

*[SAMPLE * - DRAFT]*

RETIREMENT SYSTEM

REQUEST FOR PROPOSALS

RE: MASTER TRUSTEE/CUSTODIAN SERVICES

A. OVERVIEW

The Board of Trustees of the Retirement System (“Board”) intends to secure a contract for master trustee/custodian services. The purpose of this Request for Proposal (RFP) is to define the Board's minimum requirements and solicit proposals from which the Board may evaluate such services.

B. PLAN PROFILE

The Retirement System (“Retirement System”) consists of approximately _____ active and _____ retired members and has assets of over _____ Million Dollars.

C. MINIMUM QUALIFICATIONS

1. \$500 million in tax-exempt master trust/custody assets
2. 10 years in business and in good financial standing
3. A member of the Michigan Association of Public Employee Retirement Systems

D. SCOPE OF SERVICES

The Board is attempting to identify a custodian that has the ability to:

1. Provide adequate safekeeping services
2. Settle securities transactions on time
3. Collect trust fund income when due
4. Provide adequate accounting services
5. Prepare useful, accurate, and timely investment reports
6. Provide adequate cash management services
7. Provide adequate administrative support
8. Calculate rate of return data accurately and timely
9. Lend securities profitably and safely
10. Provide all benefit payments and services
11. Provide all federal and state reporting for benefits paid
12. Provide all benefit accounting required
13. Provide all required services within reasonable fee levels
14. Provide accurate year end financial statements.

When responding to this Request for Proposal, the Board encourages you to describe the ways in which you believe your service capability is special or distinctive.

E. SUBMISSION REQUIREMENTS

To achieve a uniform review process and obtain the maximum degree of comparability, it is required that the proposal be organized in the following manner:

1. Title Page:

Please indicate the RFP subject, the name of your organization, address, telephone number, name of contact person and date.

2. Table of Contents:

Clearly identify the material by section and page number.

3. Letter of Transmittal:

Limit to one or two pages.

a. Briefly state your organization's understanding of the nature of the work.

b. Give the names of the persons who will be authorized to make presentations for your organization, their titles, addresses, and telephone numbers.

4. Submission:

The Board requests that a total number of ____ (**) complete sets of your proposal be submitted.

Proposals must be presented in a sealed envelope clearly marked as follows:

RFP: Custodial Services
[ADDRESS]

Your response to this RFP must be received at the above address by 5:00 p.m. on _____, 200__.

All inquiries about the RFP should be in writing and brought to the attention of _____ at the address above.

CUSTODIAL SERVICES
REQUEST FOR PROPOSAL

ORGANIZATION BACKGROUND

1. How long has your company been in existence?
2. Is your organization a subsidiary, parent, or affiliate of any other company? If so, please describe in detail. Also, do any of these companies provide any other retirement fund services? If so, how do the companies protect against conflicts of interest?
3. What is the number of full time employees in your company? What is the location of your nearest office?
4. Provide the names, titles and credentials of the individuals who would be assigned to the Retirement System's account. What are their specific responsibilities? Where are these individuals located? Who will attend Board meetings? Provide the names of other clients that they serve.
5. How many professionals have left your company in the last three (3) years? How many support staff have left your company in the last three (3) years?
6. How many major accounts/clients do you have? How many municipal retirement systems accounts do you service? Please provide a representative client list.
7. What is the aggregate market value of assets for which you have master trust/custody responsibility? What is the average size of your municipal accounts?
8. How many accounts/clients have you gained in the last 3 years? How many have left your company in the last three (3) years.
9. Please disclose formal or informal business relationships with other service providers to municipal retirement systems.
10. What significant organizational changes have occurred at the local and national level in the last twelve months?

SETTLEMENT OF SECURITIES

11. Are you electronically linked with the depositories for same-day settlement? Describe potential causes of delay and how you would work to rectify any delay.

12. Please provide two references from investment management firms who will share with the Board their first-hand experiences regarding your abilities to settle routine securities transactions, both physical and book entry.
13. Please provide two additional references from different investment management firms who will share their first-hand experiences regarding your abilities to settle non-depository-eligible or non-routine transactions, such as financial futures, stock options, mortgage-backed securities, and derivatives.

SAFEKEEPING OF ASSETS

14. Describe your use of central depository facilities and the Federal Reserve book entry system.
15. Is there anything special or distinctive about your safekeeping abilities that the Board should know? If yes, please describe.

INCOME COLLECTION

16. Please explain your income-collection verification procedures.
17. Describe the systems and procedures you have developed for ensuring that all income is collected when due and describe when income is credited.

INVESTMENT ACCOUNTING

18. Describe both the features and benefits of your accounting system. Be sure to include descriptions of your accrual accounting capabilities, availability of trade date and/or settlement date information, securities-pricing capabilities, front-end and back-end editing procedures, and internal audit practices.
19. Describe the infrastructure you have built for providing investment accounting services. Be sure to include a description of your computer hardware configuration, a separate description of your software applications, and a discussion of the staff dedicated to the accounting function.
20. Describe your accounting philosophy as it relates to the “effective” dating of transactions (trade vs. settlement date), the use of correcting and reversal entries, and the use of miscellaneous receipt and disbursement accounts.
21. The Retirement System's auditors from time to time may want to perform routine spot audits. Will the accounting records you maintain be “open” to auditors?

SYSTEM BACKUP AND DISASTER RECOVERY

22. Please describe your system’s backup process?
23. Do you have a disaster recovery plan? If so, please describe. When was it last tested?

REPORTING

24. Describe your reporting and data processing capabilities. Be sure to comment on issues relating to accuracy and timeliness.
25. How frequently do you audit investment manager accounts, thereby alleviating the need to correct reports after the fact? (Please provide a sample of your audited monthly asset and transaction reports.)
26. Describe your remote-access computer systems capabilities. Can clients retrieve, manipulate, and down load data to a personal computer? If so, please describe the system's report generator, used in the clients' generation of reports in their own offices.
27. Please describe plans for improving remote-access computer system capabilities.
28. Please explain the security procedures in place to ensure the integrity of sensitive or confidential information.
29. Is it possible to extract and sort information for special reports or analysis? If yes, describe the programming time and cost involved.
30. Describe and provide a sample of the types of reports included in your basic fee structure.

CASH MANAGEMENT

31. Do you use a fully automated system for sweeping cash balances? Do you sweep to the penny? Describe your procedures for "sweeping" uninvested cash balances from investment accounting into your short-term investment funds (STIF). How many types of collateral STIF funds (commingled, separate or customized) do you offer in the program?
32. Do your month-end statements include daily balances and transfers to STIF?
33. Please enclose the quarterly returns associated with your short-term investment funds. What fees are associated with your STIF. Do you invest in any securities that are prohibited per the provisions of Public Act 314 of 1965 as amended of the State of Michigan statues?

SECURITIES LENDING

34. Describe your securities lending program, including fees and income sharing.
35. How many clients currently participate in the program?
36. What is the current market value of lendable securities in your program?
37. Do you offer "broker indemnification"? (Do you promise to return to your client's portfolios securities and accrued interest in a case of a broker default?) Have you ever experienced a broker default in your securities lending program?

GLOBAL CUSTODY

Organization

38. When did the firm begin providing Global Custody? Provide a brief history of your Global Custody operations including the dates of implementation of key elements and enhancements.
39. What are the total Global Custody assets?
40. How many Global Custody clients do you currently have?

Security Movement and Control

41. Outside of the U.S., do you use any central depository facilities? Describe your settlement and clearing facilities for depository eligible and physical securities.
42. Describe your tax reclaim policy and procedures. How do you notify clients of any foreign tax reclamations or changes in tax laws? How frequently are reclaims performed?

ADMINISTRATIVE SUPPORT

43. Describe your administrative and operations staffs. How many administrative and operations personnel do you employ? What is the ratio of staff (all staff) to clients? What is your process for assigning personnel to your custody clients?
44. Provide the names, titles and credentials of the individuals who would be assigned to the Retirement System's account. What are their specific responsibilities? Provide the names of other clients that they serve.
45. Will the administrative staff be available to meet with the Board at its request.
46. Describe how you monitor the performance of the people who would be assigned to work on our Account.
47. What is the average turnover of your staff?
48. Do you have formal training programs? If so, please describe.

PROXY ADMINISTRATION

49. Describe your proxy administration policies.
50. What alternatives (such as endorsing and sending back to clients or investment managers, or voting with management) do you offer?

RISK MANAGEMENT

51. Describe your system of controls to assure the accuracy of the processing and reporting of the master custody division? Do you have documented policies and procedures?
52. Describe the various types of insurance and indemnification provided to protect clients of service(s) proposed, including (Be sure to include specific dollar overages):
 - Errors and Omissions Coverage
 - Risk Coverage
 - Carriers
 - Levels
 - Limits
 - Deductibles

CORPORATE AND CLASS ACTIONS ADMINISTRATION

53. How are corporate actions processed and reported to client?
54. How are class actions processed and reported to client? Does your company separate them from Corporate actions?
55. Are there any charges for said services. If so, how are they paid and reported.

PENSION DISBURSEMENTS AND REPORTS

56. On what day are benefit payments mailed? When is the account debited?
57. Who receives non-deliverable checks?
58. Do you offer electronic funds transfer as a method of payment?
59. Is benefit payment processing done internally or through an outside service bureau?
60. How does the custodian view its responsibility for tax and/or legal advice to participants regarding lump-sum distributions, benefit statements and 1099?
61. How are changes communicated to and from clients?
62. Can clients get on-line access to their own beneficiaries' records? Is access on an inquiry-only basis?

MANAGEMENT COMMITMENT

63. Describe your firm's commitment to service quality and customer service.
64. Outline your organization's commitment to servicing the public sector market. What capital investments have occurred in the last three years? What capital investments are budgeted for in the current and following year?
65. Do you survey your clients? If yes, provide the results for the last three years.
66. Describe other methods you use to monitor client satisfaction.

PROPOSED FEES:

67. Please provide a comprehensive schedule of services you provide for benefits administration services. The Board of Trustees would like you to provide an estimate of your annual fees.
68. What costs are involved in implementing your program?
69. Do you charge secretarial or clerical time to clients? If so, what are the rates?
70. Do you charge for incidental fees such as copies, postage, telephone toll charges, travel costs?
71. How are fees for additional work determined?
72. How do you determine fee increases? What has been the average fee increase in your organization's fees over the past three years? What would cause any of your fee quotes to change significantly?

REFERENCES

73. Please provide the names, contacts, and phone numbers of clients that are of similar size as the Retirement System who will share with the Board their first-hand experiences regarding your services (preferably public retirement systems)

MISCELLANEOUS

74. Is your company a member of MAPERS? What other affiliations does your company maintain to keep apprised of unique issues and developments affecting public employee retirement systems?

75. Has your company or its employees been investigated by any state or federal regulatory or law enforcement agency in the last ten years? If yes, please describe in detail the substance and results of each such investigation.
76. Has your company or its employees been a party to any lawsuit, including suits involving misfeasance or professional negligence, within the last ten years? If so, please describe the substance and results of each suit.
77. Please describe the transition process when taking on a new client. Please discuss computer systems and data issues.

OTHER REQUIREMENTS

78. Pre-Qualification: Inviting a proposal does not assume a "pre-qualification" of any proposer.
79. Proposal Preparation Cost: The Board will not be liable for any costs incurred in preparation of proposals.
80. Certification as to "Request for Proposal" Content: By submitting a proposal, the proposer certifies that he/she has fully read and understands the "Request for Proposal" and has full knowledge of the scope, nature, quantity, and quality of work to be performed. Unless specified to the contrary, submitting a proposal will be interpreted as agreement to all provisions in and requirements of the RFP.
81. Additional Information and Instruction: The Proposer shall furnish such additional information as the Board may reasonably require. The Board reserves the right to investigate the qualifications of all proposers as it deems appropriate.
82. Negotiations: The Board reserves the right to conduct pre-contract negotiations with any or all proposers.
83. Proposal Rejection: The Board reserves the right to reject any or all proposals, the right in its sole discretion to accept the proposal which it considers most favorable to the Board's interest, and the right to waive minor irregularities in the procedures. The Board further reserves the right to seek new proposals when such a procedure is in its best interest.
84. Proposals Binding for 90 Days: All proposals submitted shall be binding for ninety (90) calendar days following the above due date for receipt of proposals to allow for evaluation and award of contract.
85. Late Proposals: Proposals received by the Board after the time specified for proposal opening will not be considered.
86. Completeness: All information required by the Request for Proposal shall be supplied to constitute an acceptable proposal. Failure to submit a complete proposal may result in the disqualification of your proposal.

The Board appreciates the time and effort you will have expended in responding to this RFP. Regardless of the outcome, the Board will be pleased to share with you its specific comments regarding the competitiveness of your RFP response.

* **IMPORTANT NOTE:** This information is provided to assist retirement systems in the retention of professional advisers and to facilitate the efficient and effective fulfillment of due diligence. This sample draft is presented for illustration purposes and should be modified to meet the specific needs and requirements of a retirement system. This information should not be considered the rendering of legal, accounting, or other professional services and should not be used as a substitute for consultation with professional advisers.