



Colorado Public Employees'  
Retirement Association

Request for Proposals

for

GLOBAL CUSTODIAN  
and  
SECURITIES LENDING  
SERVICES

<b>SECTION 1 INTRODUCTION.....</b>	<b>4</b>
1-1 Purpose.....	4
1-2 RFP Objectives.....	4
1-3 Overview of PERA.....	5
1-4 Overview of PERA’s Investments.....	5
1-4.1 CIF Investments and Management.....	5
1-4.1.1 Statement of Investment Policy.....	6
1-4.2 Defined Contribution Investments.....	6
1-4.2.1 Statement of Investment Policy.....	7
<b>SECTION 2 CONDITIONS.....</b>	<b>8</b>
2-1 Sequence of Events.....	8
2-2 Explanation of Events.....	9
2-3 Response Format and Organization.....	10
2-4 Evaluation Criteria.....	11
2-5 Instructions for Submitting Proposals.....	12
2-6 Miscellaneous Information.....	12
2-6.1 On-Site Visits and Oral Presentations by Finalists.....	12
2-6.2 Quiet Time.....	12
<b>SECTION 3 MINIMUM REQUIREMENTS AND SERVICES.....</b>	<b>14</b>
3-1 General and Mandatory Requirements.....	14
3-2 Services.....	15
3-2.1 Accounting.....	15
3-2.2 Securities Settlement and Safekeeping.....	16
3-2.3 Cash Management.....	17
3-2.4 Corporate Actions, Class Actions, and Proxy Processing.....	17
3-2.5 Defined Contribution Retirement Plan.....	17
3-2.6 Technology.....	18
3-2.7 Compliance Monitoring and Reporting.....	18
3-2.8 Transition.....	19
3-2.9 Audit Requirements.....	20
3-2.10 Client Servicing.....	20
3-3 Value Added Services.....	20
3-3.1 Securities Lending.....	20
3-3.2 Performance Measurement Analytics.....	21
3-3.3 Risk Analytics.....	22
3-3.4 Datahub Services and Support.....	22
<b>SECTION 4 QUESTIONNAIRE.....</b>	<b>23</b>
4-1 Organizational Overview.....	23
4-2 Domestic and Global Custody Operations.....	24
4-3 Client Relations.....	25
4-4 Internal Controls and Risk Management.....	26
4-5 Securities Processing.....	26
4-6 Cash Management.....	27
4-7 Systems/Data Processing.....	28
4-7.1 Overview.....	28
4-7.2 Disaster Recovery.....	28
4-7.3 Online System.....	29
4-7.4 Compliance Monitoring.....	29
4-8 Accounting/Reporting.....	30
4-9 Performance Measurement/Analytics.....	32



4-10	Securities Lending .....	33
4-10.1	Program Overview .....	34
4-10.2	Lending Activities .....	35
4-10.3	Reporting .....	36
4-10.4	Third-Party .....	38
4-11	Risk Analytics .....	39
4-12	Datahub Services and Support .....	40
4-13	Defined Contribution Plan Support .....	40
4-14	Fees .....	40
4-15	Transition and Conversion .....	40
4-16	References .....	41
<b>SECTION 5 TERMS AND CONDITIONS.....</b>		<b>42</b>
5-1	General Terms and Conditions .....	42
5-1.1	Completeness .....	42
5-1.2	Requests for Modification of a Response .....	42
5-1.3	Provider Guarantees .....	42
5-1.4	Request for Clarification of RFP .....	42
5-1.5	Rejection/Waiver of Information.....	43
5-1.6	False or Misleading Statements .....	43
5-1.7	Public Records.....	43
5-1.8	Response Deadline.....	43
5-2	Terms and Conditions of Contract for the Successful Provider .....	44
5-2.1	Contract Award .....	44
5-2.2	Contract Execution .....	44
5-2.3	Term of Contract.....	44
5-3	Specific Conditions.....	44
5-3.1	Provider Responsibility.....	44
5-3.2	Confidentiality .....	44
5-3.3	Conflict of Interest .....	44
5-3.4	Hold Harmless.....	45
5-3.5	Nondiscrimination .....	45
5-3.6	Insurance .....	45
5-3.7	Termination .....	45
5-3.8	Assignments .....	45
5-3.9	Changes in Ownership Structure and/or Key Personnel .....	45
<b>SECTION 6 PERA RIGHTS.....</b>		<b>46</b>
6-1	Rights and Prerogatives .....	46
APPENDIX A	INTERNAL AND EXTERNAL MANAGER LIST	
APPENDIX B	STATEMENT OF INVESTMENT POLICY	
APPENDIX C	401(K) VOLUNTARY INVESTMENT PROGRAM STATEMENT OF INVESTMENT POLICY	
APPENDIX D	LETTER OF INTENT FORM	
APPENDIX E	RESPONSE AUTHORIZATION	
APPENDIX F	PERFORMANCE INDICIES BY PORTFOLIO	
APPENDIX G	SECURITIES LENDING GUIDELINES	



## SECTION 1 INTRODUCTION

### 1-1 Purpose

Colorado Public Employees' Retirement Association (PERA) is issuing this Request for Proposals (RFP) for the purpose of soliciting qualified firms to provide global custody and/or securities lending services for the investments of PERA. Additionally, PERA will consider selecting a third-party securities lending agent for a portion of the securities lending services. Global custody services would include settlement, safekeeping, delivery, investment accounting, income collection, securities valuation, daily investment performance reporting, compliance reporting, short-term cash investments, and other services in connection with these investments. Individual contracts with each Provider will result from this RFP: one with the selected Provider for global custody services, and one with the selected Provider for securities lending. In the event the global custody Provider is also selected to provide securities lending services, a third-party lending agent may also be selected.

Providers are encouraged to bid on either or both aforementioned services that they believe their institutions can adequately provide and meet minimum requirements (see Section 3). Providers must clearly indicate which services they intend to provide.

### 1-2 RFP Objectives

While specific requirements are provided within the respective service sections of this document, the PERA Board of Trustees' overall objectives for this RFP are to:

1. Select Providers who offer efficient, effective, and timely services and reporting.
2. Select Providers who offer product solutions that will support PERA's current and future custodial and securities lending needs.
3. Choose Providers who have demonstrated the ability to employ advanced technology in their own processes and who have assisted clients in applying technology to improve processes.
4. Establish optimal pricing for the services defined within this RFP.
5. Utilize services that will improve processing efficiency, effectiveness, and enhance control.
6. Select Providers with a best-in-class client servicing philosophy.
7. Ensure the safety of all securities held.



### **1-3 Overview of PERA**

PERA provides retirement and other benefits to the employees of more than 400 government agencies and public entities in the state of Colorado. PERA is the 25th largest public pension plan in the United States. Established by state law in 1931, PERA operates by authority of the Colorado General Assembly and is administered under Title 24, Article 51 of the Colorado Revised Statutes. PERA's membership includes employees of the Colorado state government, most teachers in the state, many university and college employees, judges, many employees of cities and towns, state troopers, and the employees of a number of other public entities.

The trust funds are invested by PERA under the direction of a board of trustees. PERA's investment strategy uses actuarially established investment objectives with long-term goals and policies.

For more information on PERA, a copy of the December 31, 2006, *Comprehensive Annual Financial Report* is included with the RFP or can be viewed online at [www.copera.org](http://www.copera.org).

### **1-4 Overview of PERA's Investments**

PERA manages, invests, and administers seven fiduciary funds, including four defined benefit plans, one defined contribution plan (broken into two separate components), one other post employment benefit plan, and one private purpose trust fund. All investments are pooled into the Combined Investment Fund (CIF), except for the defined contribution assets. As of December 31, 2006, the fair value of the CIF investments was \$38.8 billion and the fair value of the defined contribution investments was \$1.5 billion.

#### **1-4.1 CIF Investments and Management**

The CIF is invested in seven basic asset classes: domestic equity, fixed income, international equity, alternative investments, real estate, timber investments, and short-term investments. The actual market value (in thousands of dollars), target, and permissible ranges at December 31, 2006, are shown below.



	Market Value per Investment Portfolio	Target Allocation	Actual Allocation	Permissible Range
Domestic Stocks	\$16,797,970	45.00%	43.30%	42% to 48%
Fixed Income	9,122,695	25.00%	23.50%	22% to 28%
International Stocks	6,282,956	15.00%	16.20%	12% to 18%
Alternative Investments	3,223,315	7.00%	8.30%	4% to 10%
Real Estate	2,678,924	7.00%	6.90%	4% to 10%
Timber Investments	414,129	1.00%	1.10%	0% to 2%
Short-Term Investments	276,493	0.00%	0.70%	
Total Investments	\$38,796,482	100.00%	100.00%	

The various asset classes are managed using a combination of internal and external managers as shown in Appendix A.

#### **1-4.1.1 Statement of Investment Policy**

The PERA Statement of Investment Policy for all assets, excluding defined contribution assets, has been included in Appendix B.

#### **1-4.2 Defined Contribution Investments**

The defined contribution fund investment options and the fair value at December 31, 2006, are shown below.



**401(k) Voluntary Investment Program Investment Summary**  
**December 31, 2006**  
**(In Thousands of Dollars)**

	<u>Market Value</u>	<u>Percent of Total Market Value</u>
Northern Trust Short-Term Fund	\$99,520	6.6%
PIMCO Low Duration Fund	33,994	2.2%
PIMCO Total Return Fund	86,374	5.7%
Dodge & Cox Balanced Fund	250,645	16.6%
Vanguard Institutional Index Fund	68,593	4.5%
Dodge & Cox Stock Fund	157,459	10.4%
PERA Growth and Income Fund	320,128	21.1%
Fidelity Contrafund	202,641	13.4%
GMO U.S.Growth Fund	68,510	4.5%
American Funds EuroPacific Growth Fund	126,759	8.4%
Vanguard Small Cap Index Fund	14,735	1.0%
Fidelity Freedom Income Fund	2,437	0.2%
Fidelity Freedom 2000 Fund	5,047	0.3%
Fidelity Freedom 2010 Fund	10,060	0.7%
Fidelity Freedom 2020 Fund	11,184	0.7%
Fidelity Freedom 2030 Fund	7,221	0.5%
Fidelity Freedom 2040 Fund	4,862	0.3%
Member Loans	\$44,193	2.9%

**1-4.2.1 Statement of Investment Policy**

The 401(k) Voluntary Investment Program Statement of Investment Policy has been included in Appendix C.



## SECTION 2 CONDITIONS

### 2-1 Sequence of Events

<u>DATE</u>	<u>ACTION</u>
October 15, 2007	Issue RFP
October 29, 2007	Letters of Intent and Questions Due 4:30 p.m. Mountain time
November 7, 2007	Send Responses to Written Questions
November 16, 2007	RFPs Due 4:30 p.m. Mountain time
February 4, 2008	Announce Finalists
February 18 – March 7, 2008	Interviews and On-Site Visits with Finalists
February 29, 2008	Request for Additional Information Due
March 20, 2008	Recommendation of Award to Board of Trustees
April 11, 2008	Contract Finalization
May 9, 2008	Provider Submits Transition/Implementation Plan (if necessary)
October 1, 2008	Custodial and Securities Lending Service Begins

The sequence of events is provided as a guideline and is subject to change at PERA's discretion.



## 2-2 Explanation of Events

The following paragraphs describe the activities listed in the sequence of events shown in section 2-1.

1. Issue RFP
  - a. This RFP is being issued by PERA on October 15, 2007. Additional copies of the RFP can be obtained from the RFP Coordinator or can be downloaded from [www.copera.org](http://www.copera.org).
2. Letters of Intent and Questions Due
  - a. Potential Providers should hand deliver or return by facsimile or by registered or certified mail the "Letter of Intent Form" that accompanies this document (see Appendix D) to have their organization placed on the procurement distribution list. The form should be signed by an authorized representative of the organization, dated, and returned by 4:30 p.m. (Mountain time) on October 29, 2007.
3. Send Responses to Written Questions
  - a. Responses to written questions, amendments to this RFP, and any other document pertaining to this RFP will be sent via email on November 7, 2007.
4. RFPs Due with Signed "Response Authorization" (see Appendix E)
  - a. Proposals pertaining to this RFP will be due on November 16, 2007, by 4:30 p.m. Mountain time.
5. Announce Finalists
  - a. Finalists pertaining to this RFP will be announced on February 4, 2008.
  - b. PERA will provide a proposed global custody contract to the finalists.
6. Interviews and On-Site Visits with Finalists
  - a. Interviews and on-site visits with finalists will be conducted from February 18 – March 7, 2008. Details pertaining to the interviews and on-site visits will be presented to the finalists at a later date.
7. Request for Additional Information Due
  - a. If a request for additional information results from this RFP, the additional information will be due February 29, 2008, by 4:30 p.m. Mountain time.
8. Recommendation of Award to the Board of Trustees
  - a. After reviews of the proposals, interviews, and on-site visits are completed, a recommendation will be made to the Board of Trustees on March 20, 2008
9. Contract Finalization
  - a. The contract will be finalized with the selected Provider by April 11, 2008
10. Provider Submits Transition/Implementation Plan (if necessary) on May 9, 2008
11. Custodial and Securities Lending Service begins on October 1, 2008



## 2-3 Response Format and Organization

1. Submittal of ten (10) copies of the proposal is required, as well as a CD containing the full electronic version of the complete response, including the questionnaire and attachments as well as a redacted version of the "Copy for Reproduction" (see below). Two copies **must** have original signatures and eight copies can have photocopied signatures.
2. Two of the 10 copies must be **unbound**.
  - a. One of these unbound copies must contain **original signatures** and must be marked "**Master Copy**."
  - b. The second unbound copy must be marked "**Copy for Reproduction**," and **must** be formatted as follows:
    - No divider sheets or tabs;
    - Text only on **one** side of the sheet of paper (no double-sided pages); and,
  - c. Pages with confidential information must be marked and removed utilizing the following procedures:
    - Each page must identify the specific information claimed to be confidential.
    - Each page must be clearly identified by the word "CONFIDENTIAL" printed on the lower right-hand corner of the page.
    - Removed pages must be separately attached and included with a Cover Index (Confidential Response Transmittal Letter) bearing the Provider's name.
    - The Cover Index must list all pages that have been removed and each claim of exemption(s) identified for each specific claim of confidentiality.

Those responses not marked as indicated above are subject to full disclosure. In addition, the Provider(s) response may be rejected for not being responsive.

On the CD submitted, include an electronic version of the "Copy for Reproduction." This electronic version will be used to respond to Public Disclosure Requests made, if any, for a copy of your proposal. Delete only sections of confidential information, not the entire page unless the entire page can be defended as confidential. Where sections of confidential information have been deleted in this electronic version, insert this parenthetical text: "(CONFIDENTIAL INFORMATION REMOVED)" in at least 24-point type. Please secure this electronic version of the "Copy for Reproduction" on the CD in a manner which will still allow PERA to copy that protected electronic file onto its servers, but will not allow editing of the information, nor allow access to confidential materials or information.

Ten (10) copies of the proposal (including the two unbound copies) and the CD-ROM shall be delivered to the following address on, or before, **4:30 p.m. Mountain time, November 16, 2007**:

Colorado PERA  
ATTN: Tom Liddy, Director of Investment Operations  
1300 Logan Street  
Denver, Colorado 80203-2386  
Telephone: (303) 837-6210



**Responses may not be transmitted using electronic media such as facsimile transmission or electronic mail.** Providers mailing a response should allow normal mail delivery time to ensure timely receipt of their response by PERA. **Late responses, no matter what circumstances surrounding the lateness, will not be accepted, nor will time extensions be granted.**

The outside of the response packaging is to clearly identify the RFP number to which the Provider is responding. It shall be labeled with the firm's name and "RFP 10-01 – Global Custodian and Securities Lending Services."

PERA reserves the right to retain all responses and accompanying documentation submitted and to use any ideas contained in responses regardless of whether that response is selected. Responses retained shall become the property of PERA and will not be returned. Submission of a response constitutes acceptance of all conditions contained in this request for qualifications and quotations, unless clearly and specifically noted in the response submitted and confirmed and expressly accepted in the subsequent contract between the firm and PERA.

#### **Information and Format Requirements**

Response should be prepared on 8½ x 11 inch paper; however, 11 x 14 inch or 11 x 17 inch paper is permissible for charts, spreadsheets, etc.

***All of the conditions set forth in this section must be included and addressed thoroughly and completely by the Provider before PERA may accept a response to this RFP.***

When responding to this request, we encourage you to describe the ways in which you believe your organization's service capability is unique or would add particular value. Please be succinct in your answers and if certain services cannot be provided, please so state where appropriate.

## **2-4 Evaluation Criteria**

Providers will be evaluated on the basis of their written responses to this Proposal. Additional written information as requested and oral interviews, if any, will be considered against criteria that include:

1. Provider's overall ability to provide the scope of services required by PERA.
2. Provider's experience with tax-exempt clients and the depth of its custody products and service deliverables, and the availability and on-going accessibility of its key professionals, including the client servicing team to be assigned to serve the PERA relationship.
3. Provider's custody and core accounting platform used to meet PERA's needs and Provider's ability to support PERA's asset classes and holdings.
4. Provider's system and technology infrastructure used in the delivery of required services, specifically in the area of Internet-based online access and direct linkages to PERA for transactions, corporate actions, and other pertinent information required.
5. Provider's performance measurement and analytic capabilities for both liquid and illiquid asset classes.



6. Provider's securities lending capabilities, and its ability to manage a program that would generate incremental revenue to PERA with due consideration of risk management.
7. Provider's financial condition, credit ratings, and organizational commitment to the master trust/custody business.
8. The presence of potential or actual material conflicts between Provider or Provider's key professionals and PERA.
9. The overall quality of Provider's written proposal and oral presentation, if any.
10. Submitted samples of Provider's written materials presented to other institutional clients.
11. Provider's fee proposal.
12. Provider's commitment to PERA.
13. PERA's internal and external costs of the transition.

Fees and compensation will be important factors in the evaluation process; however, PERA will not be required to select the lowest-cost Provider.

## **2-5 Instructions for Submitting Proposals**

The RFP Coordinator is the sole point of contact for this selection action. Throughout the duration of the RFP process, all communications are to be directed, in writing, to the contact listed below. **Contact not previously authorized by the RFP Coordinator with other PERA staff or Board Members concerning issues related to this RFP will disqualify the Provider.**

Colorado PERA  
ATTN: Tom Liddy, Director of Investment Operations  
1300 Logan Street  
Denver, Colorado 80203-2386  
Telephone: (303) 837-6210

## **2-6 Miscellaneous Information**

### **2-6.1 On-Site Visits and Oral Presentations by Finalists**

Providers that submit a proposal in response to this RFP may be required to accommodate an on-site visit by representatives of PERA and/or Ennis Knupp (PERA's investment consultant). Should on-site visits be required, PERA will determine the occurrence, date, and time of such visits.

### **2-6.2 Quiet Time**

The Provider and its agents, officers, principals, and employees will not engage in any written or verbal communication during the selection period between the Provider, or any individual assisting the Provider to be selected and the PERA Board of Trustees and the Board Ad Hoc Committee, evaluation team, or any PERA employee, whether or not such individual or employee is assisting in the selection of the Provider, regarding the merits of the Provider or regarding whether PERA should retain or select the Provider.



The Provider will not engage in any lobbying efforts or other attempts to influence the PERA Board of Trustees, Board Ad Hoc Committee, the evaluation team, or PERA employees, in an effort to be selected as the Provider. Any and all such efforts made by the Provider or its agents, officers, principals, employees, or lobbyists will be disclosed to the PERA Board Ad Hoc Committee within five calendar days of becoming known.

The current Provider (The Northern Trust) is excepted from the restrictions above only for conducting normal business.

Violations of these Quiet Time provisions may result in disqualification.



## SECTION 3 MINIMUM REQUIREMENTS AND SERVICES

### 3-1 General and Mandatory Requirements

Unless otherwise specified, as of November 16, 2007, the Provider must meet all of the following mandatory minimum qualifications and services as outlined in order to be considered.

1. Must accept and enter into a written services contract as supplied by PERA.
2. Must agree to provide the minimum services as detailed in the "Minimum Requirements and Services" section, as well as all other requirements as stated in the Request for Proposals (RFP).
3. As of June 30, 2007, must currently have at least \$2 trillion in U.S.-based custody assets and be providing domestic custodial services for at least three (3) U.S.-based pension clients each with U.S. marketable security trust assets having a market value in excess of \$15 billion.
4. Must currently be providing, and have done so a minimum of five (5) years, international custodial services for at least five (5) U.S.-based clients each with international marketable security trust assets having a market value in excess of \$1 billion.
5. Must have an accounting system that provides PERA access to both U.S. and international securities accounts within a uniform framework of accounting treatment, reporting, and performance measurement.
6. Must be a U.S. domiciled trust company and a member of the Federal Reserve or a U.S. subsidiary of a foreign bank subject to the jurisdiction of U.S. courts.
7. Must be able to backload historic performance data into the Provider's performance measurement and analytics system for all asset classes, portfolios, and performance composites monthly back to 1997.
8. The Senior Account Manager proposed for this account must have a minimum of five (5) years experience administering both domestic and international custody accounts for similar size clients.
9. All financial reporting must comply with generally accepted accounting principles as defined for governmental pension and other post employment benefit trusts.
10. Must be a National Association of Securities Dealers member securities firm, a primary reporting dealer, or an FDIC insured bank.
11. Must have at least \$200 billion in a securities lending base on an agency or principal basis as of June 30, 2007.
12. Must have an average daily balance of securities loaned of more than \$10 billion during the past year, including a mix of fixed income, domestic, and international equities.
13. As of June 30, 2007, must have at least three (3) public fund clients with lendable assets of \$5 billion or more, and one of which must have assets exceeding \$15 billion.
14. Must have provided securities lending services for a minimum of five (5) years ending June 30, 2007.



15. Must provide at a minimum 100 percent indemnification for borrowers (including failure to return securities, failure to require and maintain adequate collateral, and bankruptcy of borrower).
16. The key professionals and/or the organization must not have, nor could they potentially have, a material conflict of interest with PERA.

## **3-2 Services**

The Provider must be able to provide all of the services listed below unless otherwise indicated:

### **3-2.1 Accounting**

1. Trade date multi-currency (local and U.S. dollars) accounting for all securities and full accrual accounting for all assets.
2. Accounting for all investments and all asset classes in PERA's portfolios including, but not limited to the following:
  - a. All income and security transactions (cash and non-cash) for all asset classes and for the various ownership structures (such as commingled trusts);
  - b. Securities lending;
  - c. Foreign tax reclaim receivables;
  - d. Capital changes including mergers, acquisitions, tenders, stock splits, warrants, and spin-offs;
  - e. Options, futures, swaps, and any other derivative instruments;
  - f. Forward foreign exchange contracts.
3. Payable date posting for dividends, bond interest and principal, and interest and pay-downs on mortgage pass-through certificates.
4. Accounting must be on a calendar year basis (January 1 – December 31).
5. A comprehensive pricing system must be in place to ensure the accuracy of the prices received from various external sources daily and at month-end.
6. Investments must be reported at cost and market value. Gains and losses on securities sold must be recognized on the basis of the average cost of the securities for all accounts.
7. Must provide daily positions with ability to post both pending trades and settled trades and cash equivalents.
8. The Provider confirms that all information concerning holdings and transactions will be available for inquiry, download, or print capabilities.
9. Fixed income discounts and premiums should be shown at purchase, but not amortized or accreted after purchase.
10. Must provide daily unitized pricing for all defined contribution portfolios.
11. Must provide technical expertise and assistance to PERA investment accounting and portfolio administration personnel including, but not limited to:
  - a. Assistance in identifying ways in which the Provider's resources, products, and information can be used to maximize efficiency;
  - b. Providing ongoing updates, information, and training concerning new investment instruments and accounting issues surrounding various investment types;
  - c. Providing technical assistance in implementing recently released accounting pronouncements issued by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB);



- d. Providing direct access to designated individuals to assist with technical questions;
  - e. Providing an account administrator(s) available by telephone between the hours of 7:00 a.m. and 4:00 p.m. (Mountain time);
  - f. Providing timely and satisfactory responses to inquiries and resolution to problems.
12. Accounting reports:
- a. Complete and forward transaction reports by the third business day. Complete monthly audited accounting statements by the fourth business day for domestic equities and cash portfolios, and by the sixth business day for fixed income portfolios and by the tenth business day for international equity portfolios. PERA and the Provider may mutually agree in writing to a later completion and or delivery schedule for transaction reports and audited accounting statements subject to availability of third-party information or substantive changes in portfolio composition or structure;
  - b. Provide an accurate audited report of all holdings, yearly transactions, and other pertinent investment data, in a format acceptable to PERA, no later than 30 days after the end of each fiscal year;
  - c. Monthly and yearly closed periods must be frozen to additional transactions except when mutually agreed upon by PERA and the Provider.
  - d. Provide current and future accounting reports requested by PERA at no additional charge.
  - e. All key reports need to be provided online, when requested by client.
  - f. Provide all audited month-end accounting reports in a format acceptable to PERA (currently pdf files).
13. Provide reports for GASB 28 securities lending note disclosures.
14. Provide data file and reports for GASB 40 investment risk disclosures.
15. Provide annual reporting for external financial auditors in a format and manner as they designate.

### **3-2.2 Securities Settlement and Safekeeping**

- 1. Provider must be a participating member and have access to securities settlement through Depository Trust Company (DTC), Federal Reserve wire system, Participants Trust Company (PTC), and at other depositories (both domestic and international).
- 2. Provider must provide settlement service on a delivery versus payment basis for all asset classes and the ability to settle and safe keep physically held securities.
- 3. Provider must execute foreign exchange transactions, monitor foreign tax liability and tax reclaim collection.
- 4. Provider must provide electronic access for trade data by PERA, consultants and investment managers, and any other third party approved in advance by PERA.
- 5. The Provider shall provide a comprehensive system for selecting subcustodians and evaluating and monitoring their internal control structures, performance, and financial condition. Include a chart of subcustodian network.



### **3-2.3 Cash Management**

1. Provide a Short-Term Investment Fund (STIF) for daily cash sweeps.
2. Provide for same-day settlement of cash trades, such as physical, DTC, and Fed wireable repo and term purchases.
3. Transfer cash between accounts, make and accept wire transfers of funds in both U.S. and non-U.S. currency (including provision of Fed reference numbers upon request).
4. Provide online reporting for daily cash activity, cash balance information, and notification of wire transfers.
5. Provide an interactive and secure transaction processing system for cash movements and wire transfers.
6. Assist with foreign currency conversion and movement transactions.
7. Provide a system that projects cash by account. Projections should incorporate STIF balances, dividend and interest income, and income from trade settlements, corporate actions, or other known cash flows.

### **3-2.4 Corporate Actions, Class Actions, and Proxy Processing**

1. Within a time frame sufficient for relevant receipt, analysis, and vote determination, provide proxies and proxy statements to PERA or their designee prior to annual and special meetings for U.S. corporations. For foreign corporations, such proxies and proxy statements will be provided subject to local market practice for international assets, but at minimum for the relevant market, in such a manner consistent with the practice of the Provider's industry peers.
2. At the option of PERA, provide proxy voting capabilities for U.S. and foreign holdings, including proxy voting services, notification of proxy information, translation of foreign proxies, and a monthly report detailing all proxy voting activity.
3. Within a time frame sufficient for relevant receipt, analysis, and processing, provide notification of corporate actions regarding conversion privileges, issuance of rights, mergers, tender offers, reorganizations, and other actions requiring decisions by PERA.
4. Provide the processing of securities class actions on behalf of PERA to include identification, analysis, communication, and processing of relevant litigation claims that affect PERA.

### **3-2.5 Defined Contribution Retirement Plan**

1. Support a 401(k) defined contribution pension trust fund for Colorado PERA members, which includes multiple component plans within the trust.
2. Provide customized daily and monthly reporting for the plan.
3. Provide a short-term investment fund as one of the investment options for plan members.
4. Provide Colorado PERA's 401(k) third-party administrator (TPA) with custodial and accounting support for all activities related to the plan including:
  - a. Provide daily Net Asset Value (NAV) accounting for the investment option that is internally managed by PERA staff.
  - b. Provide separate accounts for daily deposits (DDA) from employers, cash clearing activity, and for operating activity.



- c. Provide automated nightly prices feed for non mutual funds.
- d. Must be able to accept, via automated file, trade activity for non-mutual funds.
- e. Must be able to accept, via automated file, trust level activity for all funds (for posting to trust system and settlement.)
- f. Must send trade acknowledgment file daily.
- g. Must be able to accept a daily file with instructions to pull funding from employers to fund payroll contributions.
- h. TPA access to trust system for reports (for example, TPA needs a daily report of the funds received from employers.)
- i. Must be able to transfer funds to the TPA's bank for distributions.
- j. Must be able to settle all mutual fund trades.
- k. PERA staff and the TPA need access to the trust system to transfer money between the DDA account and the Clearing account. TPA's access must be administered and controlled by PERA.

### **3-2.6 Technology**

1. Provide an electronic daily and monthly file of all transactions in all PERA accounts to PERA's investment systems for the purpose of custodial reconciliation and verification beginning the second business day of the month for all accounts maintained by the Provider.
2. Provide online, real-time access to data held in the Provider's records.
3. Provide all reports requested by PERA. In addition, ad hoc query and reporting functions shall be available, and the Provider shall, by mutual agreement, and in a timely manner, provide additional custom reports as requested by PERA, at no additional charge.
4. Provide on-site training to PERA staff during the initial conversion process and at any time when substantial changes have been made to the master custody software or other information-delivery software.
5. Secure PERA records under the Provider's control from unauthorized access.
6. Secure and safeguard records against potential loss or destruction by fire, theft, vandalism, storm, earthquake, or any other hazard, by retaining backup data in a secure location so that records can be recreated that are current to the end of the last business day preceding the occurrence of such event.
7. Have an established and proven plan for business continuation in emergency situations, have the capability to recreate records and resume operations within 24 hours of any occurrence of any major disaster or other cause that destroys records and/or interrupts normal operation of the Provider's systems, and must guarantee such continuation of service within 24 hours.
8. Retain computer records of all audited investment transactions and month-end positions on electronically readable storage media for seven years. The Provider shall assure that records maintained on electronically readable storage media are checked for viability on an annual basis and migrated, if necessary, to more current technology in order to maintain accessibility during the entire retention period.

### **3-2.7 Compliance Monitoring and Reporting**

1. Provide specialized reporting including equity and fixed income calculations supporting PERA's compliance with statutory requirements.



### 3-2.8 Transition

1. Should this search result in the selection of a new Provider, the new Provider will perform all procedures necessary to convert from the current Provider's (The Northern Trust) system to the new Provider's system of record:
  - a. The Provider shall present to PERA management a detailed plan for, as well as schedule of, the transition from the current Provider, The Northern Trust, to the new Provider. The plan and schedule must include the timing of each phase of the transition as well as the proposed involvement of the Provider's employees in the process, the level of involvement anticipated from PERA's employees, and the proposed involvement of the current Provider in the transition process.
  - b. The Provider will reconcile custody positions to the prior Provider's records, research all reconciling items, and correct all position discrepancies.
  - c. All interfaces, including, but not limited to, those to PERA, outside investment managers, pricing services, and others, must be ready and adequately tested prior to conversion or an acceptable alternative provided as mutually agreed.
  - d. The asset conversion process, including the reconciliation of custody positions, values, outstanding foreign tax reclaims, receivables, or liabilities, and the proper identification of reconciling items must be completed by August 31, 2008; all parallel processing shall run through September 30, 2008, with full operation on October 1, 2008.
2. Upon termination of the present contract, the current Provider shall cooperate fully with the successor Provider to facilitate the transition from the current Provider's system to the successor's system.
  - a. During transition, the current Provider shall provide to PERA and the successor any information about the current Provider's system as may reasonably be needed by the successor to prepare for and effect the transition. Such information might include data formats, data element definition, update frequencies, etc. The current Provider shall not be expected to provide proprietary information about its internal systems.
  - b. The current Provider shall provide to the successor a copy of all PERA data in a mutually agreed form and format for test purposes.
  - c. On the effective date of the conversion from the current Provider to the successor Provider, the Provider shall provide a complete final copy of all current PERA files to the successor. To complete close-out of transactions in process, suitable and mutually agreed arrangements shall be made between the current Provider, PERA, and the successor for processing of such transactions received subsequent to the effective date of conversion.
  - d. The current Provider shall make a continued effort to collect tax reclaims due PERA and coordinate with the successor Provider on outstanding claims.



### **3-2.9 Audit Requirements**

1. Afford necessary PERA staff, its internal auditor, and its external auditors continued access to the Provider's corporate audit staff and make available information from the corporate internal audits such as audit reports and the working papers of the Provider's internal audit division that pertain directly to the services utilized by PERA, as long as such access does not violate client confidentiality, contractual obligations of the Provider, or applicable federal or state laws or regulations.
2. Name the Provider's clients as intended users of the annual Provider's Public Fund Services Statement on Auditing Standards No. 70 (SAS 70) report. Assure a statement to this effect is included in the auditor's opinion letter as such. Provide a copy of the SAS 70 Type II report to PERA when completed.

### **3-2.10 Client Servicing**

PERA is a "hands-on" organization that requires access not only to account administrators but to technical staff in investment transaction processing, accounting report preparation, performance and risk analytics, technology and any other functional area that affects our account. The operational support, flexibility, accessibility, and responsiveness of institutions submitting proposals will be carefully weighed.

1. The Provider shall make appropriate personnel available to meet with PERA staff on-site, at dates and times determined by PERA, at least monthly, or more frequently if required by PERA, to discuss services related to PERA's needs.
2. The Provider must have in place a relationship management protocol that assures the appropriate escalation of and timely resolution to issues and special projects within the context of the PERA relationship.
3. PERA staff shall have direct access to specialists in each functional area to discuss processing issues as they arise.

## **3-3 Value Added Services**

### **3-3.1 Securities Lending**

1. Provide securities lending services for eligible domestic and international securities on either a principal or an agency basis.
2. Establish a list of eligible borrowers and a maximum amount that may be borrowed by each borrower. Conduct ongoing reviews of borrowers' qualifications and the balance on loan relative to borrowers' lending limits.
3. Require that all loans of securities be collateralized by either cash or securities.
  - a. Domestic securities must be collateralized at no less than one hundred and two percent (102%) of market value, plus accrued interest, at all times.
  - b. International securities must be collateralized at no less than one hundred and five percent (105%) of market value, plus accrued interest, at all times. All international loans and proceeds will be negotiated and settled in U.S. dollars.



4. Reinvestment of cash collateral and securities received as collateral will be restricted to investments approved by PERA investment guidelines in advance.
5. Provide for next day liquidity at the option of PERA for any securities on loan.
6. Collateralize and mark-to-market all loaned securities on a daily basis. Loans with insufficient collateral must be adjusted within 24 hours and prior to the securities being re-loaned to the same borrowers (see 3. above).
7. Make available a daily report of collateral, identifying daily collateral required and pledged, and a monthly report on securities lending activity and outstanding loans, including amounts by borrowers.
8. Collect all interest, dividend, or other distributions with respect to any loaned securities.
9. Must have the ability, upon request, to preserve PERA's voting rights for proxies by requiring all identified loaned securities be returned to PERA prior to the record date of the security.
10. Must provide at a minimum 100 percent indemnification for borrowers (including failure to return securities, failure to require and maintain adequate collateral, and bankruptcy of borrower).
11. Provide other monthly, quarterly, and annual reporting as required by PERA.

### **3-3.2 Performance Measurement Analytics**

1. Calculate daily (unaudited) and monthly (audited) gross and net-of-fee time-weighted total returns for all domestic equity, international equity, and fixed income portfolios and composites.
2. Produce daily and monthly reporting of actual performance versus benchmark performance for all domestic equity, international equity, and fixed income portfolios and composites.
3. Calculate net-of-fee time weighted total returns for the alternative investment asset class and composites, the real estate asset class, and the timber asset class, and composites.
4. Produce monthly, quarterly, and annual reporting of actual performance versus benchmark performance for alternative investments, real estate, and timber.
5. Calculate gross and net-of-fee time weighted total returns for the total fund.
6. Produce daily and monthly reporting of actual total fund performance versus policy benchmark performance.
7. Produce total fund reporting (electronic report and electronic file) that addresses all asset classes, portfolios, composites for the month, quarter, year-to-date, 1-year, 3-year, and 5-year periods and includes time weighted total returns and benchmark returns for all periods.
8. Produce historical performance and risk analytics (such as tracking error, information ratio, etc.).
9. Produce attribution at the security level and benchmark sector level that includes comparison to benchmark performance for domestic equity, international equity, fixed portfolios, and composites.
10. Calculate benchmark Internal Rate of Returns (IRR) for alternative investment funds and timber funds and compare to customized index.
11. Accept historical data electronically into a system, such as Private I, for the purpose of creating IRRs.



12. Record market value and cash flows for assets not kept in a custodial account.
13. Record fee information for purposes of creating a net-of-fee calculation.
14. Provide performance reporting by the 25th calendar day of the month.

### **3-3.3 Risk Analytics**

1. Produce holdings-based ex-ante risk analysis for the total fund, each asset class, and each portfolio that includes the following:
  - a. Total risk (for both the portfolio, asset class or fund, and the related benchmark)
  - b. Active risk
  - c. Value at risk
  - d. Contribution to total risk and active risk
2. Produce holdings-based risk analysis for the total fund, the fund's liabilities, and the fund's surplus/deficit.

### **3-3.4 Datahub Services and Support**

1. Provide daily Security Master File (SMF), holdings, income payable/receivable, transactions, and cash files for all portfolios in PERA's specified format.
2. Provide monthly SMF, holdings, income payable/receivable, transactions, and cash files for all portfolios in PERA's specified format. Month-end files will be needed beginning the second business day after month-end through the seventh business day. A final audited month-end file must be provided no later than the next to last business day of the following month.
3. Provide monthly SMF and holdings files for all commingled portfolios in PERA's specified format.
4. Provide support for PERA's datahub including support personnel programming change capability.



## SECTION 4 QUESTIONNAIRE

**All responses should be in the following format:**

**Section Title**

**1. Question Number**

**2. Question**

**3. Response**

### **4-1 Organizational Overview**

1. Provide the name, title, address, e-mail address, telephone, and fax numbers of the contact person from your firm whom we may contact with questions regarding your response.
2. Identify the names and functions of any outside firms with whom you will subcontract to provide the services requested under this RFP. Provide the length of your relationship with each firm.
3. Briefly describe each of your organization's core business units and the percentage of revenue and earnings derived from each.
4. Describe any organizational changes that occurred or were announced during the past three years and their effect on your firm (such as structural changes, departures of key personnel).
5. Please describe the following based on the three years leading up to June 30, 2007:
  - a. Your master custody service capabilities including those items that currently set you apart from your competition.
  - b. What percentage of the organization's revenues come from the custody division?
  - c. What percentage of the organization's net income comes from the custody division?
6. List and briefly describe any new custody services/product improvements that have been released in the past three years or will be released into production within the next year.
7. What is the name of the Federal Reserve branch that the Provider will use to serve PERA's account?
8. If you have recently completed or proposed a merger with or acquisition of another bank, please describe:
  - a. The combined entity's progress toward identifying surviving systems.
  - b. Impact of the merger on systems proposed, including transition times.
  - c. Plans for the management organization of the new entity.
  - d. Any other related issues significant to services proposed.



## 4-2 Domestic and Global Custody Operations

1. Briefly describe the structure of each area of your organization that provides institutional custody services. Please name all key personnel in the area and include a short summary of each individual's background. Please identify any recent changes to the area's structure or staffing.
2. Please describe your organization's approach to custody client staffing (such as team, relationship manager supported by several areas), including a description of the client service arrangement you will provide to PERA. Describe the responsibilities of each person assigned to a typical custody relationship.
3. Provide biographical sketches of key individuals who will be assigned to the PERA account; include a list of relationships they are engaged with: executive management, investment accounting, trade settlement, performance measurement and risk analysis, compliance, and account administration.
4. Explain how you transition duties when staff turnover occurs.
5. Please provide the total assets and number of U.S.-based custody clients by type as of June 30, 2007:

	Number of Clients							Total Assets \$bn
	<\$100mm	\$100 to \$500mm	\$500mm to \$1 bn	\$1 to \$5 bn	\$5 to \$15 bn	>\$15 bn	Total Clients	
<ul style="list-style-type: none"> <li>• Corporate</li> <li>• Taft-Hartley</li> <li>• Public Endowments/ Foundations</li> <li>• Insurance</li> <li>• Defined Contribution</li> <li>• Mutual Funds</li> <li>• Other (Please Specify)</li> </ul>								
<b>Total</b>								

6. Please provide the following information:
  - a. Number of public fund relationships (DB)
  - b. Median public fund (DB) account size
  - c. Largest three public fund (DB) relationships and tenure – size and name
  - d. Largest three Defined Contribution (DC) relationships and tenure – size and name
  - e. Mean custody account size
  - f. Median custody account size
  - g. Custody clients and custody assets gained/lost in the past three years and the reasons for lost clients
  - h. Number of custody relationship managers
  - i. Average client-to-relationship manager ratio



- j. Total institutional custody employees
7. Provide an overview of your global custody capabilities. Include when you began offering global custody services and how you differentiate yourself from the competition.
  8. List the number of U.S. clients and the number of portfolios for which you have global custody, including the amount of non-U.S. assets.
  9. Do you use international central depositories for clearing and/or holding?
  10. Do you have multi-currency accounting and reporting capabilities? Describe.
  11. Do you process tax reclaims?
  12. Does your insurance cover all of your global custody activities?
  13. Are you currently on the SWIFT system?
  14. How many sub-providers are in your network and how are they selected and subsequently monitored? Please provide a list of all sub-providers used to provide international custody services with the corresponding countries and indicate the number of years that each has acted in that capacity for you.
  15. How often do you review the performance of subcustodians and visit their offices?
  16. What is your current LACE rating?
  17. What are your procedures in the event of a Fed system failure or slowdown?
  18. Describe the funds transfer system including options, guaranteed settlement times, and latest times for same day settlement.
  19. Does the system allow for an audit at the request of the client?
  20. Briefly describe the procedures for registering or re-registering a security. What is the standard for timeliness in registration transfers?

#### **4-3 Client Relations**

1. Describe your client relations process:
  - a. Formal and informal oral and written communications
  - b. Inquiry and problem resolution processes
  - c. Information on available services and service delivery issues
  - d. Training in the use of the services and systems
2. Describe any training/technical assistance in accounting and performance measurement and analytics, new investment vehicles, implementation of new accounting standards, and industry developments.
3. Do you provide or require continuing education for your staff?
4. Do you provide business process reviews for clients' accounting, settlement, or performance reporting operations? If so, provide examples and results of the analysis.
5. Describe any educational events or client conferences you sponsor for your custody clients with a schedule of any events planned.
6. Describe the research capabilities and services that your firm or affiliated firms are able to provide to custody clients. Include services such as economic and market overviews and forecasts, research reports, ad hoc analyses, access to data sources, analytic tools, and conferences. Please indicate if custody clients receive these services as a part of base custody fees or for a discount (and the extent of the discount). Indicate if there are any limitations or conditions on the access to or use of these services by custody clients.
7. Indicate how customer satisfaction is monitored, and whether clients are provided with the ability to participate in annual evaluations of their support group as well as



overall service performances. If so, the Provider must provide the results of its most recent customer evaluation.

#### 4-4 Internal Controls and Risk Management

1. Identify the external entities that audit, regulate, and/or review your custody services. Provide copies of regulatory audit reports and management letters issued by independent auditors over the last three years.
2. Describe how your risk department is structured and its main objectives and any enterprise risk management programs, tools, or policies you have in place.
3. Do you conduct Statement on Auditing Standards No. 70 Type II reviews? If yes, how often? Please provide copies of the last two reports.
4. 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/Deductibles
5. What steps are taken to ensure the accuracy of your pricing reports? Who is responsible to ensure accuracy? Does an account officer sign and certify the reports?
6. What controls are in place or are you capable of installing to ensure that account activity is authorized?
7. Describe your personnel policies regarding background checks on employees and agents. What criteria would disqualify an applicant from employment based on the results of a background check?

#### 4-5 Securities Processing

1. Describe your clearance and settlement process for domestic and international securities transactions, including depositories used and your involvement with them. If you use a central depository, is your firm a direct participant in that depository? Please provide your average daily transaction volume by depository.
2. How are you made aware of settlement problems and at what time (how soon after settlement date)? Briefly describe your policies and procedures on failed trades and the steps that will be taken to minimize these occurrences. Describe your policy regarding restitution of lost interest for PERA on a failed trade.
3. What was the trade volume (number and market value size) that you processed for the year ending June 30, 2007, and failed trades for U.S. securities? Please report in the following format:

Trades	Volume (Number)	Total Market Value in US\$ millions	Fail Rate (%)
Purchases			
Sales			

4. Briefly describe the method that you will recommend to PERA to communicate trade instructions for settlement and provide the instruction deadlines for all asset classes.



5. Describe how you handle and process information on corporate actions (such as tender offers, exchange offers, etc.)
6. What sources are used for dividend information and corporate actions? How is this conveyed to clients?
7. Describe how you distribute proxy information. What controls, if any, are in place to ensure receipt and timely distribution?
8. Briefly describe how you handle class action suits. What services surrounding litigations do you provide?
9. Describe the procedure for collecting proceeds from maturing securities, paydowns, periodic interest and dividends, corporate actions, tax reclaims, broker claims, etc.
10. How does your service to your clients' internal investment managers differ from that provided to their external managers?

#### **4-6 Cash Management**

1. Describe your cash management policies and procedures regarding the purchase and sale of securities and receipt of income.
2. What are your policies and procedures for investing daily surplus cash balances that are not used by investment managers?
3. Briefly describe your policy regarding overdrafts (daylight, end-of-day balance). If excess cash is swept, can overdraft charges be netted against STIF income at the same rate?
4. Please include a description of all available cash management vehicles for qualified retirement plans. Include all fees, frequency of fund opening/valuation and investment results for the past three calendar years ending December 31. Describe the investment guidelines and policies (risk analysis, approved investments, asset allocation, average duration to maturity and to reset, liquidity requirements, quality, term structure, diversification, etc.) of your short-term investment funds.
5. Have any of your short-term investment funds defaulted during the past three years? If so, please explain the circumstances of the default, recovery of investment, allocation of loss, etc. Did any participants incur a loss? Were adjustments made to your investment guidelines/policies to avoid a similar problem?
6. What are the daily notification deadlines for outgoing wire transfers?
7. What is the daily deadline for receiving incoming wire transfers in order to ensure same-day investment?
8. Can you accommodate the use of outside Short-Term Investment Funds (STIF) if directed?
9. What types of international interest bearing accounts (and corresponding minimum balances requirements) are available for free cash balances? Do funds remain on account until day of settlement? How often is associated income paid? What is your repatriation process?
10. Describe your domestic and international cash forecast reports, the communication media and timing required, the process of receiving information from investment managers on day's cash needs, number of days forecast, and detail available.
11. Describe special procedures for the processing, valuing, and reporting of currency overlays, options, forward contracts for both domestic and international investments.



12. What is your policy toward the crediting of interest and dividends on payable dates? Are income payments credited in same day funds?

## **4-7 Systems/Data Processing**

### **4-7.1 Overview**

1. Name and briefly describe your custody system. Where is the system located? When was the system introduced? How much downtime has the system experienced in each of the past three years?
2. How much has your organization dedicated to custody-related hardware and software enhancements/upgrades during each of the past three years in dollar terms and as a percentage of total custody operating expenses?
3. Describe the technology aspects of your custody system that would be considered "best of breed" and key differentiators as compared to your competition.
4. Briefly describe your planned system enhancements for the next three years. Will these enhancements be developed internally or purchased from an outside vendor? How much money have you committed to these enhancements for each of the next three years?
5. Is the system dedicated to custody or shared with other units within your organization?
6. Describe the service level support standards we can expect to receive as users of your custody system.
7. Is the institutional custody operation supported by a dedicated data processing, programming and application development staff? How many programmers/analysts are assigned to the area?
8. Briefly describe the custody system recovery capabilities including backup, fault tolerance, high availability, and disaster recovery.
9. Please describe the security measures in place to protect against unauthorized access to the custody system.
10. What is distinct about your custodial capabilities that we should know about?

### **4-7.2 Disaster Recovery**

1. Please describe your general backup procedures in the event of an in-house systems failure or a material business disruption (expected to impact operations for more than 8 hours).
2. Will you provide an emergency contact tree, such as contact information for all the Provider's employees that PERA might need to contact in case of disaster? The contact tree should include the contact information for employees in operations up through senior management.
3. Please describe your procedures in the event of a Fed system failure or slowdown.
4. Describe the frequency of disaster recovery and business continuation testing.



### 4-7.3 Online System

1. Please provide the following information related to your online system:
  - a. Name
  - b. Version and release date
  - c. Design
  - d. Inquiry features
  - e. Reporting capabilities
  - f. Flexibility
  - g. Security features
  - h. Access (Toll dial/toll free deal/Internet)
  - i. Supports modem pool (yes/no)
  - j. Consultant access (yes/no)
  - k. On-site training for clients (yes/no)
  - l. Online delivery of accounting reports (yes/no)
  - m. Online delivery of performance reports (yes/no)
  - n. Installation and annual fee
  - o. Frequency of data
  - p. Downloadable to Excel (yes/no)
  - q. Help desk staff (number of employees) and hours
  - r. Commingled fund "look through" to underlying holdings (yes/no)
  - s. Ad hoc report generator (yes/no)
2. What is the lag time between trade execution, availability of online transaction data to the client and the posting of the transactions to your accounting system?

### 4-7.4 Compliance Monitoring

1. Do you offer a system for monitoring a client's investment managers for compliance with investment guidelines? If so, does it offer:
  - a. Portfolio holding tests performed on the portfolio data (for example, test the maximum total domestic equity as a percent of total assets)
  - b. External data tests that require data available from external database sources (such as credit ratings of fixed income instruments, portfolio benchmark data)
  - c. Derivatives tests that measure the exposure to derivative instruments
  - d. Risk management tests that measure the risks associated with individual portfolios as well as the total fund (for example, value-at-risk analysis)
2. Is this compliance monitoring system a feature of your online system? If so, what was the release date and how many clients are currently using it? If not, is there a proposed release date?
3. Comment on your ability to monitor an investment manager's trades for extreme positions that could indicate unauthorized/rogue trading. Can these trades be identified before settlement?
4. Describe your ability to provide specialized reporting including equity and fixed income calculations supporting PERA's compliance with statutory requirements.



## 4-8 Accounting/Reporting

1. Provide a complete description of your accounting system including, but not limited to:
  - a. Processing cycles (cut-offs)
  - b. Reconciliation reports and processes
  - c. Interfaces with securities movement
  - d. System integration with multi-currency accounting
  - e. Delivery time for performance measurement
  - f. Internal accounting controls subject to independent audit
2. How are periods closed? Can closed periods be opened? Can performance figures be updated?
3. Describe your process of restating incorrect accounting statements and publishing new reports.
4. Discuss your standard reporting package for the master custody and/or securities lending program:
  - a. How frequently are reports produced?
  - b. In what format are reports available?
  - c. Describe any unique features of your standard reporting package.
  - d. What steps are taken to ensure accuracy of the reports?
  - e. Are reports audited before being sent to clients?
  - f. How soon after month-end are audited reports available?
  - g. Provide a copy of your standard month-end reporting package.
5. Describe your process for providing customized reports to our specifications, both at the onset of the relationship and ongoing. Provide turn around times for customized reporting requests. Is customization available to the end-user through ad hoc query tools?
6. Is the transmission process of reports overnight, and if so, are intra-day transmissions available if needed?
7. Discuss your online reporting information and capabilities for the master custody and/or securities lending program:
  - a. Are custody and/or securities lending data available via the Internet? If so, what standard reports are available?
  - b. What information is updated for download on a daily basis? (Holdings in cash collateral, investment account, securities on loan)
  - c. How often is the information updated? Is it real time?
  - d. Are customized reports available online? If so, describe custom reporting flexibility and limitations. Can standard and custom reports be exported? If yes, what spreadsheets or other tools can the client use to import these reports? How many clients are currently using your online service?
  - e. Which reports are not available online? Do you plan to move them online? If so, when?
8. Do your online systems report the same information as your audited accounting systems once audited values are available? Are they derived from the same system? Are securities lending reports generated from the same system?
9. What types of commission/transaction cost reports are available? Is failed trade reporting available? If so, please describe.
10. Are you able to provide statements on an accrual/trade-date basis showing both realized and unrealized gains and including pending transactions?



11. How long do you retain historical information/statements (asset values and transactions)? Describe your archiving process.
12. Explain your capability to provide historical transactions and holdings reports. Can you back-load historical client account and transaction data into your system to provide reports for a complete year, even if you were not the Provider for the full year?
13. Describe your procedures to verify that transactions and holdings statements balance with those of investment managers. How do you resolve differences?
14. What is your source of securities prices? What procedures ensure accurate pricing? What procedures do you have in effect, if any, to flag and investigate unusual or significant pricing changes from the previous day? Describe your procedures for reconciling prices with investment managers.
15. How do you price securities that are not available from your pricing service, such as private placements? Describe your process of pricing derivative securities and non-traditional fixed income securities (such as 144As).
16. For multi-currency reporting, does the report identify the country, the industry, and security? Do you have the capacity to report in both the local currency and translate to the reporting currency?
17. Describe your ability to set up proactive exception reporting for trading, income, corporate action notices, and asset holdings.
18. How many professional accounting staff would be devoted to our daily, monthly, and annual accounting activities? What are the qualifications of your client service accountants? List the titles, experience, and education of each client service accountant who would service this account.
19. Describe your policy and process of writing off receivables.
20. What reporting is provided to assist in satisfying GASB 28 requirements? Please provide examples.
21. What reporting is provided to assist in satisfying GASB 40 requirements? Please provide examples.
22. Does your system report or accommodate trade date, contractual settlement date, cash basis accounting, or a combination? What other methodologies are available?
23. Can your system maintain the original face amount purchased and the book value at original cost? In addition, does it maintain the current value at average cost, or some other cost based on an accepted costing method? Please specify.
24. Explain the methodology and policies in place for accrual accounting. What transactions are not accrued?
25. How do you compute realized gains and losses?



#### 4-9 Performance Measurement/Analytics

1. Describe the performance measurement the analytics organization. What is the typical staff-to-client ratio? What is the average number of years of professional performance measurement and analytics experience?
2. Describe the resources available to support the staff analyzing the data.
3. Describe your domestic and international performance measurement system and its capabilities. Specifically, describe how information is loaded into the system (for example electronically, manually) by asset class, including alternatives and the timing for loading data (daily, weekly, monthly).
4. Discuss your products in terms of content, timeliness, and delivery method. Please comment on your abilities to report on the performance of alternative investments in addition to traditional asset classes (address time-weighted returns and IRR calculations).
5. Can your performance system provide net and gross time-weighted returns?
6. Describe the types of performance attribution analysis reports you provide. Is performance attribution available at the security level? For all securities in a portfolio? Is performance attribution available at the benchmark sector level? For international portfolios, is attribution available at the country level? Describe your approach to fixed income attribution.
7. Provide sample copies of performance measurement, performance attribution, and analytics reports for a domestic equity portfolio, an international equity portfolio, a fixed income portfolio, and a consolidation of all portfolios. For each sample report, identify the portfolio characteristics that are tracked. What is the earliest date after the end of the reporting period each is available?
8. In what delivery formats are reports available? (Hard copy, electronic). With what frequency do you produce each report and when does the client receive them? Identify which of the reports are the result of:
  - a. Internal development
  - b. External development
9. Are performance measurement and analytics available on an online system? If so:
  - a. Can raw data be downloaded? (Raw data would include portfolio aggregate statistics as well as security specific characteristics, such as rate of return, risk, P/E ratios, dividends, yields, and similar items.)
  - b. Can a report writer be used to customize reports?
  - c. How soon after the end of the reporting period will the data be available online?
  - d. What performance measurement, performance attribution, and analytical information is available online?
  - e. What additional external or internal performance measurement and analytical databases are accessible?
  - f. What historical period is available online?
10. Explain how your performance system handles financial futures, options, index futures, convertibles with currency features, warrants, rights, forward contracts; venture capital and private equity limited partnerships, and real estate: U.S. and non-U.S. where applicable.
11. For all performance indices listed in Appendix F indicate which are available for performance reporting, comparisons and attribution, their source, and the manner



- and timing in which you receive them. Indicate the universes that are available for comparison, their source, and the manner and timing in which you receive them.
12. Discuss your policies and procedures that ensure accounting records conform to the performance data. What procedures exist to verify the accuracy of rates of return? What reports are provided to clients that reconcile accounting information and performance information? Do you have a procedure to verify returns with investment managers? What percentage of the returns that you calculate are verified with investment managers? Can performance data remain unchanged when "effective date" postings are made to accounts?
  13. Discuss the delivery mode and timing of your ability to provide raw data and rates of return to clients' performance measurement vendors.
  14. Describe the performance service(s) you offer including their respective methodology. Are these performance services included in your core services or are there additional fees?
    - a. What information can be accessed via the online system?
    - b. What types of customized reporting capabilities do you provide in your online tools? What support do you provide staff in setting up their own custom reports using your online tools?
    - c. Please indicate how soon after a reporting period final information can be accessed (for example, rates of returns, market values, holdings information).
    - d. Describe any unique features of your performance system.
  15. What plans do you have for enhancing your performance systems? Please provide a release schedule for enhancements.
  16. Can you provide holdings information for commingled funds on a monthly basis?
  17. For how many pension clients are you providing daily performance reporting? What are the total assets for which you provide performance reporting? What challenges have you encountered in implementing daily performance reporting for those clients? Please give some examples of challenges encountered and how they were overcome.
  18. Please provide a separate book of all sample reports you provide for clients.

#### **4-10 Securities Lending**

*Questions 4-10 – 4-10.4 should be answered by Providers responding only to the Securities Lending portion of this RFP.*

1. What is the name of the Provider?
2. What is the address of the Provider?
3. Who is the person who should be contacted regarding answers to questions related to this?
4. What is the telephone number, e-mail address and fax number for the person in question 3 above?
5. What is the name of the Federal Reserve branch that the Provider will use to serve PERA's account?
6. What is your current LACE rating?
7. What is the latest year for which there are financial statements audited by an independent certified public accounting firm?
8. Is the opinion rendered in connection with the audit of these financial statements unqualified? If not, please explain.
9. Describe the lines of business of the parent organization. Give a brief overview of the organization.



10. Describe the securities lending process, its position, and level of importance in the organization, and the firm's commitment in the context of its overall corporate strategy.
11. Describe the ownership structure and how it relates to the parent organization and its affiliates.
12. Describe any significant developments over the past three years in terms of change in ownership, restructuring, and personnel reorganization.
13. Are you a registered investment advisor under the Act of 1940?
14. If you are a third-party securities lending agent, how do you coordinate lending activity with the Custodian? Do you have systems set up to ensure seamless transmission of data between yourself and the Custodian? Name the Custodians with whom you work.
15. Describe any recent litigation, legal proceedings, or investigations of the firm.

#### **4-10.1 Program Overview**

1. Please provide the following information:
  - a. Inception date of lending program
  - b. Number of participating clients, including number of public clients
  - c. Average client size in terms of lendable assets
  - d. Domestic collateral requirement (%)
  - e. International collateral requirement (%)
  - f. Number of borrowers
  - g. Location of lending offices
  - h. Twenty-four hour lending (yes/no)
  - i. System for monitoring policy compliance (yes/no)
  - j. Online monitoring of collateral investment (yes/no)
2. Describe your securities lending program for public pension funds. Include a brief history, including how long your firm has been involved in securities lending. Describe the organization and its structure, including:
  - a. Number of employees
  - b. Names of key staff and their experience
  - c. Staff turnover in the last three years
  - d. Size of lendable asset base
  - e. Significant development over the past three years including changes in number of clients
  - f. Client turnover for each of the last three years; please give the names and reasons for terminations
3. Please list three public fund client references.
4. Describe your securities lending services and capabilities (domestic and international).
5. List the senior management oversight of the securities lending process.
6. Describe your firm's securities lending process in detail. Provide the details of a securities lending transaction from loan initiation to return of the loaned security.
7. On average over 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
    - Large Cap
    - Mid Cap and Small Cap



- b. Government Bonds
    - Treasury
    - Agency (excluding Mortgages)
  - c. Corporate Bonds
    - Domestic
    - International
  - d. International Equities
    - Developed
    - Emerging
  - e. Mortgages
8. Describe the asset categories and country locations in which you lend securities. Identify when you started in each category and what factors you consider before lending in a particular category or country.

#### 4-10.2 Lending Activities

1. Please provide a list of your current borrowers (include their lending limits) along with a description of your credit review process and how often the names are reviewed. How are dealer, bank, or other lending limits determined and who makes those decisions? Has a borrower in your program ever defaulted and did you or your clients experience a loss?
2. How does your firm determine which securities are lendable and how does your process maximize the percentage of those securities on loan?
3. Describe your methodology related to the lending queue. How do you ensure that all participating clients have an equal opportunity to lend their securities? Do you ever override the queue? Describe the circumstances. Is the maintenance of the queue audited regularly?
4. Describe your initial and ongoing credit analysis program. How are credits monitored and what actions are taken after credit downgrades? Have any investments entered into default in your securities lending collateral investments during the past five years? If so, please explain the circumstances of the default, recovery of investment, allocation of loss, guidelines/policies to avoid a similar problem.
5. Do you charge management fees for the investment of securities lending collateral? If so, please include a fee schedule.
6. To what extent can a client customize collateral investment guidelines?
7. Have you or your clients ever sustained a loss as the result of your lending activities? If yes, explain and include the magnitude of the loss.
8. Does your lending program allow clients to set the collateral requirements, including valuation limits and calls? If not, what limits do you set?
9. How much does your firm vary its mismatch between the maturities of loans and investment collateral? Please describe the process for term loans.
10. What are the inherent risks of a mismatched portfolio and how are these risks monitored by your firm?
11. As a policy, do you lend mortgaged-backed securities? What are the risks associated with lending these securities?
12. Describe your process for determining the rebate rate to the borrower. Is this rate fixed for the term of the loan?
13. What is the maximum amount of securities that a client should have on loan? What are the risks associated with this practice?



14. What type of collateral is preferred and why? In what circumstances do you accept non-cash collateral? Describe the monitoring procedures in place for ensuring that appropriate collateral levels are maintained, which pricing sources you use and how often portfolios are priced. Do you include accrued income in the collateral valuation?
15. How do you coordinate lending activity with investment managers? Is it invisible to the investment managers? When is notification of security sales required?
16. Has your firm ever been a party to a failed security in a lending transaction or have any of your firm's securities lending clients ever experienced a loss from these activities? If yes, please explain. Does the increased probability of settlement problems in certain markets enter into your decision to loan securities in those markets? Comment on failed trades, the expected frequency, how they are handled, and any trade settlement protection or compensation that you provide, including your policy and procedures with respect to buy-ins.
17. Describe the loan termination process and the safeguards in place to protect against broker default.

#### **4-10.3 Reporting**

1. Describe your securities lending reporting capabilities, including lending activity, lending income, and collateral. Provide a sample of your standard daily, monthly, quarterly, and annual reports. Are these reports also available electronically?
2. Describe your errors and omissions insurance coverage and any other insurance coverage your organization carries for securities lending clients.
3. What are the terms of indemnification available to your clients? Describe in detail your indemnification policy against losses to lending participants. Please provide sample contract wording related to your indemnification. What other safeguards does your firm provide?
4. How do you evaluate the risk of a lending program? Describe how you link the risks of the lending program to the risks of the investment collateral.
5. What types of benchmarking information do you make available to your lending clients?
6. Using the format provided on the following page, furnish a forward-looking revenue estimate of the securities lending income of PERA for one year ending December 31, 2008. Use the holdings provided in Appendix F as the total lendable base and the investment guidelines specified in Appendix G. Describe, in detail, the assumptions used to prepare the estimates.



<b>Asset Type</b>	<b>Lendable Assets</b>	<b>% on Loan</b>	<b>Loans Outstanding</b>	<b>Avg. Lending Spread</b>	<b>Avg. Investing Spread</b>	<b>Avg. Borrower Rebate Rate</b>	<b>Net spread (bps)</b>	<b>Net Lending Income (\$'s)</b>
<b>U.S. Equity</b> <ul style="list-style-type: none"> <li>• Large Cap</li> <li>• Mid &amp; Small Cap</li> </ul>								
<b>Non-U.S. Equity</b> <ul style="list-style-type: none"> <li>• Developed</li> <li>• Emerging</li> </ul>								
<b>U.S. Treasuries</b>								
<b>U.S. Agencies</b>								
<b>U.S. Corporate Debt</b>								
<b>Mortgaged-backed Securities</b>								
<b>Non-U.S. Debt</b>								



#### 4-10.4 Third-Party

1. Do you currently support third-party or principal lending programs for any of your custody clients? If so, how many clients? How long have you been supporting third-party lending? Please list the third-party lending agents and/or principal borrowers you are currently working with, or have worked with in the past. Why should a custody client use your lending capabilities as opposed to using a third-party?
2. Do you have a dedicated group responsible for third-party lending support? Where does this group fall within your organization (custody, securities lending, other)?
3. Describe the method of coordination between your firm as Custodian and third-party agents and/or principal borrowers.
4. Are you willing to provide contractual settlement for securities/portfolios being loaned by a third-party agent or borrowed by a principal borrower? Domestic Securities? International Securities?
5. How are holdings information and transactions communicated between parties (SWIFT, ISITC, e-mail, fax)? What system(s) do you use to support your clients' third-party lending programs? Is it the same system that is used for your proprietary securities lending business?
6. How is operational risk minimized for your clients using third-party agents? Please detail your daily reconciliation procedures.
7. How are recalls, corporate actions, and income collections handled for securities out on loan?
8. How do you ensure that the third-party lenders receive timely notification of corporate actions?
9. How much time do you allow third-party lenders to return securities from being on loan once the client or investment manager has communicated its response to the corporate action?
10. Discuss your policy and resolution procedure relative to failed trades. Who assumes responsibility for settlement failures?
11. Would you supply or build any required interfaces between your systems and third-party lending agents or principal borrowers? If so, how long will it take to establish all necessary interfaces? At what cost?
12. Please discuss custodial fees, wire fees, systems development costs, and any other fees or costs associated with third-party lending, and which parties have responsibility for those fees.
  - a. Are the fees for third-party lending transactions the same as those charged for the portfolio? If not, please detail the differences.
  - b. Provide the following detailed fee information:
    - Administration and support
    - Administration fees: Services related to accounting, share reconciliation, income collection, and corporate action support for shares on loan and cash collateral
    - Base fee (per portfolio or client)
    - Bulk lending (per portfolio or client)
    - Income collection and past due monitoring (per portfolio or client)
    - Corporate actions monitoring (per portfolio or client)
    - Transactions
    - Deliver/receive loaned security vs. cash collateral
    - Deliver/receive loaned security vs. security collateral



- Mark-to-market wire transfer
  - Marked-to-market wire DTC SPO
  - Corporate action receipts/payments
  - Transmission of custody positions and activity
  - Programming costs for set up, testing, and implementation of availability file and annual maintenance. Please include per client fees and any applicable communications costs
  - Any other fees (Please specify the purpose of any other fees)
13. What safeguards do you have that prevent your internal securities lending area from lending securities designated for our third-party lenders?
  14. What are your standard Fed, DTC, and wire instruction deadlines to process trade activity for a third-party lender? (Faxed or electronic instructions)
  15. What procedures do you have in place for chasing DTC or late principal and interest payments as well as compensation on such funds?

#### 4-11 Risk Analytics

1. Do you have a dedicated group devoted to producing holdings-based investment risk analysis for public pension fund clients? If so, describe the risk organization including the experience of the risk professionals.
2. For how many public fund clients do you prepare risk reporting? Please provide at least one client reference related to your risk reporting capabilities.
3. What holdings-based model do you use? Is it an internally or externally developed model?
4. Describe the significant features of the holdings-based model:
  - a. Is the model a mean-variance model?
  - b. Is the model a factor-based model? If so, what are the factors?
  - c. Are the calculations based on a parametric, historic simulation or Monte Carlo approach? Do you have system constraints that drive this decision?
  - d. Describe the approach to modeling each different asset class.
5. Provide a sample risk report for the total fund. How often would you propose producing this report? When would this report be available?
6. Do your clients have online access to the risk model?
7. Do your clients have the capability to perform stress testing or scenario analysis using the risk model?
8. Describe in detail your approach to proxying risk for alternative investments, real estate, and timber.
9. Describe in detail your approach to modeling risk for the total fund at the surplus/deficit level. Describe your capability to assess the volatility of the fund's surplus/deficit exposure to changes in interest rates.



#### **4-12 Datahub Services and Support**

1. Describe your ability to support a client's datahub platform (include people, systems, other resources).
2. How many of your clients have a datahub platform?
3. What type of programming services would you be willing to provide in support of our future systems development? How would this impact the fees you charge PERA?
4. Describe the time frames which you would commit to for delivery of files in PERA's specified format (refer to 3-3.4 for the description under Datahub Services):
  - a. Daily
  - b. Monthly
  - c. Commingled

#### **4-13 Defined Contribution Plan Support**

1. Describe the unit of your organization that supports custodial services for defined contribution plans and describe whether this unit is separate or integrated with the custody operations.

#### **4-14 Fees**

1. Please provide a detailed annual fee quote on a bundled and unbundled basis for custody and related services alone, for securities lending alone, and for both custody and securities lending. For securities lending, provide a proposed securities lending income split to PERA.
2. How long do you typically guarantee fee quotes? Are there any fees/charges that will not be guaranteed for a specific time period?
3. Please provide the fee for performance measurement and analytic services separate from the detailed quote requested above.

#### **4-15 Transition and Conversion**

1. What group conducts the planning and implementation of new global custody accounts? Provide biographical backgrounds of staff who would be assigned to the transition.
2. Describe your transition planning process. Provide a conversion plan and schedule for transitioning PERA to the new custodial relationship. Be specific about PERA's responsibilities and areas of involvement in the transition.
3. Give a description of your last comparable conversion and include the details of specific problems that occurred and the solutions implemented.
4. Have your transition team leader and assistant worked together before on a conversion over \$40 billion during the past three years? Please describe.
5. Provide references for your three most recent conversions that are comparable in size and scope to PERA.
6. What lead-time is required for a typical large institutional client transition and how might our transition be different?
7. How would you prepare your accounting and performance measurement databases and systems for processing our investments? Discuss the following:



- a. What information would you load into our system in advance?
  - b. For what period would you conduct parallel processing in order to develop history, test procedures, and establish accruals?
  - c. How far in advance would you begin processing trades to prepare for live processing of settlements by the conversion date?
  - d. How much history would be loaded into your system?
  - e. How do you handle security-pricing variances with the prior Provider's records?
8. Describe how you would transition and integrate our data hub system.

**4-16 References**

Please provide a list of three institutional fund client references of similar size to PERA with contact information.

<b>Reference 1:</b>	<i>Contact Information:</i>
<b>Reference 2:</b>	<i>Contact Information:</i>
<b>Reference 3:</b>	<i>Contact Information:</i>



## **SECTION 5 TERMS AND CONDITIONS**

### **5-1 General Terms and Conditions**

#### **5-1.1 Completeness**

A response must be complete as to all terms and conditions, including appendices on the date submitted, and must be submitted with the understanding that, for any Provider ultimately selected as a vendor for the program, its responses to all Parts of this RFP will be incorporated by reference into the contract. Additional information submitted after the response document or separate from the response document will not be considered unless specifically requested by PERA and then only to the extent requested.

#### **5-1.2 Requests for Modification of a Response**

A Provider to this RFP may withdraw and modify its response to the Service Questionnaire prior to the response deadline only upon approval by PERA. A request for modification must adequately explain the reasons for the request to modify the response. If PERA approves the request, a modified response may then be submitted. PERA will not consider modification offered in any other manner, oral or written. Under no circumstances may the Provider modify a response unilaterally at a date or time subsequent to the response deadline specified for each part of this RFP.

#### **5-1.3 Provider Guarantees**

All terms and conditions submitted in response to the RFP (all Parts) must be guaranteed to remain effective and may not be changed, amended, modified, qualified, or otherwise altered by the Provider for a period beginning on the date of the response filing deadline for this RFP, and ending at the conclusion of the engagement. All fees and charges, as proffered in response to this RFP, must be guaranteed for the term of the contract.

#### **5-1.4 Request for Clarification of RFP**

All questions regarding the clarification of any requirement, standard, or question must be received by PERA no later than 4:30 p.m. Mountain Daylight time on October 29, 2007.

Note to Providers:

Written requests for clarification should be sent via e-mail to [tliddy@copera.org](mailto:tliddy@copera.org), the delivery address, or to the following fax number: (303) 863-3882, Attention: Tom Liddy

PERA reserves the right to accept or reject any or all requests for clarification, either in whole or in part, and may require requests to be clarified or supplemented through additional written submissions. All Providers will be notified of the acceptance or rejection of their request for clarification. Oral requests for clarification will not be accepted. Any response to an oral



request will not be in any way binding on PERA and cannot be interpreted as a modification or clarification of this RFP. All written requests for clarification accepted by PERA, along with the corresponding responses, will be posted on PERA's Website at [www.copera.org](http://www.copera.org). Providers unable to download responses should direct their requests for hard copies to the delivery address referenced in the paragraph below. Such responses shall be considered an addendum to and as such, an integral part of this RFP.

### **5-1.5 Rejection/Waiver of Information**

PERA reserves and may exercise the right to reject any or all responses to this RFP, and to waive any material or immaterial defect in a response or deviation from the requirements of this RFP. Any waiver exercised under this section will in no way modify any provision of this RFP.

### **5-1.6 False or Misleading Statements**

Any response which contains false or misleading statements, or which provides references which do not support an attribute, condition, or capability claimed in the response document, will not be considered by PERA if, in the opinion of PERA, such false or misleading statement was intended to mislead PERA in its evaluation of the response.

### **5-1.7 Public Records**

The Provider recognizes that all documents made or received in connection with the transaction of official business by PERA are public records pursuant to Colorado Revised Statutes, Article 24, Title 72, absent a clear statutory exemption.

### **5-1.8 Response Deadline**

The response deadline for this RFP is 4:30 p.m. Mountain time on November 16, 2007. Eight bound copies of your response, two unbound original documents, and a CD containing the full electronic version must be on the premises of PERA at the delivery address below (see 2-3). Facsimile and electronic transmissions are not acceptable. Failure to meet the response deadline will result in automatic disqualification. PERA accepts no responsibility whatsoever for failure to deliver or late delivery by postal or commercial courier services.

Colorado PERA  
ATTN: Tom Liddy, Director of Investment Operations  
1300 Logan Street  
Denver, Colorado 80203-2386



## **5-2 Terms and Conditions of Contract for the Successful Provider**

### **5-2.1 Contract Award**

Failure to award a contract prior to the beginning date specified below does not necessarily mean that all responses have been rejected. The finalists announced on February 4, 2008, will be given a proposed global custody contract. Such finalists will identify in writing any provisions of the contract that are not agreeable to them. PERA may request a copy of the finalists' template contracts for global custody, securities lending and any other value added service.

### **5-2.2 Contract Execution**

The Provider shall negotiate the final contract in good faith within the conditions of the proposed contract, which are specified in this section. The contract shall not become effective nor be enforceable as to any terms and conditions specified therein except as an offer to contract by the Provider until and unless it is signed by all authorized parties thereto as required.

### **5-2.3 Term of Contract**

The contract(s) entered into with the successful Provider to this RFP will be for a period beginning on or about April 11, 2008, and ending upon termination in accordance with the contract.

## **5-3 Specific Conditions**

### **5-3.1 Provider Responsibility**

The Provider shall discharge each of its duties and exercise each of its powers with due care, skill, prudence, and diligence under the circumstances that a prudent expert acting in a like capacity and familiar with such matters would use in the conduct of any enterprise of like character and with like aims. The Provider shall discharge its duties under the contract solely in the interest of PERA.

### **5-3.2 Confidentiality**

The Provider, in the course of its duties, may handle confidential investment, financial, accounting, and statistical information pertaining to PERA and its beneficiaries. The Provider shall, except to the extent otherwise required by any applicable federal or state law, or as requested by regulatory authority or as requested by PERA, keep confidential any and all information obtained during the course of the contract.

### **5-3.3 Conflict of Interest**

The Provider shall not directly or indirectly receive any benefit from recommendations made to PERA and shall disclose to PERA any personal investment or economic interest of the Provider that may be enhanced by the recommendations made to PERA.



#### **5-3.4 Hold Harmless**

The Provider shall indemnify and hold PERA harmless from all losses, claims, damages, liabilities, judgments, actions, costs, and expenses (including reasonable attorney fees), arising out of negligence, willful misconduct or breach of fiduciary duty or contract of the Provider or its agents, nominees, appointees, or sub-providers.

#### **5-3.5 Nondiscrimination**

The Provider agrees not to discriminate against any employee or applicant because of age, race, religion, color, handicap, sex, physical condition, developmental disability, sexual orientation, national origin, or military status.

#### **5-3.6 Insurance**

The Provider shall provide PERA with an officer's certification as to errors and omissions insurance coverage (including amount of coverage).

#### **5-3.7 Termination**

The contract will be subject to termination by PERA upon written notice given under the terms and conditions of the executed contract.

#### **5-3.8 Assignments**

The Provider shall not assign or delegate its rights or responsibilities, and no corporation or entity which acquires substantially all of the Provider's business and assets or with which the Provider merges, consolidates, or otherwise combines, may succeed to the Provider's rights and responsibilities without PERA's prior written consent.

#### **5-3.9 Changes in Ownership Structure and/or Key Personnel**

PERA requires written notification of changes in key personnel at least two weeks in advance of any such changes. The contract may be terminated immediately upon written notice from PERA to the Provider because of any material change in the control of the ownership structure of the company or because of changes in the Provider's key personnel.



## **SECTION 6 PERA RIGHTS**

### **6-1 Rights and Prerogatives**

PERA reserves the right to exercise the following prerogatives to:

1. Accept or reject any or all proposals.
2. Not award a contract under this RFP.
3. Waive or modify minor irregularities (including minor typographical and computational errors) in bids/proposals and to make minor modifications after prior notification and concurrence of the Provider.
4. Utilize any and all ideas submitted in the proposals received, unless these ideas are identified by the Provider as covered by patent, copyright, or other proprietary rights.
5. Change the proposal's final filing date.
6. Withdraw the RFP and to reissue a modified version of the RFP.
7. Make an award under this RFP in whole or in part.
8. Negotiate separately with any source whatsoever, in any manner necessary, to best serve the interests of PERA.
9. Conduct contract negotiations with the next eligible responsible offeror should PERA be unsuccessful in negotiating an agreement with the selected offeror within a time frame acceptable to PERA; such time frame is to be determined solely by PERA based on the best interests of PERA.
10. Subsequent to the bid opening, modify or amend the specifications.
11. Seek clarification, at PERA's sole discretion, for the purpose of fully understanding the Provider's proposal and seek revision from all Providers capable of receiving award.
12. Eliminate mandatory requirements unmet by all offerors.
13. Use the proposal, information obtained through site visits, management interviews, investigation of Provider's qualifications, experience, ability, financial standing and any other information that is generally available in the public domain to evaluate the Provider's response to the RFP and its ability to provide the goods and services requested.
14. To impose penalties for other than completely satisfactory performance, in accordance with state rules, regulations, guidelines, past practices, or PERA's policy.
15. Establish an extended acceptance testing period and, if not satisfied with the performance during the testing period, award the contract to the next most responsive offeror.

