

# THE OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

## REQUEST FOR PROPOSAL

# 515-14-137

### MASTER CUSTODIAN, COMMISSION RECAPTURE AND SECURITIES LENDING SERVICES

The Board of Trustees of the Oklahoma Public Employees Retirement System (OPERS), which is also charged with the administration of the Uniform Retirement System for Justices and Judges (URSJJ), jointly referred to as the “System,” is considering the selection of a Master Custodian and Securities Lending Agent for the OPERS and URSJJ funds. This RFP provides information on the System and establishes the specifications and requirements for submitting a proposal. The term “Vendor” as used in this Request for Proposal (RFP) shall mean the company submitting proposals for consideration.

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

This RFP is comprised of eight (8) sections, three attachments, and twenty-seven (27) pages total, as follows:

<b>Section</b>		<b>Page #</b>
I.	Proposal Cover Sheet (to be returned with Proposal)	3
II.	Mandatory Requirements for Submitting a Proposal	4
III.	Background Information	6
IV.	Timeline	7
V.	Communication with OPERS	7
VI.	General Terms and Conditions	8
VII.	Mandate Description and Mandatory Criteria	10
VIII.	Master Custodian/Securities Lending Agent Questionnaire	11
Attachment A	Portfolio Information	18
Attachment B	Non US Country Information	20
Attachment C	Securities Lending Collateral Guidelines	21

This RFP can be found on the OPERS website at [www.opers.ok.gov](http://www.opers.ok.gov). If you are unable to download this document from the website, you can also obtain an electronic copy of this RFP through e-mail. Send your request to: [jharjo@opers.ok.gov](mailto:jharjo@opers.ok.gov). Include the name of the RFP and the proposal number in your request. All responses to this RFP must be submitted in accordance with the instructions contained in the RFP. Electronic responses to this RFP will not be considered.

Regardless of the manner in which the RFP document is received by the Vendor, the contents of the RFP may not be altered in any way. The Vendor's Affidavit and all questions must be identically reproduced in the submitted proposal. Any alterations 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.



**REQUEST FOR PROPOSAL  
MASTER CUSTODIAN/COMMISSION RECAPTURE/SECURITIES LENDING  
SERVICES**

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

- A. Proposals must be received by the deadline only at the following address:

Oklahoma Public Employees Retirement System  
Master Custodian, Commission Recapture and Securities Lending Services  
ATTN: Jason Harjo  
5801 N. Broadway Ext., Suite 400  
Oklahoma City, Oklahoma 73118

- B. The deadline for receipt of completed proposals is 5:00 p.m. Central Time, on Thursday, March 6, 2014. 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. The Vendor shall submit an original proposal, seven (7) copies, and one (1) electronic version of the complete response on a CD in PDF format. The CD must be clearly marked with the Vendor's name and proposal number.

The original proposal, the proposal cover sheet, seven (7) copies and the CD must be submitted together in one completely sealed package, box, or envelope. It must be clearly marked "OPERS Master Custodian, Commission Recapture and Securities Lending Services Proposal" on the outside face of the package containing the proposal in order that the receiving agent can identify it without opening the package.

- D. Proposals may be either mailed or hand-delivered. If the proposal is sent by mail or express delivery service, the responding Vendor shall be responsible for actual delivery of the proposal to the proper address before the deadline. All timely proposals become the property of OPERS.
- 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 Office of the Oklahoma State Auditor and Inspector.

- G. In an effort to clarify any issues in this RFP, OPERS will respond only to questions that are presented through e-mail. Questions should be submitted to Jason Harjo at [jharjo@opers.ok.gov](mailto:jharjo@opers.ok.gov). All questions and answers will be consolidated into a single Q&A document.

All questions must be received by 5:00 p.m. Central Time on Thursday, February 6, 2014. The Q&A document will be posted on the OPERS web site at [www.opers.ok.gov](http://www.opers.ok.gov) on or after Thursday, February 13, 2014. This will be the only distribution method for the Q&A document.

- H. It is the responsibility of the Vendor to ensure 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 in this RFP. 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. None of the costs associated with this presentation will be reimbursed by OPERS.
- J. The selection of custodial banks for the state retirement systems is specifically exempt from the competitive bidding procedures established by Oklahoma Statutes (see Title 74 Oklahoma Statutes §85.7). The Board of Trustees of OPERS and URSJJ reserves the right to request additional information from any Vendor and to accept or reject any proposal without specifying the reason for its actions. The Board reserves the right to request additional proposals. Further, the Board specifically reserves the right to renegotiate for lower fees at any time with any Vendor.
- K. The Board also reserves the right to award all, part, or none of this contract.
- L. 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.
- M. Submission of a proposal in response to this RFP evidences the Vendor's acceptance of the terms and conditions contained within the RFP.
- N. OPERS prohibits the payment of a finder's fee in any form. The Vendor must certify that no finder's fee or finder's commission has been paid or shall be paid to any individual or organization from the establishment of this investment relationship with OPERS.
- O. All Vendors must:
1. Acknowledge and agree to be a fiduciary to the plan pursuant to Section 909.2 of Title 74 of the Oklahoma Statutes to the extent Vendor exercises any discretionary authority or control over the assets or renders investment advice.
  2. Agree that any resulting master custodian contract, and/or any commission recapture and securities lending services contracts, 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 custodian, commission recapture, and securities lending agreement.

4. Have substantial experience in providing custodial, commission recapture and securities lending services as described in Section VI of the RFP.
  5. Answer, to the best of its abilities, all questions in Section VIII.
  6. Fully disclose any proposed subcontracting of any of the required services.
- P. The Vendor must agree and the contract shall provide that the System's share of the securities lending revenue split is the same or higher than the revenue split the Vendor gives to other clients of similar sized portfolios, funds and accounts. In the event the Vendor agrees to give any other client a more generous revenue split, the Vendor will increase the System's share of the split to the same extent. It is Vendor's responsibility to notify the Board of the existence of any revenue splits which are higher (in favor of the Board) than the split agreed upon. The Board shall reserve the right to ask for periodic revenue split review reports. The Board shall be entitled to retroactive revenue split in the event the Vendor fails to promptly notify the Board of any more favorable revenue split agreements.

### **III. BACKGROUND INFORMATION**

#### **A. Legal Authorization**

The Board of Trustees of the Oklahoma Public Employees Retirement System (OPERS) is charged with the investment of approximately \$8.0 billion in retirement funds for public employees (OPERS) and \$275 million in retirement funds for judicial employees (URSJJ). The OPERS/URSJJ investment authorization (statutory provisions generally related to portfolio composition and the types of investments which the Systems may utilize) are set forth in 74 O.S. Sections 909.1.

#### **B. Board Composition**

OPERS/URSJJ is administered by a Board of Trustees composed of 13 members including a member of the Corporation Commission or designee, the State Insurance Commissioner or designee, the Director of the Office of Management and Enterprise Services (OMES) or designee, the Director of Human Capital Management of OMES, a member of the State Tax Commission, three members appointed by the Governor, one member appointed by the Supreme Court, two members appointed by the Speaker of the House of Representatives, and two members appointed by the President Pro Tempore of the State Senate.

#### **C. Support Services**

OPERS/URSJJ has an authorized staff of 63 employees. The Executive Director is the chief administrative officer of OPERS.

D. Allocation of Assets

The current policy allocation for OPERS and URSJJ is shown below:

U. S. Equities Large Cap	38.0%
U. S. Equities Small Cap	6.0%
International Equities	24.0%
Fixed Income	32.0%
Cash Equivalents	0.0%

Specific account information for both Plans is attached hereto as Attachment A.

E. Investment Guidelines

The “Statement of Policy Guidelines and Investment Objectives” for OPERS and URSJJ is on the RFP link on the OPERS website.

**IV. TIMELINE**

The following timeline is an estimate and may be adjusted at OPERS discretion any time during this selection process.

Distribution of RFP	January 17, 2014
Deadline for questions submitted in writing via e-mail	February 6, 2014
Date for answers to questions	February 13, 2014
Proposals due (no later than 5:00 p.m. Central Time)	March 6, 2014
Finalist selection (if necessary)	April 17, 2014
Interview Finalist (if necessary)	May 15, 2014
Award business (date contingent on final negotiations)	April 17, 2014 or May 15, 2014 (if necessary)
Contract start date	July 1, 2014

**V. COMMUNICATIONS WITH OPERS**

In an effort to clarify any issues in this RFP, OPERS will respond only to questions that are presented as described in paragraph G of Section II. Telephone questions will not be accepted.

OPERS policy prohibits direct contact between prospective service providers and OPERS Board members, consultants, or staff during this RFP process. This does not include communication with OPERS’ incumbent service provider for normal business not related to this selection process. From the date of release of this RFP until a Vendor is selected and a contract is executed and approved, all contacts and communications regarding this RFP are restricted to the Q&A provisions in Section II.G. of this RFP. Exceptions include communications with OPERS staff identified in this section and designated participants in attendance only during negotiations, presentations, and contract award and execution. Violation of these conditions may result in rejection of a Vendor’s proposal.

## **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 having official 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**

OPERS 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 OPERS all such information and data for this purpose as may be requested. OPERS reserves the right to inspect the Vendor's physical facilities prior to award to satisfy questions regarding the Vendor's capabilities. OPERS 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. Business Continuity**

The Vendor must indicate any recent or anticipated changes in its corporate structure, such as mergers, acquisitions, new joint ventures, or stock issuance, etc. The Vendor agrees to present to OPERS a business continuation plan for the services provided in this contract in the event of a natural or other disaster.

### **E. Assignment of Contract**

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

### **F. 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, or other plan data, to third parties without OPERS' prior authorization and approval.

G. Period of Contract

It is anticipated that the initial contract shall be for a one-year period commencing on July 1, 2014, through June 30, 2015. Thereafter, the contract may be renewed by the Board annually for four additional one-year contract periods. The Board of Trustees 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. Telephone or other inquiries concerning this proposal after the proposal deadline are discouraged.

H. Ownership of Data and Work Product

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

I. Limitation of Liability, Hold Harmless Clauses & Indemnity

The State of Oklahoma and its agencies are prohibited from holding a private entity harmless from liability or providing indemnity to a private entity. OPERS will not agree to limit the liability of a private Vendor. The contract between the successful Vendor and OPERS will not have any such terms.

## **VII. MANDATE DESCRIPTION AND MANDATORY CRITERIA OF THE MASTER CUSTODIAN/COMMISSION RECAPTURE/SECURITIES LENDING SERVICES**

- A. The Vendor shall answer, to the best of its abilities, all questions to Section VIII, Questionnaire.
- B. The Vendor is prohibited from subcontracting any of the required services unless such subcontracts are specifically set forth in the Vendor's response. This prohibition shall not apply to the international (Non-US) sub custodian network.
- C. The purpose of this RFP is to solicit proposals from qualified firms to provide custodial services for the safekeeping, accounting, delivery, settlement, securities valuation, investment performance reporting, in connection with the investments of OPERS and URSJJ. The System may also participate in other services, like securities lending or commission recapture programs.

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. The Vendor must have at least \$1 trillion (US dollars) in total assets under custody as of December 31, 2013.
  - 3. The Vendor must have a total number of at least 250 institutional clients.
  - 4. The Vendor must have a total number 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 the custody business.
- D. Vendors should have the ability to provide 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 OPERS.
  - E. Vendor should have on-line access available for OPERS staff to access daily investment activity and balances, including the capability to download such information.
  - F. Vendors should have the ability to provide monthly performance for accounts and composites on a gross and net of fee basis.
  - G. Vendor should have substantial experience in global securities lending. Vendor must have the capability of providing a separate account for the investment of cash collateral under guidelines approved by OPERS and the Vendor, as well as an option of a high quality commingled fund. Vendor should also have substantial experience administering a commission recapture program.

## VIII. MASTER CUSTODIAN/COMMISSION RECAPTURE/SECURITIES LENDING SERVICES QUESTIONNAIRE

The Oklahoma Public Employees Retirement System (OPERS) and the Uniform Retirement System for Justices and Judges (URSJJ) has been contracting for master custodial services with The Northern Trust Company since July 1, 1999. During that time, the services have included:

1. Domestic and International Custodial Services
2. STIF Investments
3. Domestic and International Securities Lending
4. Commission Recapture

Since January 20, 2005, The Northern Trust Company has also served as the sole provider of commission recapture services for OPERS and URSJJ. However, the decision to use this provider or any eligible clearing firm for brokerage services rests solely with each investment manager.

In responding to this questionnaire, please understand that we may request additional information in more specific detail. For purposes of this RFP, it is preferred that your answers be succinct.

### A. Organization – Corporate

1. Provide a brief history of the firm including the following:
  - a. Year organization founded
  - b. Year of initiation of proposed services
  - c. Development of major business lines
  - d. Nature of firm's ownership
  - e. Nature of relationships with affiliated companies or joint ventures
2. Provide details of the financial condition of the firm. A copy of the most recent audited annual report will fulfill this requirement. List the S&P and/or Moody's ratings of your commercial paper (if applicable), and ratings on long term debt.
3. List your firm's lines of business and approximate contributions of each business to your organization's total revenue. If your firm is an affiliate or subsidiary of an organization, list the lines of business of the parent firm and identify the percentage of the parent firm's total revenue that your subsidiary or affiliate generates.

### B. Global Custody Organization

4. Briefly describe your master custody service capabilities including those items that distinguish you from your competition.
5. Briefly describe the organization structure of the bank and the Master Custody Department. Provide organization charts which clearly show the operating inter-relationships and authority within the master custody service unit.
6. What is your commitment to master custody relationships from an organizational resource perspective? Summarize your business plans for the master custodian services business for

the next three years. What support does senior management provide in the search for improvement in master custody services?

7. On average, over the last five years, what percentage of the parent's profits has been contributed by global custody, including securities lending? What percentage of global custody profits can be attributed to securities lending activity?
8. Provide a brief explanation and indicate the current status of any business litigation or other proceedings related to the custody business or securities lending involving your company or any officer or principal over the past five years. Has your firm or any of its employees been censured or otherwise admonished by the SEC, FINRA, or any other regulatory authority (domestically or abroad)? If yes, describe.
9. How long after month end are you able to deliver audited monthly statements? What is your success rate in meeting this target? Describe your procedures regarding balancing and resolving differences with the investment managers.
10. Describe your policies for ownership and retention of client information and data. For what period of time is data retained on an active, client-accessible basis and what are the procedures for accessing archived data?
11. What improvements have been implemented related to foreign exchange transactions? Please list all costs associated with FX trading by your organization on behalf of your clients.

C. Commission Recapture

12. Do you provide directed brokerage services to your custody clients? If so, please describe.
13. Briefly describe your commission recapture service capabilities including those items that distinguish you from your peers.

D. Securities Lending (see Attachment C for collateral account guidelines)

14. Indicate the composition of your securities lending program client base as of December 31, 2013 (or the most recent available), including a breakdown of plan sponsors by public sector, corporate, etc.
15. Provide client turnover information for securities lending relationships (plan sponsors and investment managers) for each of the last three years.
16. Describe your process for approving the borrowers who participate in your securities lending program both domestic and foreign.
17. What types of collateral are you willing to accept? What are the percentage breakdowns of the collateral types you hold on average? What are the minimum levels of collateral you require by security type?

18. OPERS currently has a separate securities lending collateral account. Can you accommodate this?
19. What are the terms of indemnification available to your clients?
20. On average, over each of the last three years, what percent of eligible securities were on loan and what was the average spread earning for each of the following asset types:
  - a. Domestic Equities
  - b. Government Bonds
  - c. Corporate Bonds
  - d. International Equities
21. In 2008 and 2009, investors saw unprecedented turmoil in the securities lending industry. How did your firm deal with these problems including, but not limited to, (a) the Lehman Brothers bankruptcy, (b) actual collateral deficiencies, and (c) depressed market values in fixed income securities? Include how your firm handled communications with customers, how your firm dealt with accounting issues, how your firm changed its investment strategy with cash collateral, and how your firm handled customers leaving your securities lending program. What are the firm's current policies and procedures in dealing with actual collateral deficiencies, and depressed market values in fixed income securities?

D. Personnel

22. Provide biographical summaries of key individuals in charge of master custody and securities lending services and the firm's representative who would be assigned to the OPERS/URSJJ accounts.
23. Describe your approach to account administration, i.e., account team, client account executives supported by administrative units, etc.
24. Provide an organization chart of the personnel OPERS would deal with on a daily basis. If domestic and foreign accounts are handled by different personnel, provide one for each group. Provide brief biographies and descriptions of their responsibilities.
25. How many master custody clients does your typical account representative have? How many accounts are assigned to the account administrator who would be assigned to OPERS' account and what are the total assets under administration for this individual? Explain how this account load has changed over the last five years.
26. Provide the following information on personnel turnover for both the master custody unit and the securities lending unit for the last three years, differentiating between individuals leaving the firm and those transferring to other departments within the firm:

Departures:

- a. Number of employees
- b. Position titles

- c. Length of service

Staff Additions:

- a. Number of employees
- b. Position titles

- 27. Describe how you maintain personnel in critical staff positions, including
  - a. Recruitment/replacement
  - b. Training
  - c. Retention, including incentive programs

E. Clients

- 28. Provide the number of your master trust/master custody clients, both domestic and international. Report the aggregate values of their total assets in your custody in US\$ millions as of December 31, 2013 (or the most recent available). For the aggregate amounts reported, classify the amounts in US\$ denominated assets and non-US\$.
- 29. Provide the following information on the ten largest client relationships included in the above question:
  - a. Total asset value in U.S. dollars
  - b. The type of account (corporate, public, endowment)
  - c. Domestic, international or global custody
  - d. Year hired as custodian
- 30. Provide the number of master trust/master custody accounts (domestic and international) gained in the past three years. Report the corresponding aggregate values for the total assets in US\$ millions.
- 31. Provide the name, contact person, and phone number of three existing clients whom we may contact for references. The funds should be similar to OPERS in size and portfolio composition.
- 32. Provide client turnover information for domestic/international custody clients for each of the last three years. For each client lost provide the following information:
  - a. Name of client
  - b. Type of client
  - c. Date hired (and terminated)
  - d. Assets lost
  - e. A brief explanation for the lost accounts
  - f. Contact name for fund
- 33. What are the primary factors that contribute to the addition of clients and the retention of current clients?

F. Internal Controls and Risk Management

34. Describe the system of controls that assure accuracy of the processing and reporting of the master trust/master custody and securities lending departments.
35. Briefly describe your practice of updating documented policies and procedures.
36. Identify the internal and external entities that audit, regulate, and/or review your custody and securities lending services. Briefly discuss the frequency and scope of audits performed during the last three years.
37. What level of management review is applied to reports resulting from audits and reviews? What level is required to implement changes to correct deficiencies noted? Provide a recent example of this process.
38. Provide copies of your latest Internal Control opinion issued by an independent auditor.
39. Do you provide assurances through a third party letter that internal control reviews are being conducted in compliance with SSAE No. 16 (Reporting on Controls at a Service Organization)?
40. Describe your ability to monitor portfolios for compliance with investment limitations imposed by State law or by policy of the OPERS Board.
41. Describe the various types of insurance coverage and indemnifications provided to protect clients of service(s) proposed, including:
  - a. Risk coverage
  - b. Carriers
  - c. Levels
  - d. Limits
  - e. Deductibles

G. Services To Be Provided

Attachment A is a complete description for both plans (*i.e.*, managers, size, separate account versus commingled, benchmark, number of holdings, expected turnover) to help you arrive at reasonable cost and securities lending estimates. Separate accounting and performance reporting is required for the OPERS and URSJJ portfolios. Fees may be quoted on a combined or separate basis but must include both plans (OPERS and URSJJ).

42. Are you able to provide monthly audited accounting reports within seven working days of month end? If not, when are the audited reports available?
43. Are you able to provide monthly performance reporting on a gross and net of fee basis within ten working days of month end? If not, when are returns available?
44. Do you provide monitoring on securities litigation proceedings? Describe your standard service including the claims management process and reporting requirements. Do you

provide additional services relating to securities litigation, and if so, what additional fees are associated with this service?

45. Describe your procedures for tax reclaims and proxy voting procedures as it relates to non-US assets.
46. Describe any additional fees that might be associated with direct investments in the non-US countries and markets set forth in Attachment B. Specifically, is the customer expected to pay the costs of retaining local agents?
47. Provide monthly performance of your standard STIF available for daily sweep for the last three years (net of fees). Provide portfolio characteristics (WAM, yield, average credit quality) and provide the investment guidelines for this STIF vehicle. Finally, provide the average portfolio sector weight for the STIF (as of most current available) for the following list:
  - a. Government
  - b. Agency
  - c. Corporate
  - d. Repos
  - e. Other
48. Provide securities lending estimates for the OPERS (not URSJJ) portfolio. Include your assumptions on spread and percentages on loan for each portfolio included in your estimate. Please refer to Attachment C for collateral pool guidelines to use in deriving your estimates.
49. What systems are available to monitor advisor's compliance with stated guidelines? Is there an incremental cost for this service?
50. Describe the process for dealing with Notices of Class Actions and filing claims in these actions on behalf of custodial customers.

H. Fees (Note: The fee quotes set forth in the response to the RFP will be a significant factor in determining candidates for further consideration.) The Vendor may not bill or charge over and above the fee set forth in this RFP response for the services to be provided.

51. Provide the best fee schedule for the contract period using one or both of the following scenarios. Vendor may pick one scenario or provide a fee schedule for each one of the scenarios individually. Vendor may assume the System's participation in a commission recapture program:

- a. Flat fee to include all custody-related and performance reporting services with securities lending.
- b. Asset based fee to include all custody-related and performance reporting services with securities lending.

PLEASE USE THE FOLLOWING FORMAT:

		Securities Lending Split	
		OPERS %	Vendor %
Flat Fee	\$ _____	_____ %	_____ %
Asset Based	_____ bps	_____ %	_____ %

52. What is the total cost in basis points for STIF?

**ATTACHMENT A**

**Portfolio Holdings as of 9/30/2013**

<b>OPERS</b>								
<b>Manager</b>	<b>Benchmark</b>	<b>Style</b>	<b>Type</b>	<b>Vehicle Type</b>	<b>Number of Holdings</b>	<b>Estimated Annual Turnover</b>	<b>Policy %</b>	<b>\$ Mkt Value</b>
Northern Trust Company	Cash Account	Cash	Active	Commingled	NA	NA	0.0%	23,592,885
BlackRock Financial Management	Enhanced Fixed Income	Core Fixed Income	Active	Separate Acct	490	600%	15.5%	1,265,914,269
Hoisington Investment Management	Interest Rate Anticipation	Long Duration	Active	Separate Acct	9	10%	3.5%	201,458,939
BlackRock TIPS Index	Interest Rate Anticipation	TIPS	Passive	Commingled	NA	NA	3.5%	232,707,605
Metropolitan West Asset Mgmt	Active Fixed Income	Core Plus Fixed Income	Active	Separate Acct	292	50%	9.5%	711,893,849
<b>Subtotal Domestic Fixed Income</b>							<b>32.0%</b>	<b>2,411,974,662</b>
Mondrian Investment Partners	International Equity-Value	International Value	Active	Separate Acct	154	20%	6.0%	522,367,853
Baillie Gifford	International Equity- Growth	International Growth	Active	Separate Acct	93	25%	3.0%	256,082,651
BlackRock Index	ACWI xUS Growth	International Growth	Passive	Commingled	NA	NA	3.0%	282,863,610
BlackRock Index	ACWI xUS	International Index	Passive	Commingled	NA	NA	12.0%	872,781,078
<b>Subtotal International</b>							<b>24.0%</b>	<b>1,934,095,191</b>
BlackRock	Russell 1000 Index	Large Cap Index	Passive	Commingled	NA	NA	21.0%	1,726,081,236
BlackRock	Russell 1000 Growth Index	Large Cap Growth Index	Passive	Commingled	NA	NA	3.0%	174,066,417
Mellon Cap Mgmt	Enhanced US Equity	Large Cap Enhanced Index	Active	Separate Acct	117	85%	5.5%	403,099,755
State Street Global Advisors	Enhanced US Equity	Large Cap Enhanced Index	Active	Separate Acct	258	66%	5.5%	399,533,847
Aronson Johnson Ortiz	Large Cap Value	Large Cap Value	Active	Separate Acct	105	100%	3.0%	192,265,483
UBS Global Asset Mgmt	Small Cap Growth	Small Cap Growth	Active	Separate Acct	104	40%	2.0%	171,836,404
Barrow Hanley Mewhinney	Small Cap Value	Small Cap Value	Active	Separate Acct	40	20%	2.0%	167,375,464
DePrince, Race & Zollo	Small Cap Value	Small Cap Value	Active	Separate Acct	81	100%	2.0%	153,926,644
<b>Subtotal US Equity</b>							<b>44.0%</b>	<b>3,388,185,248</b>
<b>Total Plan</b>							<b>100.0%</b>	<b>7,757,847,988</b>

<b>URSJJ</b>									
<b>Manager</b>	<b>Benchmark</b>	<b>Style</b>	<b>Type</b>	<b>Vehicle Type</b>	<b>Number of Holdings</b>	<b>Estimated Annual Turnover</b>	<b>Policy %</b>	<b>\$ Mkt Value</b>	
Northern Trust Company	Cash Account	Cash					0.0%	766,797	
BlackRock Financial Management	Enhanced Fixed Income	Core Fixed Income	Active	Separate Acct	361	600%	15.5%	44,791,906	
Hoisington Investment Management	Interest Rate Anticipation	Long Duration	Active	Separate Acct	7	10%	3.5%	7,772,975	
TIPS	Interest Rate Anticipation	TIPS	Passive	Commingled	NA	NA	3.5%	8,413,645	
Metropolitan West Asset Mgmt	Active Fixed Income	Core Plus Fixed Income	Active	Separate Acct	237	50%	9.5%	24,954,794	
	Domestic Fixed Income						32.0%	85,933,321	
BlackRock (formerly BGI)	ACWI x-US	International Index	Passive	Commingled	NA	NA	24.0%	69,758,188	
BlackRock (formerly BGI)	Russell 2000 Index	Small Cap Index	Passive	Commingled	NA	NA	6.0%	16,711,640	
BlackRock (formerly BGI)	Russell 1000 Index	Large Cap Index	Passive	Commingled	NA	NA	38.0%	101,716,362	
	US Equity						44.0%	118,428,001	
<b>Total Plan</b>							<b>100.0%</b>	<b>274,886,308</b>	

Attachment B- Non-US Country Information

	Incremental Custody Costs	Other Incremental Costs (describe)
<b>Developed</b>		
Austria		
Belgium		
Denmark		
Finland		
France		
Germany		
Ireland		
Italy		
Netherlands		
Norway		
Portugal		
Spain		
Sweden		
Switzerland		
United Kingdom		
Total Europe		
Australia		
Hong Kong		
Japan		
New Zealand		
Singapore		
Canada		
<b>Emerging</b>		
Brazil		
Chile		
China		
Columbia		
Czech Republic		
Egypt		
Greece		
Hungary		
India*		
Indonesia		
Malaysia		
Mexico		
Morocco		
Peru*		
Philippines		
Poland		
Republic of Korea		
Russia		
South Africa		
Taiwan*		
Thailand		
Turkey		
Israel		
Kazakhstan		
Other		

\* Exposure to these countries is via ADRs/GDRs

## ATTACHMENT C – SECURITIES LENDING COLLATERAL GUIDELINES

### GUIDELINES FOR CASH COLLATERAL ACCOUNT

Effective as of January 17, 2013

OPERS Custom Account-Cash Collateral Account

#### **Purpose**

The OPERS CUSTOM ACCOUNT (also known as the "Cash Collateral Account") shall be available to the Oklahoma Public Employees Retirement System Board of Trustees (on behalf of the Oklahoma Public Employees Retirement System and the Uniform Retirement System for Justices and Judges, each, a "Lender") who participates in the Securities Lending Program offered by The Northern Trust Company ("Agent"). Lenders in the Cash Collateral Account receive cash as Collateral for loans of their securities to approved borrowers. The purpose of the Cash Collateral Account is to identify eligible Collateral and, in the case of cash collateral, the opportunity for a market rate of return consistent with allowed investment latitude and thereby seek to generate positive program spreads.

Capitalized terms used in this Exhibit B and not defined shall have the meanings given to them in the Agreement.

#### **Collateralization Levels**

Initial Collateral levels will not be less than one hundred two percent (102%) of the Market Value of the Borrowed Securities, or not less than one hundred five percent (105%) if the Borrowed Securities and the Collateral are denominated in different currencies. Marking to market is performed every business day subject to de minimis rules of change in value, and the borrower is required to deliver additional Collateral when necessary so that the total Collateral held by Agent for all loans to the Borrower of all Participating Lenders will at least equal the Market Value of all the Borrowed Securities of all Participating Lenders loaned to the Borrower.

#### **Cash Collateral Guidelines**

Listed below are the cash Collateral guidelines specifying eligible investments, credit quality standards, and diversification, maturity and liquidity requirements. All requirements listed in these guidelines are effective at the time of purchase of any security or instrument as a cash Collateral investment. Agent will make use of market standard settlement methods for cash investments including the use of a tri-party custodian as approved by Agent's appropriate risk committee. Settlement through a tri-party custodian may result in cash collateral being held on deposit at the tri-party custodian. Eligible collateral held on deposit must fit the criteria set forth within Sections I (Objectives) and II (Eligible Investments) of these guidelines.

## ***CASH COLLATERAL INVESTMENT POLICY AND GUIDELINES***

### **I. Objectives:**

The key objectives of the management of cash collateral supporting securities loans are:

- 1. Preservation of Capital.** Safety of principal is the foremost objective of the cash collateral investment program.
- 2. Liquidity.** The Cash Collateral Account shall remain sufficiently liquid to enable the Lenders to meet their obligations to their members and the costs of administration.
- 3. Return on Investment.** Consistent with the objectives noted above, optimize the spread between the collateral earnings and the rebate paid to the borrower of securities.

### **II. Eligible Investments:**

The Agent is authorized to invest U.S. dollar cash collateral supporting securities loans, as summarized and restricted below:

A. Obligations issued or guaranteed by the United States Government, including Treasury Bills, Notes and Bonds, or U.S. Government agencies or instrumentalities including:

1. Federal National Mortgage Association;
2. Federal Home Loan Bank;
3. Federal Farm Credit Bank;
4. Federal Home Loan Mortgage Corporation;
5. Government National Mortgage Corporation; and
6. Not more than twenty-five percent (25%) of the cash collateral available for investment shall be invested in any one issuer.

B. Negotiable certificates of deposit.

1. Issued by a nationally or state-chartered bank, a savings bank, a savings and loan association or a state-licensed branch of a foreign bank.
2. Rating must be "A-1", "P-1", or the equivalent by a Nationally Recognized Statistical Ratings Organization (NRSRO). If rated by more than one NRSRO, all ratings must be in this equivalent ratings category.
3. Purchases shall not exceed fifteen percent (15%) of the cash collateral available for investment.
4. Not more than three percent (3%) of the cash collateral available for investment shall be invested in any one financial institution as specified in this paragraph.
5. Maximum maturity of one hundred eighty (180) days.

C. Bankers' acceptances.

1. Eligible for purchase by the Federal Reserve System.
2. Rating must be "A-1", "P-1", or the equivalent by a NRSRO. If rated by more than one NRSRO, all ratings must be in this equivalent ratings category.
3. Maximum maturity of two hundred seventy (270) days.
4. Purchases shall not exceed fifteen percent (15%) of the cash collateral available for investment.
5. Not more than three percent (3%) of the cash collateral available for investment shall be invested in any one commercial bank.

D. Commercial paper.

1. Rating must be "A-1", "P-1", or the equivalent by a NRSRO. If rated by more than one NRSRO, all ratings must be in this equivalent ratings category.
2. Maximum maturity of one hundred eighty (180) days for direct investments and two hundred seventy (270) days for repurchase agreement collateral.
3. Purchases shall not exceed fifteen percent (15%) of the cash collateral available for investment.
4. Not more than three percent (3%) of the cash collateral available for investment shall be invested in the commercial paper of any one issuing corporation.

E. Obligations of state and local governments.

1. Must possess the highest short-term rating from at least one nationally recognized rating agency.
2. Purchases shall not exceed fifteen percent (15%) of the cash collateral available for investment.
3. Not more than three percent (3%) of the cash collateral available for investment shall be invested in the obligations of any one issuing government.
4. Maximum maturity, as measured to the shorter of final maturity or put date, of three hundred sixty-five (365) days.

F. Repurchase agreements.

1. With counterparties that have a minimum short-term debt rating of 'A-1' or equivalent by both Moody's Investor Service and Standard & Poor's, or their parent rating in the event that the counterparty is not directly rated, and are either:

- a. diversified securities broker-dealers who are members of the Financial Industry Regulatory Authority (FINRA) having \$5 billion in assets and \$350 million in capital and subject to regulation of capital standards by any state or federal regulatory agency; or
  - b. a bank, savings bank or savings and loan association having \$5 billion in assets and \$500 million in capital and regulated by the Superintendent of Financial Institutions, or through an institution regulated by the Comptroller of the Currency, Federal Deposit Insurance Corporation, or Board of Governors of the Federal Reserve System;
2. Subject to a minimum of one hundred two percent (102%) collateralization with daily updated valuation and having underlying collateral consisting of those items and those rating and collateral maturity restrictions as specified in paragraphs A through E of this Section;
3. Pursuant to a signed Master Repurchase Agreement with counterparties that governs each transaction requiring that:
  - a. the securities are held free and clear of any lien and by an independent third party custodian or Lenders' custodian acting solely as agent for each Lender and is a Federal Reserve Bank, or a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$25 million; and
  - b. a perfected first security interest under the Uniform Commercial Code in such securities is created for the benefit of Lenders;
4. Maximum maturity of ninety seven (97) days;
5. Purchases shall not exceed seventy-five percent (75%) of the cash collateral available for investment;
6. Not more than ten percent (10%) of the cash collateral available for investment shall be invested with any one counterparty;
7. Repurchase agreements with collateral as specified in paragraphs B through E of this Section, shall be limited to five percent (5%) of the cash collateral available for investment for each collateral type; and
8. May be conducted on a tri-party basis.

G. For purposes of late day cash sweep, units of The NTGI Collective Short Term Investment Fund ("STIF"). The fund is governed by the Fund Declaration/ Investment Guidelines established by Northern Trust Investments, N.A. as trustee.

H. The interest rate on variable rate or floating rate securities must reference one of the following indices: LIBOR, Fed Funds, Treasury Bills, or Commercial Paper. The interest rate must also reset no less frequently than quarterly. Variable rate municipal obligations may reset off the SIFMA index.

### III. Ineligible Investments:

The Agent is not authorized to invest in the following:

1. Obligations issued by or guaranteed by the lending agent or any related party, except for NTGI Collective STIF;
2. 144A Securities (17 CFR §230.144A); and
3. Any structured investment vehicles (SIVs).

### IV. Portfolio Maturity:

The dollar-weighted average maturity of cash collateral investments shall not exceed ninety (90) days. The average maturity of variable rate instruments will be calculated to the next interest rate reset date. The Cash Collateral Account's minimum overnight (next business day) liquidity level shall not be less than twenty percent (20%).

### V. Compliance

Agent shall follow these guidelines explicitly. If at any time the Cash Collateral Account after time of purchase falls outside these guidelines (e.g., a credit rating downgrade), Agent shall notify Lenders in writing as soon as reasonably possible. Agent shall also notify the Chief Investment Officer or the Chief Finance Officer of Lenders by telephone who shall determine if immediate action is necessary to bring the Cash Collateral Account into compliance.

### *Operation of the Cash Collateral Account*

#### I. Income

Income earned from the investment of cash Collateral shall be distributed to Lenders on a monthly basis. Income shall be net of (i) expenses, including but not limited to, transaction accounting and reporting expenses, auditing fees, brokerage fees and other commissions, and any miscellaneous expenses, (ii) any applicable withholding of tax, (iii) loan rebate fees paid or accrued to the borrowers, and (iv) any adjustments to provide for regular returns.

If total rebates payable exceed total revenues with respect to any loan or loans of a Lender, the net shortfall shall be allocated between such Lender and the Agent in the same proportions as positive securities lending revenues. Any amounts thereby payable by a Lender shall be the personal obligation of that Lender and shall be due and payable upon each Lender's receipt of Agent's invoice for such amounts. Agent may withhold (and each Lender is deemed to grant to Agent a lien upon) future loan revenues, and any other property of the Lender then or thereafter in the possession of Agent, to secure the payment of such obligation. Notwithstanding the foregoing, however, all other Collateral losses shall not be shared between the Lender and the Agent to any extent but shall be allocated as provided in the Agreement or these guidelines.

Incidental expenses, (e.g., negative float due to payment advances) incurred in the administration of the Cash Collateral Account are recovered against incidental receipts, (e.g., positive float from pending balances) similarly arising and any remaining balance is added to the lending revenues for the benefit of all participating lenders. Net realized short-term capital gains or losses (if any) will be distributed at least annually.

## **II. Net Asset Value**

The Cash Collateral Account will value investments at acquisition cost as adjusted for amortization of premium or accretion of discount in order to maintain a net asset value of One Dollar (\$1.00) per unit.

The Cash Collateral Account intends to maintain a constant net asset value within minimum tolerances established by Agent's senior management. There is no guarantee, however, that the Cash Collateral Account will be able to attain that objective. The fund is not registered under the Investment Company Act of 1940 as a money market fund, is not subject to regulation by the Securities and Exchange Commission and does not comply with federal regulations governing registered money market mutual funds.

In no event shall Agent be personally liable to restore any loss within the Cash Collateral Account, unless the loss was directly caused by the negligence or intentional misconduct of Agent.

## **III. Trading Policy**

Although the Cash Collateral Account will generally not engage in short-term trading, the fund may dispose of any portfolio security prior to its maturity if, on the basis of a revised credit evaluation of the issuer or other considerations, Agent believes such disposition is advisable. Subsequent to its purchase, a portfolio security or issuer thereof may be assigned a lower rating or cease to be rated. Such an event would not necessarily require the disposition of the security, if the continued holding of the security is determined to be in the best interest of the Lenders of the Cash Collateral Account.

#### **IV. Effecting Changes**

Agent shall effect any change to the Cash Collateral Account guidelines, as promptly as possible after Agent's receipt of a properly executed Amendment to the Cash Collateral Account guidelines, giving due regard to operational requirements. Lenders may change the guidelines of the Cash Collateral Account no more than two times in any calendar year by signing a new Amendment to the Cash Collateral Account guidelines and returning it to Agent.