238,963	575,625	19.8	14.1	33.9	5.3	286,207	203,166	489,372
Global Sovereign	0	6,497,284	0.0%	0	0	0	0.0	0.0	0.0	0.0	0	0	0
Global Agencies	0	4,196,042	0.0%	0	0	0	0.0	0.0	0.0	0.0	0	0	0
Global Corp Bonds	20,114,744	178,157,613	11.3%	76,811	26,218	103,028	37.6	12.8	50.4	5.7	65,299	22,293	87,592
Global Equities	46,233,936	333,198,297	13.9%	262,734	62,371	325,104	55.9	13.3	69.2	9.6	223,338	53,027	276,364
Total	1,641,502,421	9,442,765,935	17.4%	1,108,233	2,159,201	3,267,434	6.6	12.9	19.6	3.4	942,122	1,835,480	2,777,603