

March 1, 2010

**REQUEST FOR PROPOSAL**

**MASTER TRUST/CUSTODIAN AND  
SECURITIES LENDING SERVICES**

The Oklahoma Firefighters' Pension and Retirement Board (the "Board") is considering the selection of a Master Trustee/Custodian and Securities Lending Agent for the Oklahoma Firefighters Pension and Retirement System (the "System"). This RFP provides information on the System and establishes the specifications and requirements for submitting a proposal.

Respondents to this proposal (each, a "Vendor") are required to comply with the bid procedures as set forth in this RFP pursuant to the Competitive Bid Standards attached hereto as Appendix A. Failure to comply with the bid procedures may render the bid invalid. Proposals should be submitted to Finley & Cook at the address listed below:

**Mail or Overnight to:**

Oklahoma Firefighters Pension and Retirement System  
c/o Finley & Cook  
Audit Department  
1421 East 45<sup>th</sup> Street  
Shawnee, OK 74804

**In addition, please transmit an electronic version of the response to this solicitation to Asset Consulting Group at [cindy.short@acgnet.com](mailto:cindy.short@acgnet.com).** Failure to transmit an electronic version of the response to this solicitation will cause the response to not be considered in the awarding of a contract or contracts. The System hopes to have an engagement date prior to July 1, 2010. A timeline is discussed in Section V. The timeline set forth in Section V is subject to change at the sole option of the Board.

There is no express or implied obligation for the System to reimburse Vendors for any expenses incurred in preparing proposals in response to this Request for Proposal (RFP). In the event that none of the proposals are satisfactory to the System, no selection will be made. Proposals submitted in response to the RFP become the property of the System and are subject to public inspection. The System reserves the right to modify the RFP contents and requirements at any time prior to the submission deadline.

This RFP can be found on the System's website at [www.ok.gov/fprs](http://www.ok.gov/fprs). **An electronic version of the questionnaire may also be requested by e-mail at [dmichael@oklaosf.state.ok.us](mailto:dmichael@oklaosf.state.ok.us).** Include the name of the RFP in your request. All responses to this RFP must be submitted in accordance with the instructions contained in the RFP.

The Vendor's Affidavit and all questions contained in this RFP must be identically reproduced in the submitted proposal. Any alternations to the contents of the RFP document will be grounds for dismissal from consideration or termination of a resulting contract. By submitting an RFP, it is agreed by the Vendor that any misleading or false information given may be grounds for dismissal from consideration, or termination of any resulting contract, whenever, and however discovered.

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**I. PROPOSAL COVER SHEET** *(must be signed, notarized and returned)*

<b>Proposal</b>	<b>Agency</b>	<b>Proposal Deadline</b>
Master Trust/Custodian and Securities Lending Services	Oklahoma Firefighters Pension and Retirement System	must be received by <b>March 30, 2010</b>

Vendor Identification:

Name of Vendor:	_____
Address:	_____
City/State/Zip Code:	_____
Telephone Number:	_____
Facsimile Number:	_____

**VENDOR'S AFFIDAVIT**

STATE OF \_\_\_\_\_ )  
 ) SS:  
 COUNTY OF \_\_\_\_\_ )

\_\_\_\_\_ (Print or Type Name), of lawful age, being first duly sworn, on oath says that:

- (S)he is the duly authorized agent of \_\_\_\_\_, the vendor submitting this proposal which is attached to this statement for the purpose of certifying the facts pertaining to the existence of collusion among vendors and between vendors and state officials or employees, as well as facts pertaining to the giving or offering of things of value to government personnel in return for special consideration in the letting of any contract pursuant to the proposal to which this statement is attached, and further represents and warrants that (s)he has the authority to bind the vendor contractually;
- (S)he is fully aware of the facts and circumstances surrounding the making and submitting of this proposal and has been personally and directly involved in the proceedings leading to the submission of such proposals;
- Neither the vendor nor anyone subject to the vendor's direction or control has been a party: a) to any collusion among vendors in restraint of freedom of competition by agreement to propose a fixed price or to refrain from submitting a proposal; b) to any collusion with any state official or employee as to quantity, quality or price in the prospective contract, or as to any other term of such prospective contract; nor, c) in any discussions between vendors and any state official concerning exchange of money or any other thing of value for special consideration in the award of this prospective contract; d) to paying, giving or donating or agreeing to pay, give or donate to any officer or employee of the State of Oklahoma, any money or other thing of value, either directly or indirectly, in procuring this prospective contract; and
- The information contained in this proposal is true, correct and accurate as presented.

\_\_\_\_\_  
 Name/Title

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_.

\_\_\_\_\_  
 Notary Public (seal)

My commission number: \_\_\_\_\_ and expiration date: \_\_\_\_\_

## II. LEGAL AUTHORIZATION AND BACKGROUND

### A. Legal Authorization

The System was created to hold and manage the Oklahoma Firefighters Pension and Retirement Fund (the "Fund") and to provide retirement and pension benefits for the eligible firefighters of the State of Oklahoma. The System's statutory investment authority is set forth in 11 O. S. Section 49-100.9.

### B. Board Composition

The System is administered by the Board. The Board is comprised of thirteen (13) members including five (5) members of the Oklahoma State Firefighters' Association Board of Trustees, the President of the Professional Firefighters of Oklahoma or designee, the President of the Oklahoma State Retired Firefighters' Association or designee, the State Insurance Commissioner or designee, the Director of State Finance or designee, one member (1) appointed by the Speaker of the House of Representatives, one (1) member appointed by the President Pro Tempore of the Senate, and two (2) members appointed by the President of the Oklahoma Municipal League. **The members of the Board shall not be contacted directly by any Vendor. (See Paragraph 9 of the Competitive Bid Standards in Appendix A)**

### C. Support Services

The System has a staff of nine (9) persons supervised by an Executive Director. The Executive Director and the Assistant Director manage the day-to-day financial operations of the System. The Executive Director reports transactions and investment developments to the Investment Committee of the Board as directed by the Board. The Executive Director is Robert Jones, and the Assistant Executive Director is Herb Bradshaw. **Except for requesting an electronic copy of the RFP questionnaire in the manner described on the front page of this RFP, the System's staff shall not be contacted directly by any Vendor. (See Paragraph 9 of the Competitive Bid Standards in Appendix A)**

The current master custodian is State Street Bank and Trust Company, Boston, Massachusetts. The investment consultant is Asset Consulting Group, St. Louis, Missouri.

### D. Allocation of Assets

The System is charged with the duty of administering the investment of approximately \$1.5 billion, which represents the total pension funds of all the eligible firefighters in the State of Oklahoma. The System utilizes external investment managers for its commingled funds and separate accounts. For its separate accounts, the investment managers are the originators of the transactions by determining what to buy or sell and giving trade orders to security dealers. This information is transmitted daily to the custodian who then settles the trade as contracted. All of the System's eligible securities are held in book entry form at State Street Bank & Trust Company while non-U.S. securities are held in various locations. The current asset allocation target is 30% domestic large cap equity, 10% long/short equity, 12.5% domestic small cap equity, 12.5% international equity, 20% domestic fixed income, 7.5% low volatility hedge funds, and 7.5% real estate.

Specific account information for the System is attached hereto as Appendix C.

E. Investment Guidelines

The “Statement of Policy Guidelines and Investment Objectives” for the System is included as an exhibit on the RFP link on the System’s website.

**III. MANDATE DESCRIPTION AND MANDATORY QUALIFICATIONS OF VENDOR**

- A. The Vendor shall answer, to the best of its abilities, all questions contained in Section VII hereto.
- B. The Vendor is prohibited from subcontracting any of the required services unless such subcontracts are specifically set forth in the Vendor’s response and, with the exception of its international (Non US) sub custodian network.
- C. The purpose of this RFP is to solicit proposals from qualified firms to provide master trust/custodial services for the safekeeping, delivery, securities valuation, investment performance reporting, securities lending and other services in connection with the investments of the System.

Vendors should have substantial experience in the global custody of assets. The following criteria will apply:

- 1. The Vendor should be headquartered in the United States.
  - 2. It is desired but not required that the Vendor have at least \$1 trillion (US dollars) in total assets under custody as of December 31, 2009.
  - 3. It is desired but not required that the Vendor have a total of at least 250 institutional clients.
  - 4. It is desired but not required that the Vendor have a total of at least 30 institutional clients with \$1 billion in tax-exempt assets or greater.
  - 5. The Vendor must have been providing custody services for a minimum of ten years.
  - 6. The account administrator proposed for this engagement must have a minimum of five years experience (two years at the proposing firm) in custody.
  - 7. The Vendor must have in force a forced errors and omissions insurance policy or a compatible instrument to cover negligent acts or omissions.
- D. The Vendor must be able to provide global custody services for the System’s assets, including the services listed below.
- 1. Accounting:
    - a. Trade date accounting for all securities and full accrual accounting for all assets via electronic and hard copy statements.
    - b. Monthly accounting reports by investment manager and on a consolidated basis within seven working days of month end and monthly summary reports in electronic form in the format prescribed by the System.
    - c. Accounting services for dividends and interest, capital changes, dividend reinvestment programs, options and futures, U.S. and multi-currency derivatives, private placements, commingled funds, hedge funds and real estate.
    - d. Monthly performance reports for accounts and composites on a gross and net of fee basis within ten working days of month end.
    - e. Annual consolidated reporting statements.

- f. Brokerage summary reports.
  - g. Performance reporting for individual portfolios and the total Fund.
  - h. Reporting for line item holdings (mutual funds/commingled vehicles).
  - i. Semi-annual class action item reports provided with data as of June 30<sup>th</sup> and December 31<sup>st</sup>.
  - j. Payable date posting for dividends, bond interest and principal, and interest on mortgage pass-through certificates.
  - k. All investments must be reported at cost. Gains and losses on securities sold must be recognized on the basis of the average cost of securities.
  - l. Accounting must be on a fiscal year basis, July 1 to June 30.
  - m. Timely notification of corporate actions regarding subscriptions, conversion privileges, issuance of rights, mergers, reorganizations, and other actions requiring a decision of the System.
  - n. Monthly reconciliations between the custodian and the investment manager and timely notification of material variances between the custodian and the investment manager along with steps taken to reconcile, adjust, or justification for unresolved variances.
2. Claims/Settlement:
- a. On-security clearing at the DTC, Federal Reserve and at other security clearing operations.
  - b. The ability to settle physically held securities.
  - c. The ability to execute foreign exchange transactions.
3. Cash Management:
- a. Maintain daily sweep activity for the purpose of transferring uncommitted funds from the individual external manager custody accounts.
  - b. Income earned by STIF or other accounts must be compounded daily.
  - c. Income earned, redemptions and sales must be credited to the proper account.
  - d. Cash flow from purchases and sales must be credited on contractual settlement date.
4. Securities Lending Program:
- a. Establish a list of eligible borrowers and a maximum that may be borrowed by each borrower, and conduct ongoing reviews of borrowers' qualifications.
  - b. Require that all loans of securities be collateralized by either cash, securities, or letters of credit of mutually acceptable counterparts. U.S. securities must be collateralized at 102% of market value, including accrued income, and Non-U.S. securities must be collateralized at 105% of market value, including accrued income.
  - c. Monitor collateral levels daily and obtain additional collateral if and when mark to market values fall below the acceptable levels in paragraph 4.b. above.
  - d. Collect all interest or other distributions with respect to any loaned securities.
  - e. Provide a daily report on collateral, identifying daily collateral required and pledged, and a monthly report on securities lending activities and outstanding loans, including amounts by borrower.
  - f. Provide indemnification against borrower default.
  - g. Offer a high quality commingled fund for collateral investments and provide monthly reports regarding the cash collateral pool and revenue generation relating to the securities lending program. The Vendor must also have the capability of providing a separate account invested under guidelines approved by the System and the Vendor.

- h. The System reserves the right to not loan any of its securities to any borrower on the proposed security-lending list of borrowers and to exclude certain securities from the list of securities available to lend.
5. Directed Brokerage:
- a. Establish contractual relationships with various global brokerage firms.
  - b. Monitor directed brokerage activities on behalf of the System.
  - c. Collect rebated brokerage fees and make distributions quarterly to the System.
  - d. Provide a monthly report to the System on individual investment manager activities.
6. Corporate Actions and Proxy Processing:
- a. In a timely manner, provide proxies and proxy statements to the System or designated investment managers prior to annual and special meetings for U.S. and foreign entities.
  - b. Provide proxy-voting capabilities for U.S. and foreign holdings, including proxy-voting services, notification of proxy information, and translation of foreign proxies.
  - c. Provide reports detailing all proxy voting activities.
  - d. Provide notification of pending corporate actions and applicable legislative changes.
7. Miscellaneous:
- a. Initiate trading for mutual funds.
  - b. Meet compliance requirements related to GASB 40 reporting.
  - c. Provide compliance monitoring in accordance with the System's investment policy guidelines.
  - d. Provide online access to management information and accounting systems for the System and its consultants and attorneys, with the capability of providing current and historical performance, current and historical prices and exchange rates, composite portfolios, current and historical transactions, current and historical holdings in any aggregate, performance aggregate data, performance and analytical data bases, customized reports as required, and other ad hoc reports.
  - e. Maintain all records pertaining to the transactions effected by the System during the term of the agreement between the custodian and the System and for a period of three (3) years following completion and/or termination of the agreement. If an audit, litigation, or other action involving such records is started before the end of the three (3) year period, the records are required to be maintained for three (3) years from the date that all issues arising out of the action are resolved or until the end of the three (3) year retention period, whichever is later. The System and its agents, consultants and attorneys must be given reasonable access to the records during this period.
  - f. Monitor new class action awards and settlements and provide the System and its attorneys with a list, updated monthly, of all class action settlements in which the System qualifies as a class member.
  - g. Timely file proofs of claim on behalf of the System for all class actions in which the System qualifies as a class member and provide the System and its attorneys with a list, updated monthly, of all proofs of claims filed on its behalf.

**IV. MANDATORY REQUIREMENTS FOR SUBMITTING A PROPOSAL (PLEASE READ CAREFULLY)**

- A. Proposals must be received by the deadline specified in Paragraph B below at the address specified on the first page of this RFP.
- B. The deadline for receipt of completed proposals is 5:00 p.m. Central Time, on March 30, 2010. Proposals submitted to an incorrect address or location, or received after this date or time will be rejected and will not be considered.
- C. The original proposal must contain the Proposal Cover Sheet, fully completed, signed and notarized. Please also provide your standard form of Master Trust/Custodian Contract and Securities Lending Agreement and Parts I and II of your most recent Form ADV (if applicable). The Vendor shall submit an original proposal and two (2) copies to Finley & Cook at the specified address. Three ring binders are discouraged. In addition, please submit one (1) copy of the complete response, including all attachments, to Asset Consulting Group at [cindy.short@acgnet.com](mailto:cindy.short@acgnet.com).
- D. Proposals may be either mailed or sent via commercial express delivery service. The responding Vendor shall be responsible for actual delivery of the proposal to the proper address before the deadline. All proposals become the property of the System.
- E. All proposals, once opened, are considered to be public record and shall be available for viewing and reproduction by any person.
- F. In submitting this proposal, the Vendor must agree to an audit which provides that books, records, documents, accounting procedures, practices or any other items of the service provider relevant to the proposal are subject to examination by the System and the Oklahoma State Auditor and Inspector.
- G. The System will not hold a pre-bid conference. The System will respond to questions that are presented in writing. Questions are due by 5:00 p.m. Central Time on March 9, 2010 and may be faxed to 405-522-4643 or e-mailed to [dmichael@oklaosf.state.ok.us](mailto:dmichael@oklaosf.state.ok.us). Questions received after this date and time will not be considered. These questions will be consolidated into a single Q & A document, which will be posted on the System's web site at [www.ok.gov/fprs](http://www.ok.gov/fprs) on or after March 16, 2010. This will be the only distribution method for the Q&A document.
- H. It is the responsibility of the Vendor to insure compliance with all requirements and deadlines. Proposals which are not in compliance with the RFP requirements may be rejected. All proposals will be reviewed to determine if they satisfy the mandatory criteria specified in this Section IV. Proposals not satisfying the mandatory criteria will be rejected.
- I. All costs of preparation and presentation associated with a response to this RFP will be the responsibility of the Vendor. Vendors may be asked to make a presentation before the Board if selected as a finalist. Such vendors should have the person lead the presentation that will be the primary investment manager contact to the System. Responsible persons who will be assigned to the System's account are encouraged to attend the presentation. None of the costs associated with this presentation will be reimbursed by the System.
- J. The Vendor shall be bound by the information and representations contained in any proposal submitted. Said proposal is deemed to be a binding offer on the part of the Vendor.

- K. Submission of a proposal in response to this RFP evidences the Vendor’s acceptance of the terms and conditions contained within the RFP.
- L. In addition to the disclosure requirements set forth in SEC Rule 206(4)-3, any Vendor which hires or retains finders or placement agents to seek the System’s business shall disclose to the Board in writing their retention of finders or placement agents, the fees they pay them, the services performed, and other relevant information about their engagement. The disclosed information must include the finders or placement agents’ identities, resumes of key people, description of compensation and paid services provided, and if the agent is registered with the SEC or as a lobbyist in any state or the national government.
- M. A “Most Favored Nations” clause will be required as a part of the contract. It is expected that the Vendor will offer fee reductions or discounts to the System in the same manner and at the same time as offered to other clients of the Vendor. It is expected that the fees being charged to the System’s accounts will be the same or lower than other clients of similar size and services.
- N. All vendors must:
  1. Acknowledge and agree to be a fiduciary to the plan pursuant to Section 49-100.10 of Title 11 of the Oklahoma Statutes.
  2. Agree that any resulting master trust/custodian and securities lending contracts and services will be subject to and interpreted by Oklahoma law.
  3. Agree that this RFP and the Vendor’s response will be incorporated by reference to any resulting master trust/custodian and securities lending agreements.
  4. Have substantial experience in providing custodial and securities lending services as described in Section III of the RFP.
  5. Answer, to the best of its abilities, all questions in Section VII.
  6. Fully disclose any proposed subcontracting of any of the required services.

**V. TIMELINE**

The following timeline is an estimate and may be adjusted at the System’s discretion any time during this selection process.

<u><b>Event</b></u>	<u><b>Date</b></u>
Distribution of RFP	March 2, 2010
Deadline for questions submitted in writing via e-mail or fax	March 9, 2010
Date for answers to questions	March 16, 2010
Proposals due (no later than 5:00 p.m. Central Time)	March 30, 2010
Finalist presentation (if necessary)	TBD
Award business (date contingent on final negotiations)	TBD
Contract start date	On or After July 1, 2010

## **VI. GENERAL TERMS AND CONDITIONS**

### **A. Applicable Laws and Courts**

This solicitation and any resulting contract shall be governed in all respects by the laws of the State of Oklahoma, and any litigation with respect thereto shall be brought in the District Court of Oklahoma County, Oklahoma. The Vendor shall comply with all applicable federal, state and local laws, rules and regulations.

### **B. Ethics in Public Contracting**

By submitting their bids or proposals, Vendors certify that their bids/proposals are made without collusion or fraud and that they have not offered or received any kickbacks or inducements from any other Vendor, supplier, manufacturer or subcontractor in connection with their bid/proposal, and that they have not conferred on any public employee or Board member having responsibility for this procurement transaction any payment, loan, subscription, advance, deposit of money, services or anything of value, in exchange for procuring this contract.

### **C. Qualifications of Vendors**

The System may make such reasonable investigations as deemed proper and necessary to determine the ability of the Vendor to perform the services/furnish the goods, and the Vendor shall furnish to the System all such information and data for this purpose as may be requested. The System reserves the right to inspect the Vendor's physical facilities prior to award to satisfy questions regarding the Vendor's capabilities. The System further reserves the right to reject any proposal if the evidence submitted by, or investigations of, such Vendor show that the Vendor is not properly qualified to carry out the obligations of the contract and to provide the services and/or furnish the goods contemplated therein.

### **D. Assignment of Contract**

The contract shall not be assignable by the Vendor in whole or in part without the written consent of the System.

### **E. Confidentiality**

The Vendor is expected to comply with provisions of Oklahoma statutes regarding confidentiality of membership data and agrees not to disclose confidential membership information to other parties without the System's prior authorization and approval.

### **F. Period of Contract**

It is anticipated that the initial contract shall be for a [partial year/one-year] period ending on June 30, 2011. Thereafter, the contract may be renewed by the Board annually for four additional one-year contract periods. The Board reserves the right to terminate the contract upon 30 days notice, with or without cause.

All vendors who have submitted a proposal will be notified of the Board's decision in writing after the final selection has been made. This notice of final selection may be the only communication between the System and the vendors.

G. Ownership of Data and Work Product

There is a presumption that all work product generated for the System under a contract awarded pursuant to this RFP, as well as all data compiled by the Vendor while performing under such contract, shall become the sole property of the System. The System must be given reasonable access to all such work product or data compiled by the Vendor in the performance of this contract.

H. Limitation of Liability, Hold Harmless Clauses & Indemnity

The State of Oklahoma and its agencies and instrumentalities are constitutionally barred from limiting the liability of a private vendor. Agencies are similarly prohibited from holding a private entity harmless from liability or providing indemnity to a private entity. The contract between the successful Vendor and the System will not have any such terms.

I. Errors and Omissions in Proposal

Failure by the System to object to an error, omission or deviation in the proposal will in no way modify the RFP or excuse the Vendor from full compliance with the specifications of the RFP or any contract awarded pursuant to the RFP.

## **VII. MASTER CUSTODIAN/SECURITIES LENDING AGENT QUESTIONNAIRE**

### **I. Overall Organization**

1. In what year was the organization founded and how long has the organization been in business under its present name and current ownership structure.
2. Please comment on the firm's current financial status and how the recent financial crisis has impacted your organization. Please include your firm's current Tier 1 common capital ratio and Tangible Common Equity ratio. In addition, please provide your current and historical bank financial strength ratings for all rating agencies (for the past three years).
3. Did your organization participate in the stress testing conducted by the Treasury Department in 2009? If so what was the assessment in terms of capital adequacy? Please address all relevant capital ratios including the minimum and maximum thresholds.
4. Please list all forms of government support programs (TARP, TLGP, etc.) that your organization has participated in since January 2007. Please include the relevant dates and dollar amounts received.
5. Please comment on your firm's off balance sheet liability exposure including asset-backed commercial paper conduits. Please detail what percentage these liabilities represent of the organizations total assets.
6. Is your firm currently involved in any pending litigation? If so please describe and state whether they are class actions, identify the plaintiffs making the complaints, and provide, if possible, a summary of the claim or a copy of the complaint including information on the counsel involved.

### **II. Master Trust/Custody Background Information**

1. Please provide a brief history of your firm's experience with master trusts, custody, safekeeping, clearing and lending services and a specific discussion of special expertise or unique capabilities.
2. Briefly describe the organizational structure of the Master Trust/Custody Department.
3. What percentage of revenue and net profit does the Master Trust/Custody business represent in the overall organization? Please do not group the revenue and net profit for the Master Trust/Custody with any other business unit or divisions.
4. Summarize your business plans for custodian services for the next three years.

5. Briefly summarize the firm's competitive advantages within the master trust/custody industry.
6. How do you define your fiduciary responsibility?
7. Describe any ongoing educational programs, user conferences, publications or other means of keeping clients fully educated and providing a forum for new ideas and client needs. Please detail any additional costs that may be associated with these programs.
8. What is the total number of Master Trust/Custody accounts? How many are Public Pension Funds?
9. What is the total market value of all Master Trust/Custody accounts? What is the total for your Public Fund clients?
10. How many clients have you added in each of the past three years? What amount of assets did they represent?
11. How many clients have you lost in each of the past three years? Why? What amount of assets did they represent?
12. Please complete the following table:

<b>Client Type</b>	<b>Number of Clients</b>	<b>Total Assets</b>
Public Plans		
Corporate Plans		
Taft-Hartley Plans		
Insurance Reserves		
Endowment/Foundation		
Private Client/Wealth Mgt.		
Family Office		
Other (please describe)		

13. Please provide the name (where appropriate) and total asset value of each of the top five clients in each of the noted categories:

<b>Public Retirement Plans</b>	<b>Total Assets</b>
<b>Corporate Plans</b>	<b>Total Assets</b>

<b>Taft-Hartley Plans</b>	<b>Total Assets</b>
<b>Insurance Reserves</b>	<b>Total Assets</b>
<b>Endowment/Foundation</b>	<b>Total Assets</b>
<b>Private Client/Wealth Mgt.</b>	<b>Total Assets</b>
<b>Family Office</b>	<b>Total Assets</b>

14. Please list any relationship manager(s) and key individuals involved with the Master Trust/Custody Department who have left the organization in the past three years. (Please include their name, title, start date with the firm and date of departure). Briefly discuss recruiting when a vacancy occurs in the custodial services area and actions taken to ensure employee continuity and institutional memory of each client’s account.
  
15. List the types of insurance carried, name of carrier(s), and deductibles for calendar year 2009 and 2010 policies. Address whether or not insurance policies cover situations where the Bank’s internal controls fail. What risks are not covered by these policies?
  
16. Would you agree to indemnify the Plan against any losses sustained by the Plan resulting from your negligence, errors or omissions?

17. What effect has the current market environment had on your organization's institutional trust and custody business unit (layoffs, departures, etc.)?

### **III. CLIENT SERVICE**

1. Please provide an organizational chart and describe your approach to client service.
2. Please provide biographies of the individuals/team that would be responsible for this relationship. How many accounts does this individual/team service? What is the total market value of all Master Trust/Custody accounts that this individual/team services? What is the total for their Public Fund clients?
3. Is the client relationship person that would be responsible for this account also assigned non-custodial duties? If so, what percentage of time is allocated to these duties?
4. Please provide the size (total portfolio assets) of the five largest Public Fund clients that the client relationship person/team that would be responsible to this account service.
5. Please provide the size (total portfolio assets) of your five largest Master Trust/Custody accounts that the client relationship manager services.
6. How many clients did the person/team that would be responsible for this relationship add in each of the past three years? What amount of assets did they represent?
7. How many clients did the person/team that would be responsible for this relationship lose in each of the past three years? Why? What amount of assets did they represent?
8. From which location(s) would the service team be located? Please specify which services will be performed in each location.
9. In what ways do you distinguish yourself from other Master Trustee/Custodians in the area of client relations?

### **IV. ACCOUNTING AND REPORTING**

1. Provide an overview of your accounting system. What basis do you use (trade date or settlement date, accrual or cash)? Are you electronically linked with the depositories for same-day settlement?
2. Describe your asset pricing process. Do asset valuations include accrued income and pending transactions?
3. How do you report interest and dividend income?

4. Do you have the ability to account and price various derivative instruments (such as put/call options, swaps, swap options, etc.) in a timely manner? If, so please describe your process.
5. Provide the following information concerning pricing:
  - a. What is the source of your pricing data for stocks, bonds, convertibles, etc.?
  - b. What is the source of pricing for alternative investments such as hedge funds, etc.?
  - c. What is the source of pricing for various derivative instruments such as put/call options, swaps, and swap options?
  - d. Can the client specify alternate pricing sources?
  - e. What procedures do you have in effect, if any, to flag and investigate unusual or significant pricing changes from the previous day?
6. Do you have the capacity to capture and report brokerage commissions generated by an account?
7. What steps are taken to ensure the accuracy of your reports? Online data? What reconciliations are performed? Are reports audited before they are mailed or made available online to clients? If so, by whom?
8. What standard reports are provided? Please provide a sample report. Is there adaptability in your computing process to allow for the creation of a limited number of custom reports? Would such reports require a fee?
9. How soon after the close of a month are complete sets of fully audited portfolio accounting reports delivered to the client in hard copy format? When are these reports available on-line?
10. How does your organization support the advancement of systems technology? Briefly describe your organizational goals and budget allocation toward product development and technology enhancement.
11. Describe your procedures and control points for reconciling custodian statements with statements prepared by investment managers. Which party is ultimately responsible for completing this task?

## **V. SYSTEMS, DATA PROCESSING AND ON-LINE SERVICES**

1. Discuss the hardware and software systems in place that support your Master Trust/Custody Department.
2. How long has the current software been in place?
3. What security systems do you have in place?
4. Please provide a description of your disaster recovery plan, including back-up systems and their locations. How often are your plans tested?

5. Do you offer an on-line reporting service for clients and investment managers? Do you provide training for your on-line reporting system? Are there any additional fees associated with this training?
6. Does your on-line system allow clients the option to export transactional data?
7. Please describe and discuss the various levels of security used to protect client data.
8. Can non-standard reports be created? If so, how is this accomplished?
9. Do you plan any major systems changes/conversions within the next three years?
10. Describe the geographic location of your primary administrative operations/custody and data processing units.

## **VI. GLOBAL CUSTODY**

1. Do you currently provide global custody services?
2. How many markets are currently covered in your sub-custodian network?
3. Provide the name of each of your current sub-custodian agents and indicate the dollar amount of assets held with that sub-custodian, the agent's credit rating, shareholder's equity and the year they joined your network.
4. What do you do in the area of supporting investments in emerging market countries that you feel differentiates your institution? What new markets do you expect to add in 2010?
5. To what extent are your sub-custodians responsible for collecting income and notifying you of corporate actions?
6. What pricing services do you use for each security type? Do managers have the option of selecting more than one service for a single portfolio?
7. Please indicate whether you hold assets in omnibus and/or segregated accounts, and whether the assets are held in nominee name. In which markets would a dedicated account be available? Why have you chosen this policy?
8. What safeguards do you have in place to protect physical stock certificates?
9. Describe the procedures, control points and timing requirements regarding communications between your bank and your sub-custodians.
10. What means of communication do you use to send trade instructions to agents?
11. How frequently do you reconcile your books with your sub-custodian's books?

12. In how many markets do you offer contractual settlement of securities? Which markets? Please specify your definition of contractual settlement. In a purchase transaction, what happens if the security is never delivered?
13. Are you a direct or indirect participant of depositories? If yes, which one? Describe the circumstances in which you would elect to immobilize securities at these depositories versus using local agents?
14. What level of indemnification would you provide relating to losses at sub-custodians? Please be specific.
15. Describe in detail your capabilities for providing tax reclaim services. What systems do you use, and what reports do you typically provide each month?
16. How frequently do you file for reclaims in each country? In which countries are withholdings withheld at source? What are typical recovery times for each country in your network?
17. When and how is cash availability reported to the client and managers? Is this process fully automated?
18. What short-term pooled investment vehicles are available to the funds for “idle” cash in foreign countries?
19. Can you sweep free cash balances into separate accounts for each manager each night?

## **VII. PERFORMANCE MEASUREMENT**

1. Describe your performance measurement system. Include size, composition, breakdown of client type (public fund, corporate, endowment, foundation, etc) and list the number/size of clients for each category. Describe how information is loaded into the system (i.e. electronically, manually, etc.) and what audit checks are employed to confirm the trustee’s records to the performance data. Indicate whether the system is internal or if you use an outside vendor’s service. If you use outside vendors, please list them.
2. How many people work in the performance measurement group and who would be responsible for this account? Please provide biographies of these individuals.
3. Can you backload performance data into the system?
4. Describe the content and format of all performance reports. Describe the sources of data utilized for evaluating clients’ performance. How are contributions and withdrawals incorporated into the analysis?

5. Describe the methodology used to compute rates of return? Do you comply with GIPS standards for rate calculation? Do you reconcile your calculated performance with investment managers? Describe this process. Are daily return calculations available?
6. Are returns available at the total portfolio level, economic sector level, industry level and security level?
7. What is the anticipated availability date for each report in terms of the number of calendar days after quarter and month end? Please provide samples of your monthly and quarterly performance reports.
8. How much flexibility is there in your reporting format? Can reports be customized? Are there charges for such changes? Within what time can requested changes in reporting be made; i.e., at the beginning of the relationship only or anytime changes are needed?
9. List all indexes and universes available for comparison, their source and the manner and timing in which you receive them.
10. Describe how benchmarks are chosen or developed. Describe your custom benchmark capabilities.
11. Describe your peer review universe. Specifically, does your data base contain a group of funds which could be used to place our Retirement System as well as our underlying investment managers within a valid contact for peer evaluation?
12. Do you provide universe comparison services based on an internal universe, an outside vendor or both?
13. Describe how peer evaluation would be addressed at both the total fund and asset class level.
14. How frequently are universe reports available (monthly, quarterly, etc.) and when are the reports delivered following period-end. Please provide a sample Universe Comparison Report.
15. Discuss in detail your performance attribution analysis as it relates to individual managers, asset classes, and the total portfolio. Do you provide attribution based on an internal system or do you subscribe to an outside vendor's service?
16. Is performance attribution available for both equity and fixed income portfolio? Please include a sample report.
17. What types of information can be accessed via the on-line system?
18. What percentage of your clients receives performance reports?
19. Describe any unique features of performance system.

## VIII. SECURITIES LENDING

1. Describe your securities lending services.
2. How large (assets) is your securities lending program? Please segregate by domestic equity, international equity, corporate bonds and government/agency bonds.
3. With how many borrowers do you have relationships? How are these borrowers selected?
4. How often is borrow creditworthiness reviewed? Please discuss the criteria and process.
5. Has there been an instance where a borrower's credit was terminated within the last three years?
6. Do you offer indemnification for securities lending participants? Are clients insured against losses occurring in the lending program?
7. How is cash collateral invested? Have the guidelines changes in the past two years? If so, please explain.
8. How do you coordinate securities lending activity with the client's investment managers?
9. Please provide a sample securities lending report.
10. Did your organization experience "permanent deficiencies" with any of your collateral investment? Please explain. What type of response did your firm have to securities lending clients who may have suffered losses (realized or unrealized) in the cash collateral securities lending pools? Please summarize any capital support programs that may have also been offered by your organization to clients
11. Please describe any changes that have been made to your securities lending program in the past two years.
12. Historically, the client has born all the risk associated with the investment of the cash collateral. Would your organization be willing to share in the risk of the investment of the cash collateral that corresponds to your share of the revenue? Do you currently have such an arrangement with any of your clients?
13. Is there any pending litigation with respect to the securities lending program. Please state whether cases have been filed, whether they are class actions, identify the plaintiffs making the complaints, and provide, if possible, a summary of the claim or a copy of the complaint including information on the counsel involved.

## **CORPORATE ACTIONS**

1. What services do you utilize for corporate actions?
2. Are you responsible for initiating corporate action claims on behalf of the Plan?
3. Do you have a centralized corporate action area? What procedures and control points are used to monitor outstanding corporate actions?
4. Who is responsible for communicating corporate action information to the client? Is there a process in place to provide feedback on settlements or outstanding claims?
5. Please provide a sample semi-annual report that identifies corporate actions filed and settlements received.

## **X. GASB 40**

1. Do you have a report package designed to meet the compliance requirements pertaining to GASB 40? If so, has this reporting package been reviewed by GASB and have they acknowledged it to be compliant with the needs of GASB 40?
2. Are there any additional fees associated with this service?
3. Please provide a sample report.

## **XI. OTHER**

1. Explain briefly anything you feel sets you apart from other Master Trustees/Custodian Banks.
2. What short-term investment vehicles are available for tax-exempt client use? Please include fees for each vehicle. Which vehicle(s) would you recommend for this client, based upon their profile?
3. Did any of your organization's short term cash/sweep vehicles (STIF) "break the buck" in the past three years? If so, what was your response to clients who may have suffered losses (realized or unrealized) and were any capital support programs offered by your organization? Please provide the NAVs for your short term cash/sweep vehicles as of December 31, 2009.
4. Did any of your organization's short term cash/sweep vehicles (STIF) participate in the U.S. Treasury Department's temporary guarantee program for the money market fund industry? If so, has this expired?
5. Describe the conversion process in terms of timing and the requirements of the client. How long does it typically take to convert new client assets to your system?
6. Are there any contemplated or pending changes/actions of which we should be aware (i.e. ownership, departure of key personnel, organizational restructuring, or some other action of significance involving your firm)?
7. Do you have your auditors prepare a SAS 70 report? If so, please submit a copy of your most recent report.
8. Do you currently provide a compliance monitoring service in which you take responsibility for notifying the client when violations occur? If yes, how many clients do you provide this service to and describe any additional fees that might be associated with this service.
9. Please describe any soft dollar programs currently in place?

10. Describe any potential conflicts of interest that may arise from your servicing of this account.
  
11. Please confirm you are able to accommodate all of the specific requirements listed in the “Client Profile”.
  
12. Do you provide investment management services for passively managed portfolios benchmarked to the following indices: S&P 500, S&P 500 Equal Weighted, Barclays Capital Aggregate and Barclays Capital Intermediate Aggregate? Please state for each of these funds if you offer both a lending and non-lending vehicle.

## XII. FEES

1. Please provide fee quotes for the services listed below **both with and without participation in securities lending**.

Services	Fee
Initial setup charge	
Domestic asset-based charge (in basis points)	
Active manager or separate account fee (per account)	
Line item fees (for pooled funds or mutual funds - per item)	
Domestic transaction fees (list fee for each item separately) <div style="padding-left: 40px;">Purchases/Sales</div> <div style="padding-left: 40px;">Principal Pay downs</div> <div style="padding-left: 40px;">Wire Transfers</div>	
Online access	
GASB 40 Reporting	
Expense ratio for short term investment vehicle	

2. Please provide a spreadsheet detailing asst-based fees and transaction costs for foreign custody. Include transaction fees for every country in your network. Identify any other charges or out-of-pocket expenses associated with foreign custody.
3. Please specify the terms related to the revenue sharing with respect to securities lending.
4. List any or all other expenses that could be found on an invoice for this relationship, including any charges related to manager trading fails, interest charges, etc. Also, please detail the communications process for notification of these charges when incurred.
5. How long is your fee proposal guaranteed for?

## APPENDIX A

### COMPETITIVE BID STANDARDS

Contractual services with pension fund custodians, investment managers, investment consultants, and other professions that are exempt from competitive bidding procedures of the Oklahoma Central Purchasing Act shall be chosen by a solicitation of proposals on a competitive bid basis pursuant to the following standards:

1. The Board shall approve all requests for proposals issued by the System. The Board reserves the right to request additional information from any Vendor.
2. The Vendor shall comply with the bid procedures set forth in the requests for proposals and these standards.
3. The Executive Director is responsible for developing a list of qualified bidders for each approved proposal including those bidders who have registered with the Central Purchasing Division of the Oklahoma Department of Central Services.
4. Proposals will be mailed by and returned to the System's independent certified public accountant that will verify to the Board whether the solicitation is in compliance with these standards.
5. A solicitation does not commit the Board to award a contract, to pay any costs incurred in the preparation of a proposal, or to procure or contract for the articles of goods or services.
6. The Board reserves the right to accept or reject any or all proposals received as a result of a solicitation, to negotiate with any and all qualified bidders, to select any qualified bidder to provide additional or ancillary services to the Board, or to cancel in part or in its entirety a solicitation if it is in the best interest of the System to do so, or to award all, part, or none of a contract.
7. The Board shall award contracts to the lowest and best bidder at a specified time and place, which shall be open to the public pursuant to the provisions of the Oklahoma Open Meeting Act.
8. Proposals shall be evaluated by the Executive Director and any other person or organization, including but not limited to the Investment Committee or Rules Committee of the Board, as determined by the Chairman of the Board. The Executive Director and other persons or organizations shall present the evaluations and recommendations to the Board.
9. During the process leading to an award of any contract by the System, no member of the Board or its staff shall knowingly communicate concerning any matter relating to the contract or selection process with any party financially interested in the contract or an officer or employee of that party, unless the communication is (1) part of the process expressly described in the RFP or other solicitation invitation, or (2) part of a noticed board meeting, or (3) as provided in subsection c. of this section. Any Vendor who knowingly participates in a communication that is prohibited by this subsection shall be disqualified from the contract award.
  - a. During the evaluation of any request for proposal, no party who is financially interested in a proposal, or an officer of that party, may knowingly communicate with any Board Member concerning any matter relating to the transaction or its evaluation, unless the financially interested party discloses the content of the communication in a writing addressed and submitted to the Executive Director and the Board prior to the Board's action on the prospective proposal. This

subsection shall not apply to communications that are part of a noticed board meeting, or as provided in subsection c of this section.

- (1) The writing shall disclose the date and location of the communication, and the substance of the matters discussed. The Board shall prescribe other procedures concerning this disclosure.
- (2) Any Board Member who participates in a communication subject to this subsection shall also have the obligation to disclose the communication to the Executive Director and the Board prior to the Board's action on the proposal. The Board shall prescribe procedures for this disclosure, including procedures to apply to Board Members who fail to disclose communications as required by this subsection.
- (3) Consistent with its fiduciary duties, the Board shall determine the appropriate remedy for any knowing failure of a financially interested party to comply this subsection including, but not limited to, outright rejection of the prospective proposal, reduction in fee received, or any other sanction.
- (4) The communications disclosed under this subsection shall be made public, either at the open meeting of the Board in which the proposal is considered, or if in closed executive session, upon public disclosure of any closed executive session votes concerning the proposal.

b. The procedures and prohibitions prescribed by this section shall not apply to:

- (1) Communications that are incidental, exclusively social, and do not involve the System or its business, or the Board or staff member's role as a System official.
- (2) Communications that do not involve the System or its business and are within the scope of the Board or staff member's private business or public office wholly unrelated to the System.

10. Proposals will be evaluated using the following criteria listed in order of importance.

- a. The Vendor's demonstrated understanding of the problems and the needs of the solicitation as outlined in the proposal as well as the perceptiveness to address areas not specifically identified.
- b. Soundness of the Vendor's approach to the problems and needs presented by the proposal including methodology for achieving specific tasks and objectives.
- c. Experience and capacity of bidder including recent, related experience, qualification of personnel and the Vendor's ability to commit capable staff to support the project requested by the proposal.
- d. Cost effectiveness and reasonableness of the Vendor's fees.

**APPENDIX B**  
**NON US COUNTRY INFORMATION**

<b>Developed Countries</b>	<b>Incremental Custody Costs*</b>	<b>Other Incremental Costs (please describe)*</b>
Australia		
Austria		
Belgium		
Canada		
Denmark		
Finland		
France		
Germany		
Greece		
Hong Kong		
Ireland		
Italy		
Japan		
Netherlands		
New Zealand		
Norway		
Portugal		
Singapore		
Spain		
Sweden		
Switzerland		
United Kingdom		
<b>Emerging Countries</b>		
Argentina		
Brazil		
Bulgaria		
Chile		
China		
Croatia		
Czech Republic		
Egypt		
Estonia		
Hong Kong		
Hungary		
India		
Indonesia		
Israel		
Korea		
Malaysia		
Mexico		
Peru		
Philippines		
Poland		
Romania		

Russia		
South Africa		
Slovenia		
Slovak Republic		
South Korea		
Taiwan		
Thailand		
Turkey		

*\* If space is too limited please provide detailed footnote description.*

## APPENDIX C

### SYSTEM ACCOUNTS INFORMATION

**System Background:**

The System is a \$1.5 billion Public Defined Benefit Plan. The services requested for the System are for Global Master Trust/Custody services, excluding the benefit payment function, and a securities lending program.

**Portfolio Structure/Activity:** The System has the following manager structure:

	<b>Asset Class</b>	<b>Fund Type</b>	<b>Market Value (\$ mil)</b>	<b># of Securities /Line Items</b>
Manager A	Large Cap Equity	Separate Account	\$48.287	129 securities
Manager B	Large Cap Equity	Separate Account	\$50.191	60 securities
Manager C	Large Cap Equity	Commingled Fund	\$82.484	1 line item
Manager D	Large Cap Equity	Separate Account	\$128.684	425 securities
Manager E	Large Cap Equity	Commingled Fund	\$86.952	1 line item
Manager F	Large Cap Equity	Separate Account	\$91.707	34 securities
Manager G	Long Short Equity	Commingled Fund	\$7.205	1 line item
Manager H	Long Short Equity	Commingled Fund	\$75.554	1 line item
Manager I	Long Short Equity	Commingled Fund	\$49.633	1 line item
Manager J	Small Cap Equity	Separate Account	\$35.622	93 securities
Manager K	Small Cap Equity	Separate Account	\$37.447	53 securities
Manager L	Small Cap Equity	Separate Account	\$83.547	44 securities
Manager M	International Equity	Separate Account	\$99.753	454 securities
Manager N	International Equity	Separate Account	\$93.910	66 securities
Manager O	Fixed Income	Commingled Fund	\$181.359	1 line item
Manager P	Fixed Income	Commingled Fund	\$13.325	1 line item
Manager Q	Fixed Income	Commingled Fund	\$122.561	1 line item
Manager R	Global Fixed Income	Separate Account	\$30.812	65 securities
Manager S	Hedge Fund	Commingled Fund	\$111.405	1 line item
Manager T	Real Estate	Commingled Fund	\$43.614	1 line item
Manager U	Real Estate	Commingled Fund	\$22.780	1 line item
Manager V	Real Estate	Commingled Fund	\$5.306	1 line item
Manager W	Cash Account		\$11.007	

- Anticipated number of accounts = 23 (1 account for each strategy listed above; each commingled fund should have its own account)
- Total value of all accounts is approximately \$1.5 billion
- Estimated transactions = 14,500 per year (7,500 buys and 7,000 sells)
- Estimated wire transaction = 360 per year (320 incoming and 40 outgoing)

Custody will not be required for the commingled/mutual fund vehicles.

