

**ADMINISTRATION**

**Russell B. Truell**  
Assistant City Administrator, CFO  
Finance



Pension  
6-13-11  
# 3

**Dr. Ken Moore**  
Mayor

**Eric S. Stuckey**  
City Administrator

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H I S T O R I C  
F R A N K L I N  
T E N N E S S E E

June 7, 2011

TO: Pension Committee Members

FROM: Russ Truell, Assistant City Administrator

SUBJECT: Request for Proposals for professional pension services

**Purpose**

The purpose of this item is to consider the content and scheduling of RFP's for professional pension services from custodial/trustee firms, actuarial firms, and legal firms.

**Background**

Last year, the Pension Committee voted to issue Requests for Proposal for the professional services needed to properly operate the City of Franklin Employee Pension Plan. Those services include legal advice, actuarial services, and custodial/trustee services.

Drafts of possible RFP's were distributed prior to the May 16, 2011 meeting of the Committee. But due to time constraints and the length of the meeting, these RFP drafts were not discussed. A special meeting on June 13 was established to allow adequate time for review of the documents. Committee members were asked to provide their comments to staff prior to the June 13 meeting, as were the current set of service providers. Dahab Associates, who regularly conducts searches for custodial/trustee services, provided the base document for those particular services. RFP's for actuarial and legal services were collected from other cities & states by the Municipal Technical Advisory Service of UT; those samples were used to develop the other RFP's.

Where possible, comments have been included in updated drafts of the documents.

**Recommendation**

Staff recommends that input already provided, and further input from the June 13 meeting, be forwarded to City of Franklin Purchasing Office for inclusion, wherever practical and reasonable, in the documents. Staff recommends that Purchasing begin the publication process with the goal of returning proposals to the Committee at the August 8 meeting for selection.

**DAHAB ASSOCIATES, INC.**  
**CUSTODIAL BANK REQUEST FOR PROPOSAL - 2011**

**CITY OF FRANKLIN PENSION FUND**

**I. INTRODUCTION**

The City of Franklin (the City), located in Tennessee, is conducting a Custodial Bank search for its pension fund, under the guidance of its investment consultant, Barry Bryant, CFA. The client has approximately \$52 million in total assets. It is made up of three (3) discretionary accounts, six (6) Commingled/Mutual Funds, and one (1) Cash account. The custodian will be responsible for benefit payment administration. A more detailed snapshot of the portfolio is provided in the fees section of this RFP. At any point in the selection process, the proposer may be requested to submit information supplemental to its proposal. All proposals will be evaluated by the City's investment consultant based on the selection criteria identified below. The City's Pension Committee will be presented with the results of the evaluation, may choose to interview one or more of the finalists, and may choose to recommend to the City's Board of Mayor and Aldermen award of a contract for custodial bank services.

**II. SCOPE OF WORK**

1. Open and maintain a safekeeping account (the Account) in the name of The City of Franklin Pension Fund (the Fund) and hold in the Account all cash and securities initially deposited plus any additional cash and securities that may be received from the City or pursuant to the direction of the City from time to time for deposit to the Account.
2. Act upon written direction from the City or from an investment manager(s) duly appointed in writing by the City.
3. Settle securities transactions for the City in accordance with the written direction of the City or its duly appointed investment manager(s).
4. Be responsible for the collection of all investment income relating to the asset in the City and provide for the daily investment thereof.
5. Present for payment all maturing securities or any securities called for redemption and collect the proceeds therefrom.
6. Provide for the investment of cash balanced in money market mutual funds, through automated sweep or manual transactions, as authorized and directed by the City.
7. Deliver cash or securities as the City may direct.
8. Deliver proxy and other materials for securities held in the Account, including offers to tender or exchange such securities, to the City.

9. Provide to the City a summary of Account activity and a summary of settled security positions held in safekeeping on a monthly basis.
10. Provide online internet access to the Account to authorized employees of the City.
11. Provide “view only” internet access to the account to authorized representatives of the City.

### III. SELECTION CRITERIA

At any point in the selection process, the proposer may be requested to submit information supplemental to its proposal. If deemed necessary, personal interviews may be conducted with representatives of one, some or all of the proposers.

Proposals will be reviewed and evaluated by an evaluation team. Criteria to be used in evaluating the proposals will include the following:

1. Qualifications and capabilities of the firm and service team that will be working with the City. (30% of total score)
2. Costs in both the initial years and subsequent years. (30% of total score)
3. Prior experience with local government pension plans. (20% of total score)
4. The quality and timeliness of reporting and online features (15% of the total score)
5. Qualitative. (5% of the total score)

The City reserves the right to reject any or all proposals or any parts thereof, to waive technicalities or formalities, and to accept any proposal deemed to be in the best interest of the City of Franklin.

### IV. TIMETABLE

Objective	Date
Notice to Proposers publication date	Month XX, 2011
Request for Proposals (RFP) release date	Month XX, 2011
Deadline for optional submittal in writing of questions seeking to revise or clarify any aspect of this procurement solicitation	Month XX, 2011
Closing date for proposal submission	Month XX, 2011
Meeting of the Pension Committee at which is tentatively scheduled the review of the results of the evaluation of proposals	Month XX, 2011
Meeting of the Pension Committee at which is tentatively scheduled the interview of one or more of the finalists	Month XX, 2011

Objective	Date
Meeting of the Finance Committee at which is tentatively scheduled the review of the recommendation of the Pension Committee	Month XX, 2011
Meeting of Board of Mayor and Aldermen at which is tentatively scheduled to be awarded the selection of the proposal that best meets the needs of the City	Month XX, 2011

#### V. PROPOSAL FORMAT (TO FOLLOW THE CITY'S STANDARD INSTRUCTIONS)

1. Submit one (1) unbound, printed proposal (attached) accompanied by a copy on flash drive (please label the flash drive with company name).
2. Identify the search on the outside of the box used for shipping. Indicate the type of search and the name of the client.

#### 1 UNBOUND ORIGINAL & 1 COPY ON A CD/DVD SHOULD BE SENT TO:

BRIAN W. WILCOX  
PURCHASING MANAGER  
CITY OF FRANKLIN, TENNESSEE  
FRANKLIN CITY HALL, SUITE 107  
109 3RD AVENUE SOUTH  
P.O. BOX 305  
FRANKLIN, TN 37065-0305  
TELEPHONE (DIRECT LINE): 615/550-6614

#### Addenda

Should there be any revisions or additions to the information provided or requested in the RFP, addenda will be posted on the City's website at [www.XXXXXXX.com](http://www.XXXXXXX.com). A good faith attempt will be made to provide a copy of each addendum to all prospective proposers who received the RFP, however; prior to submitting the response, it is the responsibility of each proposer to determine if any addenda for the RFP were issued.

#### Questions and clarifications

All questions and clarifications must be submitted in writing via email and must be **received by 2:00 Central Time on Month XX, 2011** to:

Brian W. Wilcox  
Purchasing Manager  
City of Franklin, Tennessee  
Franklin City Hall, Suite 107  
109 3rd Avenue South  
P.O. Box 305  
Franklin, TN 37065-0305  
Telephone (direct line): 615/550-6614  
[brianw@franklintn.gov](mailto:brianw@franklintn.gov)

Responses to the questions will be issued as an addendum posted on the City of Franklin website and

linked by the Dahab Associates website.

Any questions should be addressed as described in this RFP. The City requests that you do not contact any Board members, Finance Committee members or staff other than the individuals listed above after issuance of this RFP until you are notified of the City's Pension Committee recommendation at which time the request not to contact Board members shall continue until contracts are awarded. The City reserves the right to disqualify any proposer that makes such unauthorized contacts during this process.

The City reserves the right to accept or reject any or all proposals or any parts thereof, and to waive any formalities in the submission of proposals if it is deemed in the best interests of the client to do so.

DAHAB ASSOCIATES, INC.  
CUSTODIAL BANK REQUEST FOR PROPOSAL - 2011

CITY OF FRANKLIN PENSION FUND

SUMMARY INFORMATION

FIRM NAME	
LOCATION OF HEADQUARTERS	
STATE THE PARENT COMPANY OR IF INDEPENDENT	
INCEPTION OF TRUST BUSINESS	
TOTAL ASSETS	
NUMBER OF CLIENTS	
CONTACT NAME	
CONTACT NUMBER	
CONTACT EMAIL	

**I. OVERVIEW OF THE FIRM**

1. DESCRIBE THE HISTORY OF YOUR FIRM. PLEASE INCLUDE THE DEVELOPMENT OF THE TRUST/CUSTODY DEPARTMENT.
2. WHAT IS THE OWNERSHIP STRUCTURE OF YOUR ORGANIZATION?
3. HOW MANY YEARS HAS YOUR FIRM BEEN IN BUSINESS?
  - a. HOW MANY YEARS HAS YOUR FIRM BEEN IN THE TRUST/CUSTODY BUSINESS?
4. BRIEFLY DESCRIBE THE ORGANIZATIONAL STRUCTURE OF THE BANK AND OF THE TRUST/CUSTODY DEPARTMENT (PLEASE PROVIDE AN ORGANIZATIONAL CHART). PROVIDE A DESCRIPTION OF KEY EMPLOYEES (BIOGRAPHIES, NUMBER OF YEARS IN BUSINESS, YEARS WITHIN THE BANK).
5. DISCUSS THE FINANCIAL STABILITY OF YOUR FIRM. PROVIDE INFORMATION FROM YOUR MOST RECENT S&P AND MOODY'S RATINGS & REPORTS.
6. WHAT SPECIFIC CHANGES HAS YOUR ORGANIZATION MADE AS A RESULT OF THE SIV/SUB-PRIME MELTDOWN?
7. AT THE PRESENT TIME, FOR HOW MANY CLIENTS DO YOU PROVIDE CUSTODY SERVICES?
  - a. DESCRIBE OR LIST THE TYPE OF CLIENT TO WHOM YOU PROVIDE SERVICES. PLEASE BREAK DOWN FURTHER BY TYPE OF CLIENT (I.E., GOVERNMENT, CORPORATE, UNION, ENDOWMENT, ETC.).
8. WHAT IS THE TOTAL ASSET SIZE OF THE CUSTODIAL BUSINESS?
  - a. WHAT IS THE SIZE OF THE LARGEST ACCOUNT?
  - b. WHAT IS THE SIZE OF THE SMALLEST ACCOUNT?
9. HOW MANY CLIENTS HAVE YOU GAINED/LOST IN EACH OF THE PAST FIVE YEARS?

Gained	2007		2008		2009		2010		2011	
	#	\$	#	\$	#	\$	#	\$	#	\$
Public										
ERISA										
TAFT-HARTLEY										
ENDOWMENT										

FOUNDATION									
RELIGIOUS ORDER									
OTHER									
<b>Total</b>									

Lost	2007		2008		2009		2010		2011	
	#	\$	#	\$	#	\$	#	\$	#	\$
PUBLIC										
ERISA										
TAFT-HARTLEY										
ENDOWMENT										
FOUNDATION										
RELIGIOUS ORDER										
OTHER										
<b>Total</b>										

PLEASE PROVIDE THE REASON BEHIND THE TERMINATION.

10. COMPLETE THE FOLLOWING MATRIX FOR TOTAL MASTER TRUST/MASTER CUSTODY ASSETS AND CLIENTS BY TYPE:

	# OF ACCOUNTS	\$ VALUE
<b>TAX EXEMPT ASSETS:</b>		
ERISA		
PUBLIC		
TAFT-HARTLEY		
ENDOWMENT		
FOUNDATION		
RELIGIOUS ORDER		
OTHER		
<b>TOTAL TAX-EXEMPT</b>		
<b>TAXABLE ASSETS:</b>		
PERSONAL TRUSTS		
COMMINGLED		
<b>TOTAL TAXABLE</b>		
<b>MUTUAL FUNDS:</b>		
EQUITY		
FIXED INCOME		
MONEY MARKET		



<b>TOTAL MUTUAL FUNDS</b>		
<b>OVERALL TOTAL</b>		

11. WHAT ARE YOUR PLANS FOR GROWTH IN THE NEXT THREE YEARS, AND IN THE NEXT FIVE YEARS?
12. WHAT FEATURES SET YOU APART FROM OTHER CUSTODIANS?
13. PLEASE PROVIDE FIVE PUBLIC REFERENCES AND THEIR CONTACT INFORMATION.
14. DESCRIBE ANY LITIGATION OR INVESTIGATION WITHIN THE LAST FIVE YEARS THAT HAS HAD OR DOES NOW HAVE A DIRECT IMPACT ON THE TRUST/CUSTODY DEPARTMENT.
15. WHAT WERE THE KEY FINDINGS FROM THE MOST RECENT SAS 70 REVIEW? BRIEFLY LIST AND DESCRIBE THE NATURE OF ALL ERRORS AND/OR WEAKNESSES THAT WERE DISCOVERED AS A RESULT OF AN OUTSIDE REVIEW OF SAS 70. WHAT STEPS HAVE BEEN TAKEN TO CORRECT THE ERRORS OR OTHERWISE IMPROVE THE CONTROLS?
16. HOW OFTEN DO YOU PROVIDE UPDATED SAS 70 REPORTS?

## II. ADMINISTRATION & CLIENT SERVICES

1. PLEASE GIVE AN OVERVIEW OF THE CLIENT SERVICES THAT YOU PROVIDE TO TRUST/CUSTODY CLIENTS.
2. PLEASE INDICATE THE LOCATION(S) OF YOUR ADMINISTRATIVE OPERATIONS AND COMPUTER FACILITIES THAT SUPPORT YOUR CUSTODY OPERATIONS.
3. BRIEFLY DESCRIBE "THE TEAM OF PLAYERS" THAT SERVICES A CUSTODIAL ACCOUNT. DESCRIBE THEIR ROLES.
  - a. HOW MANY CLIENTS DOES A TYPICAL CLIENT REPRESENTATIVE SERVICE?
  - b. IS THERE A DEDICATED TEAM?
    - i. IF SO, DESCRIBE THEIR RESPONSIBILITIES AND PROVIDE BIOGRAPHIES ON EACH PERSON.
  - c. DO YOU ASSIGN A PRIMARY RELATIONSHIP MANAGER? IF SO, HOW MANY CLIENTS DOES THIS INDIVIDUAL PERSON OR TEAM HAVE?

4. **HOW MANY EMPLOYEES OF THE CUSTODIAL GROUP HAVE YOU GAINED IN EACH OF THE PAST FIVE YEARS AND HOW MANY EMPLOYEES OF THE CUSTODIAL GROUP HAVE YOU LOST IN EACH OF THE PAST FIVE YEARS? PLEASE BREAK THIS DOWN BY PROFESSIONAL AND OPERATIONS PERSONNEL.**
5. **PROVIDE THE LEVEL OF TURNOVER (%) FOR THE TRUST DEPARTMENT AS A WHOLE FOR EACH OF THE PAST THREE YEARS.**
6. **PLEASE DESCRIBE ANY ORGANIZATIONAL CHANGES IN THE PLANNING STAGE OR THAT HAVE ALREADY OCCURRED WITHIN THE PAST YEAR.**
7. **HOW DOES YOUR FIRM STAY INFORMED OF CURRENT LEGISLATIVE AND REGULATORY CHANGES WITHIN THE TRUST/CUSTODY FIELD?**
8. **WHAT TYPE OF TRAINING EXISTS FOR YOUR EMPLOYEES?**
  - a. **HOW ARE EMPLOYEES KEPT UP TO DATE ON CURRENT TRENDS WITHIN THE TRUST/CUSTODY BUSINESS?**
  - b. **ARE EMPLOYEES CROSS-TRAINED TO ENSURE PROPER WORKFLOW?**
9. **ARE TRAINING CLASSES AVAILABLE FOR THE CLIENTS? HOW ARE CLIENTS KEPT INFORMED ON CURRENT TRENDS WITHIN THE TRUST/CUSTODY FIELD?**
10. **DESCRIBE THE AUDITING PROCEDURES THAT ARE IN PLACE. IS THE AUDIT HANDLED INTERNALLY AS WELL AS EXTERNALLY?**
  - a. **WHO OR WHAT DEPARTMENT IS RESPONSIBLE FOR THE IMPLEMENTATION OF CHANGES RECOMMENDED BY THE AUDIT?**
11. **HOW MANY TIMES A YEAR DO YOU MEET WITH CLIENTS?**
12. **WHAT ARE YOUR RETENTION POLICIES AND PROCEDURES FOR ALL RECORDS, TAX MATERIALS, MEMOS, CORRESPONDENCE AND HISTORY?**
13. **DOES YOUR FIRM OFFER THIRD PARTY ADMINISTRATOR (TPA) CAPABILITIES, SUCH AS COLLECTING DATA, CALCULATING BENEFIT PAYMENTS AND WRITING CHECKS? IF SO, PLEASE DESCRIBE SERVICES OFFERED AND ANY ADDITIONAL FEES ASSOCIATED WITH THOSE SERVICES.**

**A. ACCOUNTING/REPORTING**

1. **DESCRIBE IN DETAIL THE ACCOUNTING SYSTEM.**

- a. **HOW MANY YEARS HAS THE SYSTEM BEEN IN PLACE?**
  - b. **WAS IT DEVELOPED IN-HOUSE OR BY AN OUTSIDE VENDOR? IF AN OUTSIDE VENDOR WAS USED PLEASE PROVIDE THE NAME OF THE VENDOR AND THE NUMBER OF YEARS USED.**
  - c. **WHAT ARE THE PLANS FOR FUTURE EXPANSION OVER THE NEXT FIVE YEARS?**
2. **DOES YOUR SYSTEM OPERATE ON A TRADE DATE, SETTLEMENT DATE, OR CASH BASIS?**
  3. **HOW DO YOU HANDLE CORRECTIONS/REVERSALS? WHAT INFORMATION IS AVAILABLE?**
  4. **HOW DOES THE SYSTEM HANDLE ACCRUALS?**
  5. **HOW DOES THE SYSTEM HANDLE PAYDOWNS? WHAT SOURCE IS USED FOR PAYDOWN INFORMATION?**
  6. **HOW ARE FUTURES AND OPTIONS TAKEN INTO ACCOUNT?**
  7. **ARE BROKER COSTS/COMMISSIONS BROKEN DOWN BY EACH TRANSACTION OR BY EACH ACCOUNT?**
  8. **WHAT TYPES OF REPORTS ARE PROVIDED TO CLIENTS?**
    - a. **HOW SOON AFTER THE CLOSE OF THE (MONTH, QUARTER, AND YEAR) ARE COMPLETE SETS OF FULLY AUDITED REPORTS DELIVERED TO THE CLIENT IN HARD COPY? WHEN ARE THESE REPORTS AVAILABLE ON-LINE?**
    - b. **WHAT AUDITING PROCEDURES ARE IN PLACE TO ENSURE THE ACCURACY OF THE REPORTS?**
  9. **DESCRIBE ANY UNIQUE FEATURES THAT YOUR REPORTING PACKAGE INCLUDES AS IT RELATES TO STANDARD MASTER TRUSTEE ACCOUNTING REPORTS. DESCRIBE YOUR CAPABILITIES FOR CONSOLIDATED REPORTING. INCLUDE CONSOLIDATING INDIVIDUAL PORTFOLIOS, ACCOUNTS, FOREIGN AND DOMESTIC, ETC.**
  10. **DO THE STANDARD REPORTS PROVIDE BOTH BOOK AND MARKET VALUE RECONCILIATIONS?**
  11. **HOW ARE BROKER COMMISSIONS AND TRADE EXECUTIONS MONITORED? CAN YOU PROVIDE TRADING COST ANALYSIS AND BROKERAGE ANALYSIS?**
  12. **DESCRIBE THE SYSTEM'S ABILITY TO PROVIDE ON-LINE ACCESS TO FUND ACCOUNTING DATA FOR PORTFOLIO MANAGERS AND ADMINISTRATORS? PROVIDE DETAILS OF THE INFORMATION AVAILABLE VIA THIS ACCESS.**

**B. CASH MANAGEMENT**

1. **DO YOU OFFER A STIF FUND?**
  - a. **IF SO, BRIEFLY DESCRIBE THE STIF FUND.**
  - b. **DO YOU OFFER A GOVERNMENT SECURITIES ONLY STIF FUND?**
2. **IS THE STIF FUND MANAGED IN-HOUSE OR BY AN OUTSIDE VENDOR?**
3. **WHAT IS THE TYPICAL TYPE OF INVESTMENT USED WITHIN THE STIF FUND?**
  - a. **WHAT IS THE AVERAGE MATURITY AND CREDIT QUALITY OF THESE FUNDS?**
  - b. **WHAT HAS THE PERFORMANCE BEEN FOR THE PAST ONE, THREE, AND FIVE YEARS?**
4. **HOW MUCH NOTIFICATION IS REQUIRED TO MAKE A WITHDRAWAL FROM THE STIF FUND?**
5. **HOW ARE BALANCES HANDLED IN THE STIF FUND? DO YOU SWEEP THE ACCOUNT AUTOMATICALLY?**
6. **DO WIRE DEADLINES EXIST ON THE INVESTMENTS?**
7. **CAN YOU ACCOMMODATE A CUSTOM SHORT-TERM FUND TO BE MANAGED SPECIFICALLY FOR THE CLIENT BY AN OUTSIDE MANGER?**
8. **HOW DO YOU HANDLE THE INVESTMENT OF CASH IN TRADES THAT FAIL?**
9. **WHAT RATE DO YOU PAY ON FREE U.S. CASH BALANCES LEFT OVERNIGHT WITH YOUR INSTITUTION?**

**C. SECURITY PROCESSING**

1. **WHICH MAJOR DEPOSITORY AND CLEARINGHOUSE FACILITIES ARE YOU A MEMBER OF?**
2. **HOW ARE INTEREST AND DIVIDENDS HANDLED?**
3. **WHAT PRICING SERVICES DO YOU SUBSCRIBE TO FOR EACH INVESTMENT CLASS?**
4. **HOW ARE SALES AND DELIVERIES HANDLED? WHAT STEPS ARE TAKEN TO ENSURE PROPER DELIVERY?**
5. **DISCUSS THE PROCEDURE FOR TRACKING FAILED TRADES AND REPORTING FAILED TRADES TO THE CLIENT. HOW QUICKLY ARE FAILED TRADES REPORTED? DO YOU GUARANTEE PROCEEDS? IN WHICH MARKETS?**

6. IS AN AUDIT TRAIL OF TRANSACTIONS MAINTAINED?
7. HOW DO YOU HANDLE PROCESSING AND VOTING OF PROXIES?
8. WHAT PROCEDURES EXIST TO HANDLE CORPORATE ACTIONS?
9. WHAT CONTROLS DO YOU HAVE TO ENSURE THAT SECURITIES INVOLVED IN CORPORATE ACTIONS ARE VALUED CORRECTLY ON THE DAY OF THE ACTION?
10. WHEN AND HOW IS CASH AVAILABILITY REPORTED TO THE CLIENT? IS THIS PROCESS FULLY AUTOMATED? DESCRIBE THE FULL RANGE OF CASH PROJECTION SERVICES YOU OFFER ON-LINE.

**D. INVESTMENT MANAGER INTERACTIONS**

1. HOW MANY INVESTMENT MANAGEMENT ORGANIZATIONS DO YOU WORK WITH? WHAT GROUP WITHIN THE BANK IS RESPONSIBLE FOR INVESTMENT MANAGER CONTRACTS?
2. ESTIMATE THE TYPICAL TRANSACTION VOLUME FOR MASTER TRUST/CUSTODY ACCOUNTS.
3. ARE INVESTMENT MANAGERS PROVIDED ON-LINE ACCESS TO BALANCES, MARKET VALUES AND TRANSACTIONS?

**E. SECURITIES LENDING**

1. DO YOU HAVE A SECURITIES LENDING PROGRAM?
2. BRIEFLY DESCRIBE THE SECURITIES LENDING OPERATION.
3. WHAT IS THE ORGANIZATIONAL STRUCTURE OF THIS DEPARTMENT? PLEASE PROVIDE A DESCRIPTION OF KEY EMPLOYEES (I.E. TRADERS) AND ANY PERSONNEL CHANGES WITHIN THE LAST THREE YEARS.
4. DESCRIBE THE SYSTEMS AND ANY CHANGES THAT HAVE TAKEN PLACE IN THE CURRENT YEAR.
  - a. WHAT ARE THE PLANS FOR SYSTEM EXPANSION IN THE NEXT FIVE YEARS?
5. PROVIDE A BRIEF LIST OF CLIENTS THAT YOU SERVICE.
6. WHAT IS THE TOTAL ASSET SIZE OF THE SECURITIES LENDING POOL?
7. WHAT PERCENT OF THE ASSETS IS INVESTED IN:
  - b. EQUITIES
  - c. US GOVERNMENT SECURITIES

**d. INTERNATIONAL INVESTMENTS**

**8. ARE LIMITS SET WITH EACH BROKER? HOW ARE THESE LIMITS DETERMINED?**

**e. CAN THE CLIENT ESTABLISH LIMITS ON LOANS TO A GIVEN BORROWER?**

**9. WHAT ARE THE RATINGS OF THE BROKERS THAT YOU CONDUCT BUSINESS WITH?**

**10. WHAT CREDIT PROCEDURES ARE IN PLACE?**

**11. WITH HOW MANY BORROWERS DO YOU HAVE BUSINESS RELATIONSHIPS? HOW MANY ARE CURRENTLY USED?**

**12. HOW OFTEN IS THE CREDITWORTHINESS REVIEWED?**

**f. WHO IS RESPONSIBLE FOR REVIEWING IT?**

**g. HAVE THERE BEEN ANY INSTANCES IN WHICH A BORROWER'S CREDIT WAS TERMINATED?**

**h. DO YOU LEND SECURITIES TO ANY ENTITIES OTHER THEN BROKERS (I.E., FUNDS OR TRUSTS)?**

**13. WHAT CHECKS AND BALANCES ARE IN PLACE TO ASSURE PROPER SETTLEMENTS OF TRADES?**

**14. DO AUDITING PROCEDURES EXIST TO ENSURE PROPER ADHERENCE TO SEC GUIDELINES?**

**15. WHAT TYPE OF COLLATERAL DO YOU USE?**

**i. WHAT PERCENTAGE OF COLLATERAL DO YOU REQUIRE?**

**16. WHAT ARE LOANS COLLATERALIZED AT?**

**17. WHAT TYPES OF INVESTMENTS ARE USED TO REINVEST THE CASH?**

**j. WHAT IS THE QUALITY RATING OF THESE INVESTMENTS?**

**18. HOW OFTEN DO YOU MARK TO MARKET?**

**19. BRIEFLY DESCRIBE ANY REPORTS THAT ARE SENT TO THE CLIENTS. HOW OFTEN ARE THEY RECEIVED?**

**20. WHAT IS THE SECURITIES LENDING INCOME SPLIT BETWEEN YOURSELVES AND THE CLIENT?**

**F. Benefit Payments**

1. **IS A CHECK PAYMENT PLAN AVAILABLE? HOW FLEXIBLE IS THIS PLAN?**
2. **CAN LUMP SUM PAYMENTS BE EASILY MADE? WHAT IS YOUR TURNAROUND TIME?**
3. **DO YOU PROVIDE RECONCILIATION SERVICES ON ALL BENEFIT-RELATED CHECKING ACCOUNTS?**
4. **DO YOU PROVIDE DIRECT DEPOSIT OR ELECTRONIC FUNDS TRANSFER?**
5. **DOES YOUR BENEFIT DISBURSEMENTS SYSTEM MAKE MONTHLY DEDUCTIONS FOR FEDERAL AND STATE INCOME TAX WITHHOLDING?**
6. **DESCRIBE YOUR ON-LINE ACCESS CAPABILITIES FOR BENEFIT PAYMENTS.**
7. **DESCRIBE YOUR PROCEDURE FOR PROCESSING LUMP SUM DISTRIBUTIONS.**
8. **WHAT METHODS OF DISTRIBUTION INSTRUCTIONS CAN YOU ACCEPT (I.E. PAPER, EXCEL SPREADSHEETS, ETC.)?**
9. **DESCRIBE YOUR PROCESS FOR DETERMINING FEDERAL WITHHOLDING AMOUNTS ON DISTRIBUTIONS.**
10. **DESCRIBE THE METHOD USED FOR UPDATING WITHHOLDING DEDUCTIONS EACH YEAR (EXCLUSIVE OF TAXES)?**
11. **PROVIDE A SAMPLE OF DISTRIBUTION CHECK FORMAT.**
12. **PROVIDE A SAMPLE OF DISTRIBUTION DETAIL REPORTS.**
13. **DESCRIBE THE OUTSTANDING DISTRIBUTION CHECKS REPORT AND RECONCILIATION FREQUENCY. DO YOU PROVIDE A SERVICE TO HANDLE STALE DATED CHECKS?**
14. **ARE BENEFIT PAYMENT CHECKS DRAWN FROM A SEPARATE BANK ACCOUNT OR THE TRUST ACCOUNT?**
15. **HOW DOES THE CLIENT NOTIFY THE BANK OF VOIDED AND STOP-PAYMENT CHECKS?**
16. **DO YOU HAVE PAYEE VERIFICATION?**
17. **HOW DO YOU ACCOUNT FOR LOST BENEFICIARIES? HOW DO YOU ACCOUNT FOR DECEASED BENEFICIARIES?**
18. **WHAT IS YOUR LIABILITY FOR CHECK FRAUD?**

19. WHAT IS YOUR LIABILITY FOR MIS-ENDORSED CHECKS (I.E. DECEASED PAYEE STILL RECEIVING BENEFITS)?
20. DO YOU HAVE ANY LIMITATIONS TO THE NUMBER OF ACCOUNT CODES USED BY YOUR SYSTEM?
21. WHAT ARE YOUR PAYMENT PROCEDURES FOR OVERDRAFTS?
22. WHAT IS YOUR LIABILITY FOR BENEFIT PAYMENT ERRORS?
23. CAN YOU PROVIDE OTHER WITHHOLDING, OTHER THEN TAXES & FICA, SUCH AS HEALTH INSURANCE, WAGE GARNISHMENTS AND DUES?
24. WHAT IS YOUR SCHEDULE FOR PAYMENT PROCESSING? HOW SOON ARE CHECKS SENT TO BENEFICIARIES?
25. DO YOU HAVE CAPABILITIES TO INCLUDED MESSAGING & INSERTS FROM THE PLAN?

### III. GLOBAL CUSTODY

1. PROVIDE AN OVERVIEW OF THE GLOBAL CUSTODY CAPABILITIES. HOW LONG HAVE YOU OFFERED SUCH SERVICES?
2. GLOBAL TRUST/CUSTODY COMPRISES WHAT PERCENT OF THE TOTAL BUSINESS?
3. PLEASE STATE THE TOTAL NUMBER OF CLIENTS AND TOTAL ASSETS FOR GLOBAL CUSTODY/TRUST SERVICES.
4. IS THE GLOBAL REPORTING SYSTEM INTEGRATED WITH THE MAIN SYSTEM?
5. LIST THE COUNTRIES COVERED BY GLOBAL SUB CUSTODIAN NETWORKS AND THE SUB CUSTODIAN IN EACH COUNTRY.
6. WHAT IS THE SETTLEMENT PROCEDURE ON FOREIGN SECURITIES?
7. WHAT IS THE FAIL FLOAT POLICY?

### IV. SYSTEMS

1. BRIEFLY DESCRIBE THE SYSTEMS:

-WHAT HARDWARE AND SOFTWARE PACKAGES ARE CURRENTLY IN USE?



**-HOW LONG HAS THE CURRENT SYSTEM BEEN IN PLACE?**

**-WAS THE SOFTWARE DEVELOPED IN-HOUSE OR EXTERNALLY?**

- 2. WHAT KIND OF TRAINING IS AVAILABLE FOR THE CLIENT?**
- 3. WHAT BACK-UP AND RECOVERY SYSTEMS ARE IN PLACE TO GUARD AGAINST SYSTEM EMERGENCIES OR FAILURES?**
- 4. HOW MUCH OF THE POTENTIAL CAPACITY AVAILABLE FOR MASTER TRUST/CUSTODY IS CURRENTLY BEING UTILIZED?**
- 5. DOES A DEDICATED DATA PROCESSING AND PROGRAMMING STAFF SUPPORT THE MASTER TRUST/CUSTODY DEPARTMENT?**
- 6. WHAT HAS BEEN THE TURNOVER OF THIS STAFF IN THE PAST THREE YEARS?**
- 7. PROVIDE A LIST OF ANY MAJOR CHANGES MADE TO THE SYSTEM IN THE PAST TWO YEARS.**
- 8. WHAT ARE THE PLANS FOR EXPANDING THE SYSTEM IN THE FUTURE?**

**B. ON-LINE CAPABILITIES**

- 1. ARE THERE ON-LINE SERVICES AVAILABLE TO CLIENTS? HOW LONG HAVE THEY BEEN OFFERED?**
- 2. HOW MANY CLIENTS ARE CURRENTLY USING ON-LINE SERVICES?**
- 3. WHAT FEATURES AND SERVICES ARE AVAILABLE ON-LINE?**
- 4. WHAT TYPE OF TRAINING IS AVAILABLE FOR CLIENT PERSONNEL ON THE ON-LINE SYSTEM?**
- 5. DESCRIBE ALL THE HARDWARE AND SOFTWARE REQUIRED.**
- 6. WHAT IS THE REAL EXPERIENCE MTBF (MEAN TIME BETWEEN FAILURES) OF YOUR ON-LINE SYSTEM? IF YOUR COMMUNICATIONS GATEWAY(S) FAILS, WHAT ALTERNATIVE COMMUNICATION METHODS CAN THE OFFICE USE TO ACCESS INFORMATION?**
- 7. HOW CURRENT IS THE ON-LINE INFORMATION?**
  - a. WHAT HOURS IS THIS INFORMATION AVAILABLE?**
  - b. HOW FREQUENTLY IS THE DATA UPDATED?**
  - c. HOW MANY MONTHS OF DATA ARE AVAILABLE VIA THE WEB-BASED PLATFORM?**

**d. HOW ARE CLIENTS ADVISED THAT MONTHLY AUDITED DATA IS AVAILABLE?**

- 8. WHAT CURRENT AND HISTORICAL INFORMATION IS AVAILABLE ON THE ON-LINE SYSTEM?**
- 9. DESCRIBE THE STANDARD REPORTS AVAILABLE.**
- 10. WHAT FLEXIBILITY EXISTS FOR REFORMATTING REPORTS?**
- 11. CAN YOU PROVIDE LINKS TO ADDITIONAL INFORMATION THAT MAY BE OF INTEREST TO CLIENTS?**
- 12. WHAT ENHANCEMENTS OR NEW FEATURES DO YOU EXPECT TO MAKE TO YOUR INTERNET PLATFORM DURING 2011 AND 2012? PLEASE RANK PRIORITY OF TASKS.**

**V. CONVERSION PROCESS**

- 1. PLEASE DESCRIBE IN DETAIL THE IMPLEMENTATION AND CONVERSION PROCESS. PLEASE INCLUDE AN ESTIMATED TIME-FRAME FROM INCEPTION TO COMPLETION OF THE PROCESS.**
- 2. WHAT RESOURCES, PROCEDURES, AND CONTROLS ARE RECOMMENDED DURING THE TRANSITION PERIOD?**
- 3. DO YOU HAVE A DEDICATED "CONVERSION TEAM"? IF SO, PLEASE INCLUDE NAMES, TITLES, BRIEF BIOGRAPHIES AND WHERE THEY ARE LOCATED.**
- 4. PROVIDE A SUMMARY OF THE TYPICAL PROBLEMS THAT MIGHT ARISE AND THE SOLUTIONS TO THOSE PROBLEMS.**
- 5. ARE YOU ABLE AND WILLING TO BACKLOAD HISTORICAL DATA?**
- 6. WILL YOU RECONCILE THE ASSET LISTING AS IT EXISTS WITH THE CURRENT CUSTODIAN?**
- 7. AT WHAT LEVEL IS THE CLIENT INVOLVED IN THE PROCESS?**
- 8. HOW ARE TRANSACTIONS AND CLAIMS HANDLED THAT ARE ALREADY IN PROCESS DURING THE CONVERSION PROCESS?**
- 9. WHAT TYPE OF TRAINING EXISTS FOR THE CLIENT DURING THE IMPLEMENTATION PERIOD?**
- 10. PLEASE DESCRIBE WHAT ADVANTAGES YOUR TRANSITION MANAGEMENT SERVICES OFFER OVER THE OFFERINGS OF COMPETITORS.**

## VI. DIRECTED TRUSTEE

1. PLEASE PROVIDE A BRIEF HISTORY OF YOUR FIRM'S EXPERIENCES WITH DIRECTED TRUSTEE SERVICES?
2. WHAT ARE YOUR FIRM'S STRENGTHS THAT DIFFERENTIATE YOUR DIRECTED TRUSTEE SERVICES FROM OTHER SERVICE PROVIDERS?
3. HOW DO YOU DEFINE YOUR FIDUCIARY RESPONSIBILITY?
4. WHAT PERCENTAGE OF YOUR CUSTODIAL ACCOUNTS DOES YOUR FIRM PROVIDE DIRECTED TRUSTEE SERVICES?
5. IN YOUR OPINION WHAT ARE THE ADVANTAGES AND DISADVANTAGES TO THE CLIENT HAVING THE CUSTODIAL BANK SERVE AS A DIRECTED TRUSTEE?

## VII. FEES

1. PLEASE SUBMIT A COPY OF THE CURRENT FEE SCHEDULE, INCLUDING ALL FEES ASSOCIATED WITH THE TRUST/CUSTODY PROGRAM. ON WHAT BASIS IS THE FEE CALCULATED (I.E. ASSET BASED)?
  - a. PLEASE INCLUDE A FEE SCHEDULE FOR TWO OPTIONS;
    - i. CUSTODIAL SERVICES ONLY,
    - ii. AND CUSTODIAL SERVICES AS A DIRECTED TRUSTEE.
2. PLEASE PROVIDE AN ESTIMATE, IN DOLLARS, OF THE ANNUAL FEE FOR THIS CLIENT BASED ON THIS SCHEDULE AND THE BELOW ASSUMPTIONS.

Manager	Asset Class	Account type	Assets (\$M)	Holdings	Estimated Annual Turnover
Mgr 1	Large Cap Growth	Separate	11	20	30%
Mgr 2	Large Cap Value	Separate	13	50	30%
Mgr 3	SMID Cap	Separate	9	70	100%
Mgr 4	International Equity	Commingled/Mutual Fund	3	1	-
Mgr 5	Emerging Markets Equity	Commingled/Mutual Fund	2	1	-
Mgr 6	Private Equity	Commingled/Mutual Fund	0.5	1	-
Mgr 7	Real Estate	Commingled/Mutual Fund	2	1	-
Mgr 8	Timber	Commingled/Mutual Fund	2	1	-
Mgr 9	Fixed Income	Commingled/Mutual Fund	12	1	-
-	Cash	Cash account	0.5	1	-

ASSUMES COMMINGLED AND MUTUAL FUNDS WILL BE HELD AS A LINE ITEM UNDER ONE ACCOUNT.

3. HOW OFTEN ARE CLIENTS BILLED FOR SERVICES?

**VIII. OTHER**

- 1. PLEASE SUBMIT SAMPLE REPORTS OF THE FOLLOWING:**
  - a. ACCOUNTING**
  - b. SECURITIES LENDING**
- 2. PLEASE SUBMIT ELECTRONIC COPIES OF THE MOST RECENT ANNUAL REPORT, 10-K, AND 8-K FILINGS.**