

# Custody Services

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## Request for Proposal Questions & Answers

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October 2022

**Orange County Employees Retirement System (OCERS)**  
P.O. Box 1229  
Santa Ana, CA 927021-(714)-558-6200  
<http://www.ocers.org>

### Question 1:

Provide Accounts and Market Values for:

- Number and type (equity/fixed) of actively/separately managed US accounts (managers)
- Market value of actively/separately managed US assets
- Number of actively/separately managed non-US accounts (managers)
- Market value of actively/separately managed non-US assets by country
- Market Value of bank loan assets.
- Total number of positions held by country
- Market value of passively managed assets
- Number of passively managed funds by type (mutual funds, commingled funds, limited partnerships, hedge funds, etc.)

Please note that we are primarily interested in the total number of fund investments you have and not the number of accounts you hold the fund investments in (if the totals vary).

#### **Answer:**

Please download [Accounts and MVs](#) for details.

[https://www.dropbox.com/sh/k89evpbpnttg2f/AACr6CY\\_uQBGRcl2IJs8zOa?dl=0](https://www.dropbox.com/sh/k89evpbpnttg2f/AACr6CY_uQBGRcl2IJs8zOa?dl=0)

### Question 2:

Provide transactions information for:

- Number of US buy/sell trades by investment type per annum
- Number of Non-US buy/sell trades by investment type and by country per annum
- Number of wires in and out
- Number of Derivative transactions (Swaps, Options, Futures)
- Number of annual vendor checks

#### **Answer:**

Please download [Transactions](#) for details.

[https://www.dropbox.com/sh/k89evpbpnttg2f/AACr6CY\\_uQBGRcl2IJs8zOa?dl=0](https://www.dropbox.com/sh/k89evpbpnttg2f/AACr6CY_uQBGRcl2IJs8zOa?dl=0)

### Question 3:

Can you please provide a FX report that shows the annual spot FX volume (USD\$ Equivalent) by market? Specifically, the "Custodial Indirect FX" activity (USD\$ Equivalent) versus the activity traded on a "3rd Party" basis (USD\$ Equivalent)?

#### **Answer:**

Please download [FX Activity](#) for details.

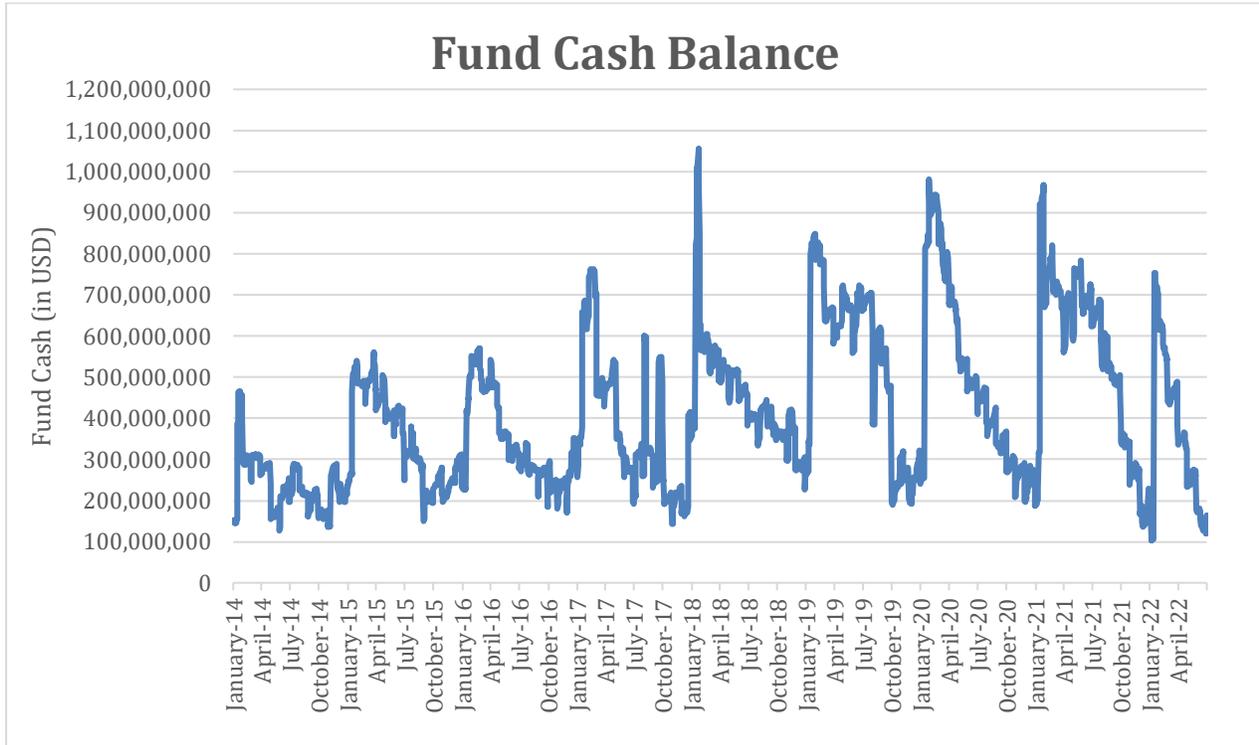
[https://www.dropbox.com/sh/k89evpbpnttg2f/AACr6CY\\_uQBGRcl2IJs8zOa?dl=0](https://www.dropbox.com/sh/k89evpbpnttg2f/AACr6CY_uQBGRcl2IJs8zOa?dl=0)

**Question 4:**

What is your estimated average daily cash balance held in your current custodians sweep vehicle?

**Answer:**

OCERS cash balance is seasonal. The fund balance peak at the beginning of the year, reflective of the prepayments. We often maintain a cash balance in excess of \$100 million.



**Question 5:**

What level of service do you require? i.e., basic line-item reporting, reporting & monitoring, drill down, full outsourcing support, shadow accounting, capital call management, document management, etc.?

**Answer:**

OCERS requires all services as described in Section 3 – Scope of Services. We would like to know more about other services your organization believes might be beneficial to OCERS.

**Question 6:**

What is the commitment level, in USD, of your alternatives?

**Answer:**

Please download [OCERS' Private Investments report](#) for details.

[https://www.dropbox.com/sh/k89evpbpntt2f/AACr6CY\\_uQBGRcl2IJs8zOa?dl=0](https://www.dropbox.com/sh/k89evpbpntt2f/AACr6CY_uQBGRcl2IJs8zOa?dl=0)

**Question 7:**

Do you require monthly performance consolidations? If yes, how many?

**Answer:**

Yes. We require a preliminary performance report that captures hedge fund statements and performance (including benchmark performance, portfolio performance, and any composite performance deemed necessary by OCERS) no later than ten (10) business days following month-end. Finalized performance report must be issued prior to the next month-end.

**Question 8:**

Do you require Custom Benchmarks? If yes, please provide a list of benchmarks required

**Answer:**

Yes. We require Custom Benchmarks. Details of the custom benchmarks are provided. Please refer to Benchmark History table of [OCERS Total Portfolio](#) report (page 33, 34 or PDF page 37, 38).

[https://www.dropbox.com/sh/k89evpbpnttgt2f/AACr6CY\\_uQBGRcl2IJsJg8zOa?dl=0](https://www.dropbox.com/sh/k89evpbpnttgt2f/AACr6CY_uQBGRcl2IJsJg8zOa?dl=0)

**Question 9:**

Do you require Monthly Attribution?

**Answer:**

Not required, but we would be interested to know your capabilities.

**Question 10:**

Do you require Universe Comparison (Peer and Manager Universes)?

**Answer:**

Not required, but we would be interested to know your capabilities.

**Question 11:**

Do you require Board Reporting materials?

**Answer:**

Not required, but we would be interested to know your capabilities.

**Question 12:**

Do you require Monthly Compliance Monitoring? If yes, please provide a sample of investment guidelines to be monitored, or types of investment guidelines to be monitored

**Answer:**

Not required, but we would be interested to know your capabilities.

OCERS' internal Compliance Report includes Performance, Organizational / Legal Issues, and Investment Policies and Guidelines (largest holdings, cash exposure, EM exposure, credit rating, etc.)

**Question 13:**

For the purpose of calculating a securities lending estimate, please provide holdings report in Excel with the following information:

- Date (holdings as of)
- Fund Name
- Valid Security Identifiers (CUSIP, Sedol)
- Security Name
- Number of Shares
- Market Values (base currency)
- Country of Issue

**Answer:**

Please download [OCERS - Custody Positions - 2022-06-30](#) for details.

[https://www.dropbox.com/sh/k89evpbpntt2f/AACr6CY\\_uQBGRcl2IJsJg8zOa?dl=0](https://www.dropbox.com/sh/k89evpbpntt2f/AACr6CY_uQBGRcl2IJsJg8zOa?dl=0)

**Question 14:**

If you participate in lending, are you in a collateral pool or a separate account for your cash collateral? Will you please provide your current cash collateral investment guidelines?

**Answer:**

OCERS is in a collateral pool.

The Compass Fund seeks to provide an attractive yield, safety of principal and daily liquidity; under normal conditions, and subject to the discretion of State Street Global Advisors Trust Company ("SSGA", or the "Investment Manager"), the Compass Fund, seeks to invest approximately 80% of the value of its net assets in securities for which the Investment Manager has environmental, social and governance ("ESG") scores. In selecting securities, the Investment Manager will consider the following four factors in this order: (i) preservation of capital, (ii) liquidity, (iii) yield, and (iv) in a manner consistent with ERISA's fiduciary requirements, the ESG scores.

The Compass Fund's Investment Policy Guidelines provide that the Investment Manager shall maintain the dollar-weighted average maturity of the Compass Fund in a manner that the Investment Manager believes is appropriate to the objective of the Compass Fund; provided, that (i) in no event shall any Eligible Security be acquired with a remaining legal final maturity (i.e., the date on which principal must be repaid) of greater than 18 months, (ii) the Investment Manager shall endeavor to maintain a dollar-weighted average maturity of the Compass Fund not to exceed 75 calendar days and (iii) the Investment Manager shall endeavor to maintain a dollar weighted average maturity to final of the Compass Fund not to exceed 180 calendar days. At the time of purchase, (i) all Eligible Securities with maturities of 13 months or less shall (x) be rated at least A 1, P1 or F1 by at least any two of the following nationally recognized statistical rating organizations: Standard & Poor's Corp ("S&P"), Moody's Investor Services, Inc. ("Moody's"), or Fitch, Inc. ("Fitch"), or (y) be determined by the Investment Manager to be of comparable quality and (ii) all Eligible Securities with maturities in excess of 13 months shall (x) be rated at least A-, A3 or A- by at least any two of S&P, Moody's or Fitch, or (y) be determined by the Investment Manager to be of comparable quality The Compass Fund may invest up to 10%

of its assets at time of purchase in commingled vehicles managed by the Trustee or its affiliates that conform to the Investment Policy Guidelines.

**Question 15:**

Please provide a list of acceptable non-cash collateral types (categories include US government securities, OECD debt including securities issues by their agencies and instrumentalities, supranational, global equities, debt, etc.).

**Answer:**

OCERS accepts only cash collateral.

**Question 16:**

Do you currently have any borrower or loan restrictions or caps on your lending activity?

**Answer:**

No. OCERS does not currently impose any program restrictions.

**Question 17:**

Please provide the most recent annual gross securities lending revenue (pre-fee split).

**Answer:**

Calendar year 2021, 12 months ended 6/30, and most recent rolling 12 months are below:

Gross Lending Revenue (\$)	
2021 Calendar Year	1,192,213.48
Jul 21 - Jun 22	1,036,357.72
Oct 21 - Sep 22	978,922.47

**Question 18:**

What is the fee split currently in place?

**Answer:**

80% OCERS / 20% State Street

**Question 19:**

Section 11: Contract Negotiations -- Please provide the specific terms that OCERS will require in the contract?

**Answer:**

Please download [Form Proposed Custodian Contract](#) for details.

[https://www.dropbox.com/sh/k89evpbpntt2f/AACr6CY\\_uQBGRcl2IJsig8zOa?dl=0](https://www.dropbox.com/sh/k89evpbpntt2f/AACr6CY_uQBGRcl2IJsig8zOa?dl=0)

**Question 20:**

Please provide a copy of the OCERS Services Agreement for review

**Answer:**

Please download [Form Proposed Custodian Contract](#) for details.

[https://www.dropbox.com/sh/k89evpbpntt2f/AACr6CY\\_uQBGRcl2IJs8zOa?dl=0](https://www.dropbox.com/sh/k89evpbpntt2f/AACr6CY_uQBGRcl2IJs8zOa?dl=0)

**Question 21:**

Are the fiduciary requirements negotiable? Please provide the specific fiduciary responsibilities and contractual fiduciary standard required from the custodian bank. What fiduciary responsibility/standard does your current custodian agree to?

**Answer:**

Here is the Fiduciary language:

Custodian shall perform **all services** that it has agreed to hereunder (including but not limited to the safe keeping and custody of all Assets received by it pursuant to this Agreement) **with the care, skill, diligence, and responsibility of a professional custodian familiar with such matters and acting in a like capacity in the conduct of an enterprise of like character and with like aims (herein, Custodian’s “Standard of Care”)**. Custodian is a fiduciary only with respect to the safekeeping of assets held by Custodian hereunder and all related duties. Custodian’s Standard of Care shall apply to all services that it performs (or does not perform) provided hereunder and shall be adhered to by Custodian at all times. Notwithstanding any other provision in this Agreement, **Custodian’s Standard of Care is incorporated in and applies to each and every provision of this Agreement setting forth the services to be performed by Custodian and each and every such provision is subject to the Standard of Care unless such other provision (if any) specifically and unequivocally states that Custodian’s Standard of Care does not apply to a specifically identified service.**

**Question 22:**

Please provide the summary of OCERS portfolio. This was not attached.

**Answer:**

The dropbox hyperlinks to download [OCERS portfolio reports](#) can be found on page 4 and 43 of the RFP. For your convenience, we are re-attaching it [here](#). If you are still unable to download, please check your firewall / cybersecurity restrictions or contact us via email to request the documents.

[https://www.dropbox.com/sh/k89evpbpntt2f/AACr6CY\\_uQBGRcl2IJs8zOa?dl=0](https://www.dropbox.com/sh/k89evpbpntt2f/AACr6CY_uQBGRcl2IJs8zOa?dl=0)

**Question 23:**

Please provide OCERS’ manager list for our review. This was not attached.

**Answer:**

It was previously provided. For your convenience, we are re-attaching it [here](#).

[https://www.dropbox.com/sh/k89evpbpntt2f/AACr6CY\\_uQBGRcl2IJs8zOa?dl=0](https://www.dropbox.com/sh/k89evpbpntt2f/AACr6CY_uQBGRcl2IJs8zOa?dl=0)

**Question 24:**

What is the target conversion date to a new Custodian?

**Answer:**

We are targeting June – July 2023. It may be revised based on our needs.

**Question 25:**

In addition to the information in the RFP, are there any areas of focus that may be of particular concern for OCERS, or that have prompted the request for proposal, that would assist us in customizing our RFP response?

**Answer:**

OCERS' areas of focus are addressed in the RFP questionnaires. OCERS may request for additional information during the interview process or during later steps of the RFP process.

**Question 26:**

Please provide any file size limitations when receiving email?

**Answer:**

We have a size limitation of 10 MB when receiving email. If you need to send large file, please let us know so that we can send you an invitation link to attach large files.

**Question 27:**

What are your current custodial fees? Are the fees for the scope of work as described in this RFP?

**Answer:**

We have a flat fee of \$580,000 for custody, accounting, cash management, performance reporting, and risk report services. The fee covers all services described in Section 3 – Scope of Services.

**Question 28:**

What are some challenges that you are looking to solve for or strategic initiatives that you will need support on in assessing the market for a new provider?

**Answer:**

It has been over five years since OCERS issued the last RFP, we want to ensure that OCERS is set up to receive the best-in-class custodial services and is supported by a strong team. The investment program has continued to become more complex, and we want to ensure that we have access to the technology and tools that would make the monitoring process smoother.

**Question 29:**

Please confirm that best available daily accounting is sufficient or if OCERS requires true audited daily accounting.

**Answer:**

Best available for non-month end daily valuation is acceptable.

**Question 30:**

Please provide the financial reporting documents in Excel opposed to PDF (i.e. OCERS Private Investments, OCERS Total Portfolio).

**Answer:**

Please download [here](#).

[https://www.dropbox.com/sh/k89evpbpnttgt2f/AACr6CY\\_uQBGRcl2IJsig8zOa?dl=0](https://www.dropbox.com/sh/k89evpbpnttgt2f/AACr6CY_uQBGRcl2IJsig8zOa?dl=0)

**Question 31:**

Provide Market Values and Transaction Volume for:

- Please provide account totals for separately managed and single line assets.
- If the account is separately managed, please provide the market value, holding total and asset allocation (e.g., US Equity, US Fixed, Global, etc.). If there are any global SMAs, please provide the country allocation, by market value.
- If the account is a single line asset, please confirm what type of asset it is (i.e., Commingled, Mutual Fund, Private Equity, Hedge Fund, Bank Loans etc.). Please provide the total holdings by type of asset.
- Please provide transaction (buy/sell) volumes, by manager and single line holdings.
- Please provide the number of incoming and outgoing wires.
- Please confirm if there is any Derivatives activity (i.e., ETDs, OTCs, Margin Movements). If so, please provide total market value, holdings, and transaction (purchases/sales) volume for type.

**Answer:**

Please download [Accounts and MVs](#) and [Transactions](#) for details.

[https://www.dropbox.com/sh/k89evpbpnttgt2f/AACr6CY\\_uQBGRcl2IJsig8zOa?dl=0](https://www.dropbox.com/sh/k89evpbpnttgt2f/AACr6CY_uQBGRcl2IJsig8zOa?dl=0)

**Question 32:**

Please confirm if all Private Investment funds are held in individual accounts today or if they are grouped into strategies.

**Answer:**

OCERS' investments are held in individual accounts and grouped into appropriate asset classes. For more details, please refer to [OCERS Total Portfolio](#) and [OCERS Private Investments](#).

[https://www.dropbox.com/sh/k89evpbpnttgt2f/AACr6CY\\_uQBGRcl2IJsig8zOa?dl=0](https://www.dropbox.com/sh/k89evpbpnttgt2f/AACr6CY_uQBGRcl2IJsig8zOa?dl=0)

**Question 33:**

Is Capital Call Execution service needed (where the custodian would setup and pay CCs on the client's behalf)?

**Answer:**

OCERS is interested in Capital Call Execution service.

**Question 34:**

Please confirm if estimated valuations are being used for any of the Alternative funds.

**Answer:**

We require a monthly preliminary performance report for the hedge fund investments and monthly performance report for all the investments by mid-month, and then a true-up by month-end. For more information, please refer to question #7.

**Question 35:**

Please provide any details about the current reports OCERS creates or receive regarding your alternative assets.

**Answer:**

We create internal report and also receive alternative assets reports from our custodian and investment consultants. Our reports include information such as pacing plan, market value, contributions, distributions, commitment, closing date, vintage year, exposure by region, exposure by sector, exposure by country, gain/loss, IRR, investment multiples, etc.

**Question 36:**

Please confirm what platforms or technology OCERS currently uses to monitor and track alternative assets.

**Answer:**

OCERS is utilizing State Street Private Markets reporting tools. We also rely on our investment consultants to monitor and track alternative assets.

**Question 37:**

The RFP does not request a securities lending earnings estimate. Please indicate if you would like for us to provide one.

**Answer:**

Please provide earnings estimate and any other information that is deemed to help OCERS better understand your securities lending platform and capacity.

**Question 38:**

In order that we may best complete an accurate custody fee quote with and with securities lending and offer an appropriate securities lending fee split, please provide the following so we can estimate securities lending revenue:

- An Excel based asset list including the following: security name, industry standard security identifier (CUSIP, Sedol, ISIN), shares, price and market value (base currency, USD)
- Cash collateral reinvestment guidelines
- Non-cash collateral guidelines

- Any securities lending program restrictions which might impact revenue such as: borrower restrictions, asset class restrictions, individual security restrictions, minimum spread restrictions, percentage on loan restrictions etc.

**Answer:**

Please refer to question 13 – question 18 above.

**Question 39:**

Please provide a list of performance benchmarks you currently use.

**Answer:**

Please refer to Benchmark History table of [OCERS Total Portfolio](#) report (page 37, 38 or PDF page 27, 28).

[https://www.dropbox.com/sh/k89evpbpntt2f/AACr6CY\\_uQBGRcl2IJs8zOa?dl=0](https://www.dropbox.com/sh/k89evpbpntt2f/AACr6CY_uQBGRcl2IJs8zOa?dl=0)

**Question 40:**

Please confirm what platforms or technology OCERS uses for performance, risk and compliance.

**Answer:**

OCERS relies on custodian and investment consultants to provide performance and risk reports. We create compliance report internally on a quarterly basis. OCERS is also utilizing Caissa (recently acquired by Burgiss) as our risk management system.

**Question 41:**

Would you be willing to receive an email with a link to a secure website that includes all the PDF and/or word docs pertaining to the RFP response? Or do you prefer to receive all material in 1 single email?

**Answer:**

We will accept both link and/or email attachments. However, we request that the documents are saved in a searchable format.

**Question 42:**

For the Executive Summary, is just part I limited to 1,250 words or are all 3 parts together limited to 1,250 words? If just part, I then is there a limit on part II?

**Answer:**

We prefer to have a brief but comprehensive Executive Summary that describe your background, strengths, and weaknesses. Please limit your response based on the guideline below:

- Part I: 1250 words or 3 pages
- Part II: 1250 words or 3 pages
- Part III: 500 words or 1 page

**Question 43:**

“Describe in detail the process by which you transmit data to third-party risk aggregators. Please provide the names of the vendors to whom you have transmitted such information and provide some detail around the information shared.” – *Custodian RFP, Exhibit E Questionnaire, Part IV-E, #31, pg. 32.*

Is this in regard to transmitting data to a third-party risk provider that OCERS would be using? If not, can you clarify?

**Answer:**

Yes, this is in regard to transmitting data to third-party risk provider. Currently, OCERS is utilizing Caissa (recently acquired by Burgiss) for risk aggregating services.

**Question 44:**

“Fail Float: Provide fail experience as a percent of trades.” – *Custodian RFP, Exhibit E Questionnaire, Part IV-D, #8, pg. 32.*

Can you clarify what you mean by fail experience and what time period would you want this for?

**Answer:**

We would like to know how often (as a percentage), in the last five years, you failed to deliver funds or securities within a reasonable amount of time after the trades.

**Question 45:**

Can you explain what fund administrative services you might be looking for or what you would define as fund administrative services?

**Answer:**

We are looking for a comprehensive set of custody services as described in Section 3 – Scope of Services. We also would like to know more about any other services that you believe might be helpful for OCERS.

**Question 46:**

Will OCERS consider awarding securities lending services on a stand-alone basis, i.e., hire a non-custodial (“third-party”) securities lending agent? If so, what sections and questions would OCERS like completed?

**Answer:**

OCERS will consider stand-alone securities lending services. However, we require a seamless experience in integrating the securities lending platform with our custodian.

If you are considering submitting a stand-alone RFP for securities lending services, please complete the following sections, at the minimum:

- Exhibit B: Proposal Cover Page
- Exhibit C: Minimum Qualifications Certification – Securities Lending Respondents
- Exhibit D: Executive Summary
- Exhibit E: Questionnaire [Part I, Part III, Part IV-E, Part IV-G, Part IV-I, Part IV-K]
- Exhibit F: References
- Exhibit G: Fee Proposal [Questions 2 → 5]