

San Joaquin County Employee's Retirement Association (SJCERA)

**Request for Proposal No. 2010-01
Master Custodian/Securities Lending
and Integrated Disbursement Services**

**Response to Questions from Potential Proposers
January 22, 2010**

SJCERA received a total of 27 written questions by January 15, 2010. Each question submitted is stated verbatim, and questions on the same item in the RFP are grouped together with one answer following. Questions are listed in order of the page or part of the RFP to which they pertain.

1. Page 7, "C. Cash Management" - Please provide the annual average of uninvested cash by your investment managers.
2. Can you please indicate how much the average cash balance is maintained in the custodial accounts?

Answer:

This will be provided in an Excel spreadsheet directly to all firms who have submitted a Notice of Intent to Propose and will be made available to other bidders upon request via email to CustodyRFP@sjcera.org

Please see Tab 1, Average Cash Balance, of the Excel spreadsheet.

3. Page 7, "D, Securities Lending" - Please provide detailed asset holdings in Microsoft Excel format, including the following information:
 - a. Date (holdings as of)
 - b. Fund Name
 - c. Number of Shares
 - d. Valid Security Identifiers (CUSIP, sedol, etc.)
 - e. USD Market value
 - f. Country code
4. To help us craft a more customized, targeted proposal, please provide a detailed list of your current assets (security holdings and positions) beyond what is listed on page 48 of the RFP.

5. Please provide an asset list in excel for all active investment managers that would participate in securities lending. Please include security description, cusip, assets held, price, US market value and country of settlement. Please state if there are any restrictions on your program from a lending or reinvestment perspective.

Answer:

This will be provided in an Excel spreadsheet directly to all firms who have submitted a Notice of Intent to Propose and will be made available to other bidders upon request via email to CustodyRFP@sjcera.org

Please see Tab 2, Asset Holdings, of the Excel spreadsheet. Also cross reference with the last tab, Portfolio, to identify the separately managed accounts, account numbers and asset type.

6. What is SJCERA's current securities lending fee split?

Answer:

75% to Client / 25% to Custodian

7. Is SJCERA's securities lending cash collateral currently invested in a separately managed or commingled fund?

Answer:

Cash collateral is invested in a commingled fund.

8. Page 7, "E. Directed Brokerage Services" – It is not clear on what services you are requesting. Please describe how the incumbent provider handles directed brokerage services.

Answer:

The custodian has a broker network with which the managers may do business on a best execution basis for commission recapture for SJCERA.

9. Page 8, "F. Corporate Action and Proxy Processing", Item 4 – Can you please define what is meant by "applicable legislative actions"? What is your expectation?

Answer:

Consider item F4 on Page 8 hereby revised to read as follows: “Provide notification of pending corporate actions.”

10. Please provide the following information for pricing purposes (annual figures would be preferred):
- a. Number of depository buy/sell transactions (Fed, DTCC, etc.)
 - b. Number of commingled fund buy/sell transactions
 - c. Number of foreign exchange transaction performed with custodian vs. third party
 - d. Number of derivative transactions (i.e.; options, futures, swaps, etc.)
 - e. Number of wires (in and out)
 - f. Number of buy/sell transactions for non-US securities, broken down by country.

Answer:

- a. **See the spreadsheet for number of trades by asset type.**
- b. **59**
- c. **1720 with custodian; 297 with 3rd parties**
- d. **See the spreadsheet, Tab 3, Transactions Count. Derivative transactions are highlighted in gold background.**
- e. **34**
- f. **See the spreadsheet, Tab 4, Non US Buy Sell**

11. Please provide an estimate of annual transaction volumes for all buys, sells, futures, options, swaps, wires etc. Please breakdown by country.

Answer:

See the spreadsheet, Tab 3, Transactions Count. Derivative transactions are highlighted in gold background.

12. What were the annual fees for the last two years paid by SJCERA for Custody and Integrated Disbursement Services?

Answer:

Custody Fee Rate Schedule:

Flat Annual Domestic Fee \$50,000

Global custody fee 4 bps

\$25 per 3rd party FX trade

STIF 10 bps

Payments:

Custody \$112,023.76 (2009); \$132,332.08 (2008)

Payroll \$56,507.46 (2009); \$55,120.53 (2008)

13. Please state the total number of limited partnerships held in the LP account types i.e. Mesa West, Prima, AMB etc. based on in Exhibit 1 from the RFP.

Answer:

SJCERA L.P.'s are not fund of funds. The L.P.'s do hold individual properties, loans, securities, etc., but not other limited partnerships. The total number of limited partnerships is 14 as shown in Exhibit 1 in the RFP.

14. Please explain how the custodian accounts for the Manager of Manager accounts reflected in Exhibit 1. Are we only reflecting the Manager of Manager and total assets as a line item for all 5 underlying managers or individual positions we are holding in custody? Or does the custodian account for each manager separately i.e. 5 individual accounts for the Capital Prospects?

Answer:

The individual assets of each underlying manager are held in separate accounts for which the custodian is responsible. (5 individual accounts for Capital Prospects; 5 individual accounts for Legato)

15. Please describe your current fail float policy regarding buys and sells.

Answer:

SJCERA will hold "failing" party to be responsible for fees and penalties.

General Questions Regarding Integrated Disbursement Services
(Attachment D)

16. Is San Joaquin looking for check printing and cash management services only?

or

Is San Joaquin looking for benefit payment services, which includes:

- a. Gross to Net Calculation
- b. Federal and state tax calculations, withholding, depositing, and reconciliation
- c. Processing annual 945 tax form (Qualified Plans)
- d. Yearend tax-form processing (1099Rs)
- e. Withholding non-tax deductions (i.e. insurance premiums, tax levies, QDROs, garnishments, etc)

Answer:

SJCERA is looking for check printing and cash management services only.

We currently have an in-house payroll system to do the listed items. We need to be able to track the checks, for example when they are cashed and to see a copy of the check on-line. Our auditors verify cashed and outstanding checks during our yearly audit.

SJCERA is not at this time looking for benefit payments services that would include items a-e alone.

17. And if SJCERA is not specifically looking for the second option above would you consider bundled benefit payment services?

Answer:

We are not currently looking to bundle the benefit payment services.

18. Do you handle tax withholding and reporting in-house?

Answer: Yes

19. Do you want a proposal for providing tax-reporting services?

Answer: No

20. If so please indicate all the forms of tax forms being filed and needing support (ie 1099, etc)

Answer: N/A

21. Page 37, A3 - Please define what EDI payments are (versus payments by check, ACH/direct deposit, and Fed Wire).

Answer:

SJCERA currently sends all payments to our custodial bank via EDI. The EDI transmission is made up of ACH, paper check, and zero remittance advices. These items are printed and/or transmitted depending on the type of payment.

22. Page 38, A4 – Does SJCERA have a dollar limit on payments?

23. Page 38, A5 - Does SJCERA have a dollar limit on payments?

Answer:

We are currently limited to a 10 digit numeric amount that includes dollars and cents.

24. Do you have the ability to create an ACH file in-house? If so, would you prefer to continue to do the work in-house or would you consider using an external provider?

Answer:

No. We currently create our payment files in-house that is mixed with ACH and check data. The file is then split at our custodial bank and the ACH portion is sent separately for processing.

25. How does the incumbent support your integrated disbursement requirements?

Answer:

We currently send 2 monthly EDI files to our custodial bank at set dates to create payroll and vendor checks and ACH advices. These files are processed and the items are either mailed to us or the member on a next day turn around. We also have the ability to send EDI files twice a day to create offcycle checks that are sent

to us on a next day turn around. We have the ability to delete checks, look at the status of checks, and see all transactions that occur on this account.

26. Are you looking for a change to the way this is handled?

Answer:

It would be nice to have the checks and statements printed and mailed from the West coast for more timely delivery to our members, the majority of whom reside in California.

27. If you are looking for changes what would you want changed? Are you open to alternative processing methods or suggestions?

Answer:

We are always open to reviewing options.