

**STATE OF NEW MEXICO  
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

**REQUEST FOR PROPOSAL**

**FOR**

**CUSTODY BANK SERVICES**

**RFP NO. NM INV-002-FY23**

**January 24, 2023**

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## **PART I. INTRODUCTION AND GENERAL INFORMATION**

PERA is a public pension fund responsible for the investment of all monies constituting the assets of the Public Employees Retirement Fund, the Judicial Retirement Fund, the Magistrate Retirement Fund, and the Volunteer Firefighters Retirement Fund. The retirement systems are treated as qualified plans under Section 401(a) of the Internal Revenue Code. The Fund's assets were valued in excess of \$16.6 billion as of June 30, 2022.

As further described below, the purpose of this Request for Proposals ("RFP") is to invite responsible Offerors to submit competitive sealed proposals to provide custody banking services. Such services shall conform to PERA's investment rules, Investment Policy, and statutory investment requirements, as they may be amended from time to time. PERA's current Investment Policy and the Public Employees Retirement Act (NMSA 1978, Section 10-11-1 et seq.), the NM Uniform Prudent Investor Act (NMSA 1978, Sections 45-7-601 to 45-7-612), and the Investment Policies and Practices (2.80.300 NMAC) is attached hereto in Appendix "F."

## **PART II. SUBMISSION OF PROPOSALS**

### **A. General Information**

In order to be considered, Offerors shall submit a formal acknowledgement of meeting all of the Minimum Qualifications (MQs) by the time stated in the Timetable below. Only the Offerors meeting the MQs shall submit their formal proposals by the time specified in the Timetable below. All proposals shall become the property of PERA.

A proposal may be withdrawn or modified prior to the time and date established in the Timetable below for PERA's receipt of proposals. Any withdrawal, or modification received after the established time and date for delivery of proposals to PERA shall be considered late. Offerors shall bear in mind that such late withdrawals or modifications can only be considered under very limited circumstances.

### **B. Timetable for the Procurement**

PERA intends that the following schedule govern the procurement under this RFP. If there is any discrepancy between the dates in the "Timetable for the Procurement" and the ones listed in other parts of the RFP, the ones referenced within the "Timetable for the Procurement" will prevail. However, the exact dates for items No. 6-9, and the dates for negotiations, if any, shall be set at PERA's discretion without the need to amend the RFP.

<u>Action</u>	<u>Responsibility</u>	<u>Date</u>
<b>1. Release of RFP</b>	PERA	<b>01-24-2023</b>
<b>2. Return Acknowledgment of Compliance with Minimum Qualifications (Appendix A)</b> Only the RFP responses of the Offerors meeting the MQs will be considered. Offerors must address their acknowledgement to <a href="mailto:PERA-RFP-PA@state.nm.us">PERA-RFP-PA@state.nm.us</a> . & <a href="mailto:newmexicopera@wilshire.com">newmexicopera@wilshire.com</a>	Offerors	<b>02-06-2023</b> 5pm MT
<b>3. Deadline for Submission of Written Questions</b> Written questions should be submitted by E-MAIL ONLY to <a href="mailto:PERA-RFP-PA@state.nm.us">PERA-RFP-PA@state.nm.us</a> . & <a href="mailto:newmexicopera@wilshire.com">newmexicopera@wilshire.com</a> Please clearly label your questions by referring to the appropriate section (and/or paragraph) and page of the RFP. PERA is not obligated to answer questions of the firms not meeting the MQs and questions received after the stated deadline.	Offerors	<b>02-06-2023</b> 5pm MT
<b>4. Response to Written Questions</b> In order to obtain copies of PERA’s answers to written questions, Offerors shall submit the Acknowledgment of Minimum Qualifications Compliance (Appendix “A”) by February 6, 2023. No written response to the questions shall be construed as a modification of the RFP unless PERA amends the RFP in accordance with New Mexico PERA’s Investment-Related Services Procurement Policy.	PERA	<b>02-13-2023</b> 5 pm MT
<b>5. Deadline for Submission of Proposals</b> Please refer to the instructions in Part I, above. Include Appendix B, Signature Page with full proposal.	Offerors	<b>02-20-2023</b> 5 pm MT
<b>6. Evaluation of Proposals</b> <b>Oral presentations of Finalists</b> Short-listed Offerors may be requested to make a formal presentation to the Evaluation Committee, as is more fully described in Part IV of this RFP.	Evaluation Committee	<b>To be set</b>
<b>7. On-site due diligence</b> PERA staff, or other PERA representatives may make on-site due diligence visits to the offices of short-listed Offerors.	PERA	<b>To be set</b>
<b>8. Contract Award(s)</b> PERA intends to make the contract award on or before May 1, 2023, subject to satisfactory completion of a due diligence visit by PERA, if appropriate, and further subject to negotiation of a final contract on terms acceptable to PERA/	Evaluation Committee	<b>To be set</b>
<b>9. New contract(s) proposed effective date</b>		<b>July 1, 2023</b>

### **C. Point of Contact and Quiet Period**

A quiet period will be in effect from the date of issuance of this RFP until announcement of the selection of a firm or firms under this RFP. During the quiet period, respondents are not permitted to communicate with any NM PERA's Investment Team or Board Member regarding this RFP except through the Point of Contact named herein. Respondents violating this quiet period may be disqualified at NM PERA's discretion. Respondents having current business with NM PERA must limit their communications to the subject of such business.

NM PERA's normal business hours of operations are from 8:00 AM MT to 5:00 PM MT Monday through Friday, except for federal and state holidays.

#### **The Point of Contact for all matters relating to this RFP is:**

Name: NM PERA Custody Bank RFP Team  
Email: PERA-RFP-PA@state.nm.us  
& newmexicopera@wilshire.com

### **PART III. SCOPE OF WORK**

PERA requests proposals for custody banking services for which the scope of work is to provide global master custody services relating to the investments and assets separately managed by NM PERA. The Contractor will be the Agency's book of record. The Contractor shall furnish all services, materials and personnel necessary to provide custody services for the Agency in compliance with those professional and fiduciary standards established as reasonable and customary by the industry for similar services. In the provision of custody bank services, the Contractor shall conform to all applicable local, state and federal laws, rules and regulations governing such services.

The Contractor must have sub-custodian relationships to service all of the Agency's international and emerging markets investments. In addition, the Agency is interested in learning each candidate's ability to handle and value the various derivatives securities held by the Agency. Finally, the Agency is interested in learning each candidate's ability to process the activity and value the various alternative investments held by the Agency.

### **RELATIONSHIP MANAGEMENT OVERVIEW**

The Agency is committed to having a custody bank relationship that is based on trust and is reciprocal, goal-oriented and flexible. Effective and efficient communication is essential, and we believe that relationships grounded in these principles will provide the best results for the Agency and its beneficiaries. The Staff is in daily contact with its custody bank service team and most interactions pertain to issues that require same-day resolution. The Contractor will act as partner to the Staff, providing resources and perspective as a fiduciary to assist the Staff with solutions that are in compliance with regulatory requirements and reflect the highest level of ethical standards. The Contractor is expected to be proactive in communicating and resolving identified issues. The operational support, flexibility, accessibility, and responsiveness of institutions

submitting proposals will be carefully weighed. Once every two weeks, representatives from the Contractor will be required to teleconference with the Staff to discuss accounting and reporting issues as well as significant future transactions.

The Agency requests that a fully integrated global and domestic custody service team be assigned to its account. The Agency would prefer that the same team service both domestic and international assets. Preference will be given to accounting teams that employ a CPA as part of the team that is available for questions and/or discussions during regular business hours. The Staff will require direct access to the portfolio level accountants.

## **SECTION 1: SERVICES TO BE PROVIDED**

The Contractor will provide, at a minimum, the services listed below for the Agency. In addition, the Agency might from time to time request the Contractor to provide additional services at a negotiated fee.

### **A. Accounting and Auditing – The Contractor shall provide:**

1. Trade date multi-currency accounting for all securities and full accrual accounting for all assets;
2. Accounting services for all investments in the portfolio including, but not limited to, the following:
  - a. All income and security transactions (cash and non-cash); domestic and international equity, fixed-income securities, commingled trusts, private market funds, and foreign tax reclaim receivables;
  - b. Same-day recording of capital changes, including mergers, acquisitions, tenders, stock splits, warrants, spin-offs and purchase of fractional shares;
  - c. Options, futures, swaps, and any other derivative instruments;
  - d. Leveraged buy-outs, venture capital, real estate, real assets and various other private equity and debt investments; and
  - e. Forward exchange contracts;
3. Unless otherwise directed by the Agency, booking all investments at cost and reporting them with updated market values. Gains and losses on securities sold shall be recognized on an average cost basis;
4. A daily comprehensive pricing system ensuring the accuracy of the prices received from various external sources (especially alternative sources like brokers, external investment managers, etc.) by employing procedures to verify the primary price (reserving the Agency the right to mandate the primary source) to a secondary pricing source, by comparing the prior period's prices to the current period's prices and by investigating both changes outside

established tolerances, as well as changes from the prior month that appear unreasonable in relation to current market trends;

5. Fixed income discounts and premiums shown at purchase, but not amortized or accreted after purchase;
6. Payable date posting for dividends, bond interest and principal, and interest and principal paydown on mortgage pass-through certificates;
7. Annual accounting on a fiscal year basis, July 1 through June 30;
8. Daily fund accounting and pricing of portfolios for the purpose of computing daily net asset values for various portfolios;
9. Market valuation and accounting for commingled investments on at least a monthly basis;
10. Technical expertise and assistance to the Agency's investment accounting and portfolio administration personnel including, but not limited to:
  - a. Assistance in identifying ways in which the Contractor's resources, products, and information can be used to maximize efficiency of investment accounting and trade settlement procedures;
  - b. Providing ongoing updates, information, and training concerning new investment instruments and accounting issues surrounding various investment types;
  - c. Providing technical assistance and ongoing education 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 qualified, designated individuals to assist with technical and accounting questions; and,
  - e. Providing an account administrator(s) available by telephone between the hours of 7:30 a.m. and 5:00 p.m. Mountain Time on normal operating business days;
11. Daily verification with Staff of net cash flows by fund as requested; and
12. Monthly and yearly closed periods that are frozen to additional transactions except when mutually agreed upon by the Agency and Contractor.

**B. Settlement, Securities Processing and Custody – The Contractor shall provide:**

1. On-line security clearing at the DTC, Federal Reserve and other clearing agents;

2. Settling and safekeeping of domestic and international securities within a single accounting system;
3. Settling and safekeeping physically-held securities;
4. Execution of foreign exchange transactions, monitoring foreign tax liability, and collecting tax reclaims;
5. Electronic access to trade data by the Agency, the Agency's consultants and investment managers, and any other third party approved in advance by the Agency;
6. Settlement on a delivery versus payment basis. Free delivery settlement must receive prior written approval by the Agency unless it complies with established policies and procedures for the security and market in question;
7. Assistance with the automation of trade affirmation process for international investments, including pair-off of foreign currency (FX) to net cash flows;
8. Interface with SEDOL, EuroNext, Clearstream, Euroclear, and other applicable foreign depositories and/or sub-custodians to support foreign trading activity;
9. Settlement of international equity, fixed income, alternative investments, and derivative instruments. The Contractor shall provide a comprehensive system for selecting sub-custodians and evaluating and monitoring their internal control structures, performance, and financial condition. The Contractor shall be liable for any and all financial losses as it relates to the actions or inactions of the sub-custodians and their agents;
10. Monitoring and resolution of failed trades in a timely manner; and
11. Tracking of overdrafts.

C. **Income Settlement and Income Crediting** – The Contractor shall:

1. On a contractual processing basis, credit or debit the appropriate money account of the Agency in connection with the purchase, sale, maturity, redemption, income, dividends or other disposition of securities and other assets held on behalf of the Agency; and
2. Agree to pay sale fail compensation in an amount equal to the daily earnings for the cash sweep vehicle of the account for all securities that are settled under actual settlement procedures, provided:
  - a. The security was in the Contractor's possession, and

- b. The Agency, its investment managers or agents, or any party selected by them, was not responsible for the failure to settle the trade.

**D. Investment Manager Liaison** – The Contractor shall:

1. Communicate directly with the investment managers of the Agency on all trading matters;
2. Keep the Staff informed of significant issues;
3. Provide a monthly reconciliation between investment managers and Contractor. The Contractor is responsible for reviewing each holding on the reconciliation and investigating differences that lie outside of thresholds (determined by the Agency), and documenting their work. The Contractor shall send reconciliation spreadsheets to the managers who shall explain any significant differences, and Contractor shall submit the final reconciliation spreadsheet to the Agency's back office; and
4. Interface with the Agency's current and future external investment managers and with those managers that may be added by the Agency from time to time. The Contractor shall discontinue exchanging data related to the Agency with any such manager if directed to do so by the Agency.

**E. Cash Management** – The Contractor shall:

1. Provide an automated daily sweep of net cash flows from all domestic and international accounts to Contractor short-term investment fund (STIF) or external money market funds, as directed by the Agency;
2. Compound and accrue income earned by the STIF daily;
3. Meet the restrictions imposed by New Mexico statutes for the securities in the STIF utilized by the Agency and be within guidelines mutually agreed on;
4. Provide overnight investment management services for the funds received after the occurrence of the daily sweep;
5. Provide an interactive, secure and transparent transaction processing system for cash movements and wire transfers;
6. Provide for transfer of cash between accounts, make and accept wire transfers of funds in both USD and non-US currency (including provision of Fed reference numbers upon request);
7. Provide for same-day settlement of cash trades, such as physical, DTC, and Fed wireable repo and term purchases. Cash flow from purchases and sales must be debited/credited on contractual settlement date;

8. Credit income earned, redemptions, and maturities to the proper accounts on payable date in Fed funds. The Contractor must identify any security types not eligible;
9. Provide a system that daily projects cash by account for a minimum of five days forward. Projections should incorporate STIF balances, dividend and interest income, and income from trade settlements, corporate actions, or other known cash flows;
10. Provide currently available cash balances to the Agency's investment managers each morning by 10 AM Eastern Time;
11. Provide notification of overdrafts to the Agency and its investment managers daily; and
12. Complete and report foreign currency conversion and movement transactions.
13. Cooperate with and assist PERA's cash overlay manager, including (but not limited to) providing necessary feeds on cash balances, including delivery of settled cash and positions electronically, either via FTP or by providing the data to a mutual 3<sup>rd</sup> party vendor, and the ability to shadow book derivative positions.

**F. Foreign Trade and Foreign Exchange Processing (FX)** – The Contractor shall:

1. Obtain best execution on FX conversions relating to income and tax reclaim transactions and other types of transactions, and provide transparency in reporting FX transactions compared to FX benchmarks;
2. Provide a monthly report demonstrating best execution with respect to FX transactions; and
3. Ascertain that FX transactions associated with repatriation of international dividends to USD are competitive.

**G. Sub-custodian Network Management** – The Contractor shall:

1. Have sub-custodian relationships to service all of the Agency's international and emerging markets investments not serviced by the Contractor;
2. Provide a comprehensive system for selecting sub-custodians and evaluating and monitoring their internal control structures, performance, and financial condition;
3. Have a thorough knowledge of tax treaties, withholding laws and tax reclamation procedures internationally;
4. Have a thorough knowledge of relevant securities and tax laws in each country, as well as the ability to recover assets in the event of broker bankruptcy; and

5. Facilitate the setup of accounts in new markets and assistance with ongoing maintenance of existing accounts.

**H. Alternative Investments Processing and Reporting** – The Contractor shall:

1. Provide support in the processing, accounting, and administrative requirements of alternative investments (i.e., hedge funds, real estate, real assets, private equity, infrastructure, opportunistic credit, etc.);
2. Provide multi-tiered electronic approval and processing of capital calls and distributions;
3. Provide recording of non-cash deemed distributions and non-cash contributions and distributions of assets to the Agency from partnerships; and
4. Provide monthly valuation with cash flow roll forwards.

**I. Reporting Requirements** – The Contractor shall:

1. Provide all reports requested by the Agency. In addition, ad hoc query and reporting functions shall be available, and the Contractor shall, by mutual agreement and in a timely manner, provide additional custom reports (complying with industry-standard report formats developed in the future) as requested by the Agency at no additional charge;
2. Complete monthly reconciled accounting statements by the eleventh (11th) business day of the month (for the prior month's reporting cycle). The Agency and Contractor may mutually agree in writing to a later completion and/or delivery schedule for transaction reports subject to availability of third party information or substantive changes in the Agency's portfolio composition or structure;
3. Produce at a minimum, the following month-end reports in electronic form (in both PDF and Excel format) and all reports must be available by individual manager and composites of managers. All reports must present transactions in both local and base currency.
  - a. Statement of Assets and Liabilities: a balance sheet report summarizing the assets and liabilities of the Agency at both Cost and Market Value;
  - b. Reconciliation of Assets: a summarized reconciliation report tracking activity affecting assets between the beginning and ending balances;
  - c. Reconciliation of Cash: a cash reconciliation report tracking all transactions affecting cash between the beginning and ending cash balances;
  - d. Accrued Income: a summarized and detailed report of receivables and payables to include all income earned but not yet paid as well as items that should have been paid but have not been received;

- e. Pending Trades: a summarized and detailed report of all trades initiated by managers but not yet settled as of month-end;
  - f. Statement of Income: a summarized and detailed report tracking transactions affecting income to arrive at an earned income total;
  - g. Statement of Expenses Incurred: a summarized and detailed report tracking transactions affecting expenses to arrive at total expenses;
  - h. Statement of Net Unrealized Gains and Losses: a summarized report tracking current unrealized gains and losses and change in net unrealized gains and losses by asset type;
  - i. Statement of Net Realized Gains and Losses: a summarized report tracking current proceeds vs. cost and net realized gains and losses by asset type;
  - j. Detail Statement of Assets and Liabilities: a report tracking cost and market value by asset type sorted in alphabetical order;
  - k. Detail Statement of Purchase and Sale Transactions: listing must be available in chronological order within each transaction type and must include derivatives; and
  - l. Fail Report: a detailed audit trail must be produced tracking all trades that have failed. This report should include sufficient detail to allow a thorough review of the trade;
4. Provide a monthly general ledger feed via Excel spreadsheet to the Agency's accounting system, currently SHARE;
  5. Provide a daily reconciliation report for all cash accounts associated with externally managed accounts as well as alternative investments;
  6. Provide access to management information and accounting systems utilizing personal computers at the Agency with the capability of providing the following information on a daily basis:
    - a. Exposure reporting for custodied holdings, including, but not limited to, country, currency, corporation, economic sectors, industry class, and types of securities.
    - b. Underlying exposure to asset holdings in commingled funds;
    - c. Current and historical performance;
    - d. Current and historical prices and exchange rates;

- e. Composite portfolios;
  - f. Current and historical transactions;
  - g. Current and historical holdings in any aggregation;
  - h. Performance aggregate data and (custom) benchmarks;
  - i. Performance and analytic databases;
  - j. Customized reports as required; and
  - k. Ad hoc holdings and performance reports;
7. Provide an accurate report of all holdings, yearly transactions, and other pertinent investment data, in a format acceptable to the Agency, no later than 30 days after the end of each fiscal year;
8. Provide website access to recent and pending transactions, current asset listings, and cash flow projections. These reports must be available for individual and combined portfolios and must include, at a minimum, the following capability:
- a. Ability to access real time portfolio information including market indices from the Agency's office;
  - b. Automated report writer interface with Windows based spreadsheets and databases;
  - c. Complete selection of month-end multi-currency accounting reports;
  - d. Multi-currency performance and analytic reports.
  - e. Ability to download data elements with user selected formats and sorting; and
  - f. Customization of reports to client specifications at no additional charge;
9. Provide information to investment managers for bankruptcy filings;
10. Provide data access to Agency-approved third parties; and
11. Provide a monthly file (in acceptable media) of all transactions in all the Agency accounts to the Agency's general investment consultant (currently Wilshire) for the purpose of receiving audited positions and transaction data by the third (3rd) business day after the books are closed for all accounts custodied at the Contractor. The Agency and Contractor may mutually agree, in writing, to a later delivery schedule for transaction reports subject to availability of third-party information or substantive changes in the Agency's portfolio composition or structure.

**J. Corporate Actions, Class Actions and Proxy Voting** –The Contractor shall:

1. Provide advance notification and same-day posting of corporate actions including bond puts, calls and other scheduled and non-scheduled redemptions to the Agency and/or its external investment managers in a timely manner. A secure interactive website to process corporate actions is preferred;
2. Provide an automated feed between the Contractor's system and the Agency's class action monitoring service provider on at least a monthly basis;
3. File claims in all class action or similar suits associated with any investment securities owned by the Agency on behalf of the Agency when applicable with respect to claim periods for which Contractor or any prior Custody Bank or other entity with possession of data is the holder of record relating to those securities. Further, upon expiration or termination of any contract, the Contractor shall agree to continue to file claims for any future or potential class action claim of settlement regarding such investment securities;
4. In the event Contractor receives any deficiency or rejection notices from litigation agents in connection with a claim filing (other than a minor deficiency which it determines that it can readily cure), it will use reasonable efforts to forward such notice to the Agency. Contractor shall take no further action with respect to a claim filing that has been deemed deficient or rejected by a litigation agent until instructed by the Agency;
5. Provide reports of all class actions, claims filed and settlements received at least monthly. This reporting shall include notification of claims yet to be filed and information regarding past and present holdings and holding periods for class action litigations. A secure website reporting system to view these is preferred;
6. Provide proxies and proxy statements to PERA or PERA's designee prior to annual and special meetings within a timeframe sufficient for relevant receipt, analysis and vote determination;
7. Provide proxies and proxy statements to the Agency, its external managers or designee prior to annual and special meetings for foreign corporations. Such proxies and proxy statements will be provided subject to local market practice but in a manner consistent with the practice of the Contractor's peers for the relevant market, at minimum; and

**K. Performance Measurement and Analytics** – The Contractor shall:

1. Provide audited monthly performance reports detailing the market values, cash flows and returns of the portfolio, including both custodied and non-custodied assets, asset classes and on a consolidated basis at gross, net of management fees, and net of all fees using GIPS compliant calculation methodology by the twelfth (12th) business day of the month for the prior month's performance;

2. Provide unaudited daily performance reports detailing the market values, cash flows and returns of each portfolio for all custodied assets as well as any consolidations deemed necessary by the Agency;
3. Provide monthly audited sector, industry and CUSIP level reports by the twelfth (12th) business day of the month;
4. At least monthly transmit raw performance data, transactions data, rates of return or any other information concerning the Agency's accounts to the Agency or to vendor(s) selected by the Agency;
5. Provide peer universe comparison reports.
6. Provide performance analytics and attribution analysis for the Agency's accounts versus relevant agreed-upon benchmarks in formats acceptable to the Agency;
7. Provide monthly performance reports detailing market performance, portfolio performance, and any level of detail or any aggregate deemed necessary by the Agency. These reports are to include current as well as historical data;
8. Provide a lagged quarterly investment performance analysis across all Agency funds in a format to be agreed upon between the Contractor and the Agency. This report will be due thirty (30) days after the close of the calendar quarter reported upon and will be delivered to the Agency electronically; Provide a non-lagged quarterly investment performance analysis across all Agency funds in a format to be agreed upon between the Contractor and the Agency. This report will be due one hundred and five (105) days after the close of the calendar quarter reported upon and will be delivered to the Agency electronically; and
9. Based upon its knowledge of client and industry trends, advise the Agency of the Contractor's latest performance measurement tools and products as they become available.

**L. Compliance Monitoring and Reporting** – The Contractor shall:

1. Provide the Agency with an online investment compliance reporting service, which will identify and notify staff of investment trades that are outside established policies, tolerances and parameters based on available holdings information;
2. Assure that the compliance monitoring and reporting service has the capability to track any internally managed portfolios as well as all externally managed portfolios. The service shall encompass the following:
  - a. Provision for formal investment management guideline review and gap analysis for each specified guideline;

- b. Creation of the initial set of tests and reports to meet the Agency's requirements;
  - c. On-going assistance in creating new and/or modifying existing tests and reports;
  - d. Formal confirmation by the Agency of proper interpretation of the tests and results;
  - e. Performance of compliance monitoring daily, with weekly and monthly reports;
  - f. Ability to capture the reason why exceptions occurred and to retain history of compliance monitoring results; and
  - g. Ability to review exception reports online and to download the exception reports in pdf and excel formats;
3. Reports shall display the status of each test; a pass, an alert or a warning, and ability to summarize why the alert occurred. Reports shall be based on post-trade date and pre-settlement date holdings previously reported to the Contractor; and
  4. The application shall incorporate compliance fail management capabilities, including the ability to assign severities, breaches and approvals for each alert. Agency or assigned Contractor employee shall be able to view the test breaches, assign breaches to individuals for follow-up, and record commentary or research results on-line.

#### **M. Risk Analytics**

1. Produce holdings based ex-post risk analysis for the total fund, each asset class, and each portfolio that includes, but is not limited to, 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. Attribution analysis including growth factors, market cap, style factors.
  - f. Descriptive exposure statistics including, geographic, sector, industry, market cap, and bond characteristics.
2. Produce ex-post NOF tracking error reports separately for public and private market accounts in Microsoft CSV/Excel format.



3. Produce holdings-based risk analysis for the total fund, the fund's liabilities and the fund's surplus/deficit.
4. Support scenario analysis and stress testing (i.e. market scenarios – historical and custom, factor shocks and what if analysis).

#### **N. Securities Lending**

1. NMPERA currently has a securities lending program, The successful Offeror must indemnify NM PERA of possible loses and be able to accept and manage the current portfolio, in-line with the existing guidelines.
2. Offerors must agree to provide customized reporting required by PERA, including detail on income, paydowns, credit quality.
3. Offerors must include their fee sharing proposal.

#### **SECTION 2: SYSTEMS AND TECHNOLOGY REQUIREMENTS – The Contractor shall:**

- A. Provide on-line, real time access to data held in the Contractor's records by authorized Staff, the Agency's external investment managers and the Agency's investment consultant. Complete histories of investment activity of all Agency holdings shall be maintained throughout the term of the custody bank relationship;
- B. Provide a secure website with access to management information and accounting systems with the capability of providing the following information:
  1. Current and historical prices, market values, and exchange rates in effect at times of pricing international securities;
  2. Composite portfolios;
  3. Current and historical transactions, including pending and settled trades, by security, by account, by asset class;
  4. On-line access to current and historical holdings in any aggregate;
  5. Customized reports as required; and
  6. Ad hoc query and reporting;
- C. Provide state-of-the-art back-up systems to minimize loss of data and provide instant availability;
- D. Provide staff with the ability to review all underlying assets in externally managed portfolios;

- E. Provide access to the contractor's website via secure login for purposes of downloading reports and extracting data for analysis using software products such as Microsoft Excel, as well as "inquiry only" access by various internal and external users;
- F. Provide training to Staff as new employees are added and any time substantial changes have been made to the information-delivery program;
- G. Provide adequate protection against unauthorized access to Agency records under the Contractor's control;
- H. Provide an established and proven plan for business continuation in emergency situations. The Contractor shall recreate records and resume operations necessary for the daily investment activities of the Agency, including but not limited to, trade settlement, money movement and cash sweep, and portfolio holding data essential to portfolio management within twenty-four hours of any occurrence of any major disaster or other cause which destroys records and/or interrupts normal operation of the Contractor's systems. The Contractor shall periodically test its business continuation plan and operating procedures. Every twelve months, the Contractor shall provide assurances that testing confirmed their abilities to operate as indicated in the Contractor's business continuation plan;
- I. Retain computer records of all reconciled investment transactions and month-end positions on electronically readable storage media indefinitely. The Contractor 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. Upon contract termination, the Contractor shall translate the information to a flat file, or other format mutually determined, for retention by the Agency.

**SECTION 3: TRANSITION AND CONVERSION** – Should this RFP result in the selection of a new custody bank, the Contractor shall:

- A. Perform all procedures necessary to convert from the system of the current custody bank (BNY Mellon) to the new Contractor's system of record, including:
  - 1. Present to the Agency management a detailed plan for, and schedule of, the transition from the current custody bank to the Contractor. The plan and schedule must include the timing of each phase of the transition as well as the proposed involvement of the Contractor's employees in the process, the resources required and level of involvement anticipated from the Agency's employees and the proposed involvement of the current Contractor in the transition process;
  - 2. Reconcile custody positions to the prior custody bank's records, research all reconciling items, and correct all position discrepancies;
  - 3. Have in place and adequately test prior to conversion all interfaces, including, but not limited to, those of the Agency, outside investment managers, pricing services, and others (or provide mutually agreed upon acceptable alternatives);

4. Complete the asset conversion process, including the reconciliation of custody positions, values, outstanding foreign tax claims, receivables, or liabilities and the proper identification of reconciling items by April 30, 2023; and run all parallel processing from May 1, 2023 through June 30, 2023, with full operation on July 1, 2023; and
  5. Provide training to Staff during the initial conversion process; and
- B. Upon termination of the Contract, cooperate fully with the successor custody bank to facilitate the transition from the Contractor's system to the successor's system. During transition, the Contractor shall:
1. Provide to the Agency and the successor custody bank all information about the Contractor's system that may reasonably be needed by or useful to the successor to prepare for and effect the transition. Such information might include data formats, data element definition, update frequencies, etc. The Contractor shall not be expected to provide proprietary information about its internal systems;
  2. Provide to the successor custody bank a copy of all Agency data in a mutually agreed form and format for test purposes, with the expectation of parallel processing for the two months prior to the end of the Contract;
  3. On the effective date of the conversion from the Contractor to the successor custody bank, provide a complete final copy of all current Agency files to the successor. To complete close-out of transactions in process, suitable and mutually agreed arrangements shall be made between the Contractor, the Agency, and the successor for processing of such transactions received subsequent to the effective date of conversion;
  4. Provide the necessary personnel to ensure a smooth transition;
  5. Continue to collect tax reclaims due the Agency and coordinate with the successor custody bank on outstanding claims; and
  6. Continue to file class action litigation claims and process those claims and disbursements for litigations referring to the time period the Contractor has served as custody bank.

**SECTION 4: CONTRACTOR'S CORPORATE AUDIT** – The Contractor shall:

1. Provide annual financial statements audited by an independent certified public accounting firm in accordance with generally accepted accounting principles. An unqualified opinion must have been issued by the auditor in connection with the most recent audit;
2. Afford necessary Staff and its internal auditor (also including, when the Agency so requires, external auditors) continued access to the Contractor's corporate audit staff and make available information from the corporate internal audits such as audit

reports and the working papers of the Contractor's internal audit division that pertain directly to the services utilized by the Agency, as long as such access does not violate client confidentiality, contractual obligations of Contractor, or applicable federal or state laws or regulations; and

3. Provide electronically the semi-annual Statement on Standards for Attestation Engagements (SSAE 16) and/or International Standard on Assurance Engagements 3402, Assurance Reports on Controls at a Service Organization (ISAE 3402).

**SECTION 5: PERSONNEL, MEETINGS, CLIENT CONFERENCE** – The Contractor shall:

1. Make appropriate personnel available to meet with Staff on site, at dates and times determined by the Agency, at least quarterly, or more frequently if required by the Agency, to discuss services related to the Agency's needs;
2. Provide direct access to appropriate computer technical staff for assistance with computer system problems;
3. Have a relationship management protocol and a dedicated primary contact, which assures the appropriate escalation of issues and special projects with defined deadlines for resolution within the context of the Agency relationship; a weekly conference call with appropriate Staff and Contractor staff shall be conducted to discuss progress of all issues;
4. Provide the Staff direct access to specialists in each functional area to discuss processing issues as they arise; and
5. Invite the appropriate Board and Staff members to participate in the Contractor's group client conferences and all other educational activities provided by the Contractor and normally offered to the Contractor's clients.

#### **PART IV. MINIMUM QUALIFICATIONS**

Each Offeror must certify that it meets all of the following minimum qualifications as of the date its proposal is submitted to PERA.

**FAILURE TO MEET AND CERTIFY THE FOLLOWING SHALL RESULT IN THE REJECTION OF THE PROPOSAL FOR NON-RESPONSIVENESS. PLEASE INCLUDE YOUR CERTIFICATION TO THE BELOW MINIMUM QUALIFICATIONS WITHIN YOUR SUBMISSION OF YOUR ACKNOWLEDGEMENT OF COMPLIANCE AS WELL AS WITH YOUR FINAL RFP RESPONSE.**

- A. The Offeror must have an unimpaired capital and surplus, tier 1 capital as defined by federal regulations in its press release of August 04, 2022.
- B. The Offeror must agree that it shall maintain and furnish at its expense throughout the term of the agreement a banker's blanket bond per occurrence coverage in a minimum amount of Seventy-Five million dollars (\$75,000,000) and additional coverage for electronic computer crime losses in the minimum amount of Fifty million dollars (\$50,000,000) per occurrence. Each such coverage must contain terms and conditions acceptable to the Agency.
- C. The Offeror must carry a professional/technical, errors and omissions, and/or miscellaneous liability insurance policy that will provide coverage for all claims the Offeror may become legally obligated to pay resulting from any actual or alleged negligent act, error, or omission related to Offeror's professional services required under the contract. Any deductible will be the sole responsibility of the Offeror.
- D. The Offeror must agree to wholly indemnify the state for any and all loss, damage, cost, damages, expenses (including, without limitation, legal fees and expenses) and liability (collectively hereinafter "loss") resulting from errors, omissions, fraud, embezzlement, theft, negligence or neglect by the Contractor, its employees, officers, agents and directors in performing their duties under the Contractor agreement. The Contractor must also acknowledge and agree that any loss shall, unless such loss can be demonstrated by the Contractor to have been due to a cause or causes beyond the reasonable control of the Contractor (such as acts of God, acts of the public enemy, insurrections, riots, fires, explosions, orders or acts of civil or military authority and other cataclysmic events, to the extent all reasonable and diligent precautions by the Contractor could not have prevented the damage or loss resulting from any such event) be conclusively presumed to be the result of errors, omissions, fraud, embezzlement, theft, negligence or neglect on the part of the Contractor. Limited exceptions to this indemnification requirement may be permitted in any agreement entered by the Agency with the Contractor as to information supplied by the Board pursuant to any safekeeping or other collateral agreement or such other limited exception as may be required in order to enable the provision of a particular service by the Contractor. Any such limited exception must be included in the Contractor agreement and be acceptable to and specifically approved by the Agency.
- E. The Offeror must agree to provide the minimum services as detailed in this section as well as all other requirements as stated in the Request for Proposals (RFP).
- F. The Offeror must be a US domiciled trust company and a member of the Federal Reserve or a US subsidiary of a foreign bank subject to the jurisdiction of US courts.

- G. The Offeror must comply with generally accepted accounting principles as well as governmental accounting practices concerning treatment of accruals.
- H. The selected Offeror shall act as a fiduciary when performing its services under the Contract and shall certify in writing as to its fiduciary status on the Signature Page (Appendix B, Signature Page).
- I. Neither the key members of the service team nor the selected Offeror may have, or could potentially have, a material conflict of interest, in fact or in appearance, with the Agency. The selected Offeror must provide a list of all entities with which it has relationships that create, or appear to create, a conflict of interest with the work that is contemplated in this request for proposals. The list should indicate the name of the entity, the relationship, and a discussion of the conflict.
- J. As of June 30, 2022, the Offeror must have provided domestic and global custody bank services for a minimum of ten (10) years and for at least ten (10) US based pension clients. At least five (5) of the clients must be institutional tax-exempt investors or public pension clients, each of which has trust assets having a market value greater than \$10 billion.
- K. As of June 30, 2022, the Offeror must be providing global custody or trust services with international marketable security trust assets having a market value totaling at least \$500 billion in global custody assets. The \$500 billion must include domestic and international equity and fixed income assets.
- L. The Offeror must provide, at a minimum, sub-custodian operations in all current and future countries in the Morgan Stanley Capital International All Country World ex United States IMI index (MSCI All Country World ex US IMI index).
- M. The Offeror must have an automated accounting system that provides the Agency access to both US and international securities accounts within a uniform framework of accounting treatment, reporting and performance measurement.
- N. The Offeror must be able to backload the Agency's historic performance data into the Offeror's performance measurement and analytics system.
- O. The Senior Client Services Manager proposed for this account must have a minimum of five (5) years' experience administering both domestic and international custody accounts with at least three (3) years' experience at the responding firm for clients with a minimum of \$10 billion in assets under management.
- P. The transition team leader and his/her team must have worked together on at least three (3) prior major conversions of accounts with market values each in excess of five (\$5) billion consisting of multiple asset classes.
- Q. Offeror must agree to keep the proposal open for a period of not less than 180 days from the date the proposal is issued.
- R. Offeror must agree to incorporate the warranties, attached as Appendix "C", Warranties, into

any contract entered into as the result of a contract award made under this RFP. (See Signature Page, Appendix “B”, Company Questionnaire).

- S. Offeror must agree to submit a detailed financial proposal for all custody bank and securities lending services as part of their response in the formats required by PERA. Failure to submit all necessary pricing information may result in the bidder’s proposal being considered materially non-responsive. Each bidder must hold its price(s) firm for a minimum of one hundred and eighty (180) days following bid opening to permit the completion of the evaluation of proposals received and the contract award process.

## **PART V. EVALUATION OF PROPOSALS**

The contract award shall be made to the responsible Offeror whose proposal is most advantageous to PERA, taking into consideration the applicable evaluation factors set forth below. Please note the listing of fees as an evaluation factor does not require PERA to select the Offeror with the lowest fee proposal. In addition, a serious deficiency in the score for any one factor may be grounds for rejection of a proposal regardless of the Offeror's overall score.

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 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.

The evaluation of proposals will be conducted by an evaluation committee appointed by the PERA Chief Investment Officer. However, any PERA staff member will be allowed to attend and participate in any proceedings, meetings, and deliberations of the evaluation committee, including but not limited to oral presentations of the short-listed Offerors and preparation of the final evaluation report.

Proposals that are non-responsive because of the failure to meet the minimum qualifications (See Part IV), or otherwise, shall be eliminated from further consideration. The evaluation committee shall rank the proposals for each evaluation factor in accordance with the evaluation criteria. Also, at its sole discretion, PERA may at any time during the evaluation process eliminate from further consideration proposals whose performance does not rank favorably relative to others responding to the RFP.

Short-listed Offeror(s) will make oral presentations to the evaluation committee. The evaluation committee shall rank the proposals for each evaluation factor, including the short-listed Offerors' oral presentations and interviews, in accordance with the evaluation criteria and recommend to the CIO the Offeror(s) to be awarded the contract. The final contract award(s) shall be made by the PERA Chief Investment Officer, subject to such conditions as the PERA CIO deems appropriate. PERA is not obligated to award any contract or fund any mandate described in this RFP.

## **PART VI. CONTRACTUAL REQUIREMENTS**

The final contract between PERA and the successful Offeror shall be based on and contain substantially the same terms and conditions in the sample contract attached to this RFP at Appendix “E”, Form of Professional Service Agreement. The final contract shall incorporate the warranties that appear in Appendix “C” and a financial proposal in the form prescribed by the “Compensation Schedule” in Appendix “D”, Financial Proposal. Further, copies of PERA’s Investment Policies and Practices Rule (PERA Rule No. 2.80.300 NMAC) and the Public Employees Retirement Act (NMSA 1978, Section 10-11-1 et seq.), as set forth in Appendix “F”, and PERA’s Investment Policy (available at <https://www.nmpera.org/assets/uploads/home-banner/2022-PERA-Investment-Policy-Final.pdf>) shall be attached to the final contract. While Offerors may suggest revisions and/or additional contractual terms and conditions, whether such revisions and/or additional terms and conditions are accepted and incorporated into the final contract shall be at PERA’s sole discretion. Moreover, preference will be given to those Offerors who propose minimal revisions to Appendix “E” attached.

The final contract between PERA and the successful Offeror shall, among other matters, describe the periodic, including day-to-day, services to be provided by the successful Offeror.

The term of the final contract shall be for eight (8) years.

PERA may, in its sole discretion, conduct discussions or negotiations with one or more Offerors, in accordance with the requirements of the PERA Procurement Policy for Investment-Related Services (available at <https://www.nmpera.org/assets/uploads/home-banner/PERA-Investment-Procurement-Procedures-5.30.2019.pdf>). However, PERA reserves the right to accept proposals and make contract awards without conducting any such discussions or negotiations. Furthermore, as a condition to submitting a proposal, each Offeror shall agree to provide the services required by this RFP and to adhere to all the requirements, specifications, terms, and conditions of this RFP. For these reasons, PERA strongly recommends that Offerors review the RFP with their corporate counsel in advance of submitting a proposal. (Also see Part VII, Form of Proposals, below, and the Signature Page located in Appendix “B”, Company Questionnaire.)

If PERA elects to conduct discussions or negotiations with one or more Offerors, PERA may establish a common date for submissions of best and final fee offers, if appropriate. Offerors shall bear any and all costs they incur in the conduct of any discussions or negotiations, including travel to New Mexico for oral presentations and their costs associated with due diligence visits made by members of the RFP Evaluation Committee. Any additional terms and conditions which may be the subject of negotiation will be discussed only between PERA and the Offeror who proposes them and shall not be deemed an opportunity to amend the Offeror’s proposal in any other respect.

## **PART VII. FORM OF PROPOSALS**

Proposals submitted in response to this RFP must be organized and submitted in the format described below, using the applicable forms attached to the RFP and following the instructions in such forms. Within each section of the proposal, Offeror should address the items in the RFP in the order in which they appear in the RFP. Please make sure that you include headings and page numbers in all deliverables. Furthermore, for each form that is attached to the RFP, as required, each question should be repeated in its entirety before the answer. Proposals should stress completeness, clarity, and succinctness.

Any proposal that does not strictly adhere to the following format, and does not address each specification and requirement within the RFP and the applicable forms may be deemed non-responsive:

- A. Each proposal shall contain an index or table of contents near the front of the proposal, listing the materials included in the proposal. Please, make sure that you include headings and page numbers in all deliverables.
- B. Offerors shall complete, sign and attach to the proposal a completed and signed Signature Page (Appendix “B”, Company Questionnaire). This page must be signed by a signatory with the authority to bind the Offeror. The Signature Page must contain the following statement: “By signing this Company Questionnaire, through the undersigned representative who has the authority to bind the Offeror, and by submitting a proposal in response to RFP NO. NM INV-002-FY23, Offeror agrees to perform the services required by such RFP and to adhere to all requirements, specifications, terms and conditions of the RFP. Offeror further agrees to be bound by this proposal for a minimum of 180 days from the date the RFP was issued.” Additionally, by signing the Signature Page contained in Appendix “B”, Company Questionnaire, the Offeror agrees to accept and comply with all the terms and conditions of the RFP.

Any proposals not bearing the appropriate signatures on the Signature Page contained in Appendix “B”, Company Questionnaire, referenced above, will not meet the minimum qualification requirements of the RFP and will not be considered further in the evaluation process.

Offerors may also include the following in their proposals:

- C. The Offeror may attach such other supplementary material as it sees fit to explain its proposal and any additional contractual terms and conditions that the Offeror may suggest.
- D. The Offeror may request in writing the nondisclosure of confidential information contained in the proposal. Such data shall be clearly marked and identified as “confidential” and shall be easily separable from the proposal in order to facilitate any eventual public inspection of the non-confidential portions of the proposal. After contract award, each proposal, except those portions for which the Offeror has made a valid written request for confidentiality, shall be open to public inspection. PERA reserves the right to review the appropriateness and validity of a request for confidentiality.

## **PART VIII. REFERENCES TO NEW MEXICO STATUTES AND NM PERA PROCUREMENT POLICY**

The Public Employees Retirement Association of New Mexico (PERA) operates under the authority of the Public Employees Retirement Act, NMSA 1978, Sections 10-11-1 to 10-11-142, as amended, the Volunteer Firefighters Retirement Act, NMSA 1978, Sections 10-11A-1 to 10-11A-8, as amended, the Judicial Retirement Act, NMSA 1978, Sections 10-12B-1 to 10-12B-19, as amended, the Magistrate Retirement Act, NMSA 1978, Sections 10-12C-1 to 10-12C-18, as amended, and the Public Employees Reciprocity Act, NMSA 1978, Sections 10-13A-1 to 10-13A-4, as amended.

This RFP is governed by the Public Employees Retirement Association Procurement Policy for Investment-Related Services. This RFP may be canceled and any and all proposals may be rejected in whole or in part by PERA at any time, including when PERA determines it is in the best interests of PERA. This RFP shall not be modified except by written amendment. Proposals received late will only be considered in PERA's sole discretion. A proposal may be withdrawn or modified prior to the deadline established above for PERA's receipt of proposals.

Services requested in this RFP shall conform to PERA's Investment Policy, and statutory and regulatory investment requirements, as they may be amended from time to time. PERA's current Investment Policy is available at <https://www.nmpera.org/assets/uploads/home-banner/2022-PERA-Investment-Policy-Final.pdf>. The Public Employees Retirement Act (NMSA 1978, Section 10-11-1 et seq.), the NM Uniform Prudent Investor Act (NMSA 1978, Sections 45-7-601 to 45-7-612) and PERA's Investment Policies and Practices Rule (No. 2.80.300 NMAC) are each attached hereto as Appendix "F".

PERA may, in its sole discretion, conduct discussions or negotiations with one or more Offerors. However, PERA reserves the right to accept proposals and make contract awards without conducting any such discussions or negotiations.

No written response made by PERA staff to questions asked by the Offerors shall be construed as a modification of the RFP unless PERA formally amends the RFP.

**CUSTODY BANK SERVICES**

**ACKNOWLEDGMENT OF MINIMUM QUALIFICATIONS COMPLIANCE**  
**AND**  
**ACKNOWLEDGMENT OF RECEIPT FORM**

**THE OFFEROR HEREBY ACKNOWLEDGES THAT:**

- It has received a complete copy of the above-referenced RFP for Custody Banking Services, which begins with a cover page and ends with Appendix “F”, PERA Investment Policies and Practices Rule, New Mexico PERA Investment Policy, and Investment Statutes.
- It meets all of the minimum qualifications stated below as of June 30, 2022.

In order to certify, the Offeror shall complete, sign and submit this form to New Mexico PERA (see below) no later than 5:00 p.m., MT, on February 03, 2023, via email. Only potential Offerors who meet the MQs and return this form by the deadline are entitled to receive copies of PERA’s written responses to Offerors’ written questions concerning this RFP.

**FAILURE TO MEET AND CERTIFY THE FOLLOWING SHALL RESULT IN THE REJECTION OF THE PROPOSAL FOR NON-RESPONSIVENESS. PLEASE INCLUDE YOUR CERTIFICATION TO THE BELOW MINIMUM QUALIFICATIONS WITHIN YOUR SUBMISSION OF YOUR ACKNOWLEDGEMENT OF COMPLIANCE AS WELL AS WITH YOUR FINAL RFP RESPONSE.**

- A. The Offeror must have an unimpaired capital and surplus, tier 1 capital as defined by federal regulations in its press release of August 04, 2022.
- B. The Offeror must agree that it shall maintain and furnish at its expense throughout the term of the agreement a banker’s blanket bond per occurrence coverage in a minimum amount of Seventy-Five million dollars (\$75,000,000) and additional coverage for electronic computer crime losses in the minimum amount of Fifty million dollars (\$50,000,000) per occurrence. Each such coverage must contain terms and conditions acceptable to the Agency.
- C. The Offeror must carry a professional/technical, errors and omissions, and/or miscellaneous liability insurance policy that will provide coverage for all claims the Offeror may become legally obligated to pay resulting from any actual or alleged negligent act, error, or omission related to Offeror’s professional services required under the contract. Any deductible will be the sole responsibility of the Offeror.
- D. The Offeror must agree to wholly indemnify the state for any and all loss, damage, cost, damages, expenses (including, without limitation, legal fees and expenses) and liability

(collectively hereinafter “loss”) resulting from errors, omissions, fraud, embezzlement, theft, negligence or neglect by the Contractor, its employees, officers, agents and directors in performing their duties under the Contractor agreement. The Contractor must also acknowledge and agree that any loss shall, unless such loss can be demonstrated by the Contractor to have been due to a cause or causes beyond the reasonable control of the Contractor (such as acts of God, acts of the public enemy, insurrections, riots, fires, explosions, orders or acts of civil or military authority and other cataclysmic events, to the extent all reasonable and diligent precautions by the Contractor could not have prevented the damage or loss resulting from any such event) be conclusively presumed to be the result of errors, omissions, fraud, embezzlement, theft, negligence or neglect on the part of the Contractor. Limited exceptions to this indemnification requirement may be permitted in any agreement entered by the Agency with the Contractor as to information supplied by the Board pursuant to any safekeeping or other collateral agreement or such other limited exception as may be required in order to enable the provision of a particular service by the Contractor. Any such limited exception must be included in the Contractor agreement and be acceptable to and specifically approved by the Agency.

- E. The Offeror must agree to provide the minimum services as detailed in this section as well as all other requirements as stated in the Request for Proposals (RFP).
- F. The Offeror must be a US domiciled trust company and a member of the Federal Reserve or a US subsidiary of a foreign bank subject to the jurisdiction of US courts.
- G. The Offeror must comply with generally accepted accounting principles as well as governmental accounting practices concerning treatment of accruals.
- H. The selected Offeror shall act as a fiduciary when performing its services under the Contract and shall certify in writing as to its fiduciary status on the Signature Page (Appendix B, Signature Page).
- I. Neither the key members of the service team nor the selected Offeror may have, or could potentially have, a material conflict of interest, in fact or in appearance, with the Agency. The selected Offeror must provide a list of all entities with which it has relationships that create, or appear to create, a conflict of interest with the work that is contemplated in this request for proposals. The list should indicate the name of the entity, the relationship, and a discussion of the conflict.
- J. As of June 30, 2022, the Offeror must have provided domestic and global custody bank services for a minimum of ten (10) years and for at least ten (10) US based pension clients. At least five (5) of the clients must be institutional tax-exempt investors or public pension clients, each of which has trust assets having a market value greater than \$10 billion.
- K. As of June 30, 2022, the Offeror must be providing global custody or trust services with international marketable security trust assets having a market value totaling at least \$500 billion in global custody assets. The \$500 billion must include domestic and international equity and fixed income assets.

- L. The Offeror must provide, at a minimum, sub-custodian operations in all current and future countries in the Morgan Stanley Capital International All Country World ex United States IMI index (MSCI All Country World ex US IMI index).
- M. As of June 30, 2022, the Offeror must have provided custody bank services for domestic and global alternative investments for a minimum of ten (10) years for at least ten (10) US based pension clients. At least five (5) of the clients must be institutional tax-exempt investors or public pension clients.
- N. The Offeror must have an automated accounting system that provides the Agency access to both US and international securities accounts within a uniform framework of accounting treatment, reporting and performance measurement.
- O. The Offeror must be able to backload the Agency's historic performance data into the Offeror's performance measurement and analytics system.
- P. The Senior Client Services Manager proposed for this account must have a minimum of five (5) years' experience administering both domestic and international custody accounts with at least three (3) years' experience at the responding firm for clients with a minimum of \$10 billion in assets under management.
- Q. The transition team leader and his/her assistant must have worked together on at least three (3) prior major conversions of accounts with market values each in excess of five (\$5) billion consisting of multiple asset classes.
- R. Offeror must agree to keep the proposal open for a period of not less than 180 days from the date the proposal is issued.
- S. Offeror must agree to incorporate the warranties, attached as Appendix "C", Warranties, into any contract entered into as the result of a contract award made under this RFP. (See Signature Page, Appendix "B", Company Questionnaire).
- T. Offeror must agree to submit a detailed financial proposal for all custody bank and securities lending services as part of their response in the formats required by PERA, including any schedules and worksheets. Failure to submit all necessary pricing information may result in the bidder's proposal being considered materially non-responsive. Each bidder must hold its price(s) firm for a minimum of one hundred and eighty (180) days following bid opening to permit the completion of the evaluation of proposals received and the contract award process.

**APPENDIX A, Cont.  
RFP NO. NM INV-002-FY23**

RFP# \_\_\_\_\_ TYPE: \_\_\_\_\_

FIRM: \_\_\_\_\_

REPRESENTED BY (CONTACT PERSON): \_\_\_\_\_

TITLE: \_\_\_\_\_

E-MAIL ADDRESS: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

CITY: \_\_\_\_\_

FAX NUMBER: \_\_\_\_\_ PHONE NUMBER: \_\_\_\_\_

**This page has been signed by an authorized signatory with the authority to certify that the Offeror meets the above-stated minimum qualifications.**

**SIGNED BY:** \_\_\_\_\_

**Name (print):** \_\_\_\_\_

**Title:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**SEND AN ELECTRONIC COPY OF THE SIGNED FORM TO:**

[PERA-RFP-PA@state.nm.us](mailto:PERA-RFP-PA@state.nm.us) & [newmexicopera@wilshire.com](mailto:newmexicopera@wilshire.com)

**SIGNATURE PAGE**

**1. ACKNOWLEDGMENT OF RECEIPT FORM**

In acknowledgement of receipt of this Request for Proposal, the Offeror acknowledges that a complete copy of the RFP for Custody Banking Services, beginning with the title page and ending with Appendix “F”, PERA Investment Policies and Practices Rule, New Mexico PERA Investment Policy, and Investment Statutes. This firm intends at this time to respond to RFP NO. NM INV-002-FY23, Custody Bank Services.

**2. MINIMUM QUALIFICATIONS COMPLIANCE**

The Offeror hereby certifies that it meets all of the minimum qualifications detailed in Appendix “A”, Minimum Qualifications Compliance. The Offeror has answered all questions and submitted all attachments requested in Appendix “A”, Minimum Qualifications. Offeror agrees to submit Form ADV, Parts I and II if selected as a semi-finalist.

**3. WARRANTIES**

Offeror agrees to the incorporation of the warranties listed in Appendix “C”, Warranties, in any contract entered into with PERA.

**4. FEE PROPOSAL AND COMPLIANCE**

Offeror has completed and provided a fee proposal that conforms with the guidelines provided in Appendix “D”, Financial Proposal.

**5. COMPANY QUESTIONNAIRE CERTIFICATION**

The Offeror certifies that all data provided in their RFP response is correct, complete, and current through June 30, 2022. Offeror has completed all questions in Company Questionnaire.

**6. FIDUCIARY STANDARD OF CARE**

Acknowledge that the Offeror is a fiduciary (as that term is defined in section 3(21) of the Employees Retirement Income Security Act of 1974, as amended to date (“ERISA”)) with respect to the Agency and in regard to the services specified in this RFP.

**APPENDIX B, Signature Page, Cont.**  
**RFP NO. NM INV-002-FY23**

**FIRM NAME:** \_\_\_\_\_

**ADDRESS:** \_\_\_\_\_  
\_\_\_\_\_

**E-MAIL ADDRESS:** \_\_\_\_\_

**TELEPHONE #:** \_\_\_\_\_

**FACSIMILE #:** \_\_\_\_\_

**FEDERAL EMPLOYER IDENTIFICATION #** \_\_\_\_\_

**NEW MEXICO TAX # (if any)** \_\_\_\_\_

**CONTACT PERSON FOR PROPOSAL** \_\_\_\_\_

This page has been signed by a signatory with the authority to bind the Offeror.

By signing this Company Questionnaire, through the undersigned representative who has the authority to bind the Offeror, and by submitting a proposal in response to RFP NO. NM INV-002-FY23, Offeror agrees to perform the services required by such RFP and to adhere to all requirements, specifications, terms and conditions of the RFP. Offeror further agrees to be bound by this proposal for a minimum of 180 days from the date the RFP was issued.

**SIGNED BY:** \_\_\_\_\_

**Name (print):** \_\_\_\_\_

**Title:** \_\_\_\_\_

**Date:** \_\_\_\_\_

## **APPENDIX B SUBMISSION INSTRUCTIONS**

### **ELECTRONIC COPY:**

RETURN *ELECTRONIC COPY* OF THIS FORM (Only **ONE** file attachment is allowed and must be in the form of a compressed zip file (7z, RAR, zip, zipx, tar.bz2, and tar.gz). The file size cannot exceed 50MB. TOGETHER WITH THE COMPLETE PROPOSAL, INCLUDING ALL APPENDICES, ADDENDUMS, AND SUPPORTING DOCUMENTS  
BY FEBRUARY 17, 2022, 5PM MT TO:

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**APPENDIX B, QUESTIONNAIRE  
RFP NO. NM INV-002-FY23**

**NEW MEXICO PUBLIC EMPLOYEES RETIREMENT ASSOCIATION  
REQUEST FOR PROPOSALS  
CUSTODY BANK SERVICES**

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**NEW MEXICO PUBLIC EMPLOYEES RETIREMENT ASSOCIATION  
REQUEST FOR PROPOSALS  
CUSTODY BANK SERVICES**

**A. ORGANIZATION**

1. Provide a brief history of your organization, including:
  1. Year of formation
  2. Year of formation of Master Trust/Custody group
  3. History of the Offeror's involvement in the global custody bank business
  4. Development of major business lines
  5. Nature of firm's ownership
  6. Nature of relationship with affiliated companies or joint ventures
2. Where is the Offeror headquartered? How many branch offices are there, and where are they located? Which office(s) will provide the services requested by the Agency?
3. Include an organization chart of the firm's overall management structure, including the position of the Institutional Master Trust/Custody business unit and the technology support organization. Describe the firm's overall management structure, and how the Institutional Master Trust/Custody business unit fits within it.
4. Comment on your business objectives with respect to future growth and product research and development related to global custody services.
5. Comment on your business objectives with respect to future growth and product research and development related to Master Trust/Custody.
6. Please provide the bank's exposure to derivative instruments in both notional and net exposure and as a percentage of total capital.
7. Describe your strengths, highlighting the aspects of your service that make you unique, including:
  1. Commitment to client service
  2. Commitment to trust/custody business
  3. Commitment to technology
  4. Commitment to risk management assistance

8. Describe any significant developments in the Offeror’s organization that have occurred since January 1, 2017 (changes in ownership, personnel reorganization, etc.). Do you anticipate any significant changes in the organization in the next five years?
9. Is the Offeror, its parent or an affiliate a registered investment advisor with the SEC under the Investment Advisers Act of 1940? If not, what is its fiduciary classification (as the term is defined by the Employee Retirement Income Security Act of 1974 [ERISA])? Define your organization’s fiduciary responsibility. Specifically, what are the scope, depth and limitation of such fiduciary conduct relative to all services required by this RFP?
10. Describe the financial condition of the Offeror. What are the Offeror’s total assets and capital base? Please include a copy of the Offeror’s audited financial statements for the two most recent annual reporting periods.
11. Provide the following data and explain the implications.

Capital Base, December 31, 2022

Capital Requirements	Actual	Current Requirements
Tier 1 Capital Ratio		
Total Capital Ratio		
Leverage Ratio		
Tangible Common Equity		

12. Discuss your firm’s credit quality, including your organization’s current short term and long term credit rating.
13. Please provide guidance on how you intend to meet Basel III in terms of capital adequacy and liquidity.
14. What is the nature and size of any “off balance sheet items” in your annual report and what are the three critical areas that pose the most at risk exposure to the bank? Since January 1, 2017, has the firm, or any officer or principal of the firm, been subject to any governmental regulatory or law enforcement agency’s investigation, examination, or other proceeding directly involving the firm, its owners, or employees other than such examination or other proceedings as are routinely conducted in the ordinary course of the firm’s business? If so, provide a description,

explanation, and indicate the current status. List and describe all pending or threatened litigation against your organization. List and describe all regulatory agency supervision associated with the pending or threatened litigation. What has been your experience with regard to litigation or regulatory agency supervision over the past five years.

15. Describe the levels of coverage for errors and omissions insurance and any other fiduciary or professional liability insurance, including the insurance carriers supplying the coverage. Please indicate which coverage is on a per client basis or applied to the firm as a whole.
16. Describe the various types of insurance coverage and indemnifications provided to protect custody clients, including:
  1. Risks covered,
  2. Carriers,
  3. Levels,
  4. Limits,
  5. Deductibles, and
  6. Expiration.
17. Provide a copy of the Offeror's Code of Ethics. Do the Offeror and its employees comply with the Code of Ethics and Standards of Professional Conduct of the CFA Institute?
18. Explain any potential conflict the Offeror may have in servicing the Agency's account. "Conflict" may include brokerage relationships, money management activities, fee relationships with investment managers, soft dollars, etc. Describe the procedures in place that would mitigate or eliminate such potential conflicts of interest.
19. Describe how conflicts of interest are managed, disclosed or prevented if the firm or its affiliates provides any of the services described in the previous question.
20. How many years have the Offeror provided custody bank services to public pension funds? What other services does the Offeror provide? Please provide a breakdown of revenue in table format by line of business (Asset management, investment management servicing, wealth management, custody, etc.) for the Offeror and any subsidiaries for each of the last five (5) years.

## **B. CLIENT SERVICING**

1. Using a table format similar to that below, what is the distribution of client assets and custody employees assigned to each category? Please provide the number and percentages of clients and employees. Explain if the firm's client base is heavily

weighted to any particular type of investor.

Client Type	Number	Percentage of Assets	Number of Employees
Public Pension Funds			
Corporate Pension Funds			
Taft-Hartley Funds			
Endowments & Foundations			
Insurance Companies			
Mutual Funds			
Other (Specify)			
TOTAL			

2. What percentage of client portfolios are:
  - a. Hedge funds,
  - b. Private equity investments,
  - c. Real estate,
  - d. Real Assets (Natural Resources, Infrastructure, etc.), and
  - e. Other non-traditional investments.
3. Provide a current list of the ten (10) largest clients including name, contact, telephone number, asset values, number of years the client has retained your firm and the product or service(s) the client uses. The Agency reserves the right to contact any of these clients as references.
4. Provide the number, name(s) and asset values of any custody client relationships that were either terminated or not renewed in the last three years with reasons for the termination or non-renewal. While the Agency will notify the offeror prior to contacting the clients/ex-clients, the Agency reserves the right to contact any of these clients as references.
5. Provide the number, name(s) and asset values of any new client relationships gained in the last three years. The Agency reserves the right to contact any of these clients as references.
6. Describe the structure of your global custody account administration, (e.g., account team, client account executives, support by administrative units, etc.). Describe how the Agency would be served within this structure.

7. Complete the following matrix for your organization's Institutional Master Trust/Custody business unit.

	<b># of People CPAs &amp; CFA charter holders parenthetically)</b>
Client Service	
Operations/Accounting	
IT/Systems Support	
Administrative Support	
Performance Reporting	
Other	
Total	

8. Provide an organizational chart showing functions, positions, and titles of all personnel involved in your organization's Institutional Master Trust/Custody business unit.
9. How many global custody clients does your typical account representative serve? How many do the investment and settlement accountants have? How many accounts are assigned to the account administrator and chief investment accountant who would be assigned to the Agency's account and what are the total assets under administration for these individuals?
10. Who would be responsible for the day-to-day administration of the PERA account? Provide biographical sketches of key individuals who would be assigned to the Agency account in the following global custody service areas: global custody executive management, investment accounting, trade settlement, performance measurement and analytics, compliance, alternative investments, client services and/or account administration.
11. Describe your programs for continuing education required of your master custody bank staff regarding state-of-the-art changes in the master custody business.
12. What retention programs and policies do you have in place to keep experienced staff in accounting, settlement and performance measurement and analytics? How successful have those programs been?
13. Describe the procedures which you use to assure continuity of services during vacations or other absences occurring within your account administration area.
14. How do you determine the number of accounts assigned to each administrator?
15. What turnover have you experienced in total client service/accounting/operations staff during each of the past three years? Of this turnover, what percentage were client relationship officers? Provide number and percent turnover. Describe your



procedures for handling turnover of staff that would be assigned to the Agency's account.

16. 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; and
  - d. Training in the use of the services and systems.
17. Describe your efforts to attract and maintain qualified administrators and client service officers.
18. Indicate how customer satisfaction is monitored and whether clients are provided with the ability to participate in the annual evaluations of their support group as well as overall service performances. If available, the Offeror must provide the results of its most recent customer evaluation (name of customer may be deleted).
19. Describe fully your support structure and services offered to client-managed investment portfolios and operations.
20. What is your procedure for handling complaints about the accuracy of your reports and analysis?
21. Once a problem or issue is identified, how soon will the Agency be notified? What steps or procedures are taken to ensure that errors or problems are not repeated?
22. Describe any educational events or client conferences you sponsor for your custody clients with a schedule of any events planned.
23. Describe the competitive edge which the Offeror's client service team possesses.
24. 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.
25. List and briefly describe any new custody services/product improvements that have been released in the past two years or that will be released within the next year.
26. How do you monitor legislative and/or regulatory changes affecting Master Trust/Custody administration? How are these changes communicated to clients?
27. What responsibility does your organization accept for providing solutions to unusual situations? Provide a specific example where your organization has provided a unique solution to a public fund client. If a solution would require additional portfolio accounts and changes to reporting, would you request an increase in fees?

28. If duties integral to the Master/Trust Custody product are provided by outside vendors, provide the names and principal business location of each vendor, the length of the relationship and the services they perform. The Agency reserves the right to request additional disclosure information on outside vendors, as it deems necessary.
29. Describe the project management process and how it is coordinated with the client.
30. Describe your approach to client servicing and product familiarization. How do you monitor client satisfaction?
31. Describe your approach to new client training and initiation in the use of your services, particularly as it relates to your on-line capabilities.

### **C. ACCOUNTING AND AUDITING**

1. What are the functional titles of the business unit's accounting staff? List in decreasing order of responsibility, the number of personnel and the training and experience requirements of each level. Identify the business unit on the organization chart submitted.
2. Provide a diagram of the systems showing the relationships and interfaces of the names of the accounting systems that support the business unit, including the systems for global custody and multi-currency accounting.
3. Include documentation that:
  - a. Defines the relationships and interfaces;
  - b. Describes reconciliations and control procedures;
  - c. Indicates the level of automated external information; and
  - d. Indicates the manner and mode of interface with systems available to client access and/or clients' systems.
4. Provide a complete description of the functions of each system and procedures for their use. For the trust accounting and multi-currency accounting systems and procedures, include:
  - a. Compliance with generally accepted accounting practices;
  - b. Master files structure, maintenance and control;
  - c. Double entry features linking securities and cash;
  - d. Reversal procedures and controls;
  - e. "Up front edits" for accuracy of input;
  - f. Proofs of correct receipts of income and capital changes;

- g. Exceptions monitoring and internal control reports;
  - h. Special accounting procedures to accommodate local practices for non-US investments; and
  - i. Policies and procedures of your multi-currency accounting for converting data into US dollars.
5. For each system, define its processing mode (batch or specific variety of on-line, real time processing) and provide its daily and monthly processing schedule, with start and completion times.
  6. Concerning information on Question 5, what is your policy for posting trade and income related cash and foreign currencies to client accounts for each accounting basis listed below? Include information on fail float and overdraft facilities.
    - a. Trade date accrual accounting;
    - b. Cash basis actual settlement date accounting; and
    - c. Cash basis contractual settlement date accounting.
  7. List the primary and supplementary sources of monthly prices for all asset classes as well as the methodology for each. Which asset classes can also be priced daily?
  8. Describe your process for validating prices.
  9. What procedures are in place to 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 or month? Describe your procedures for reconciling prices with investment managers.
  10. Describe your policy for handling price challenges and how they are resolved.
  11. To what degree are deadlines met by stale pricing the investments, and what percentage of investment managers do not provide current market values to meet these deadlines?
  12. When reporting stale values, do you identify the date of the reported value on your reports so clients can determine how stale the value is?
  13. How do you price securities that are not available from your pricing services, such as private placements? Describe your process of pricing derivative securities and non-traditional fixed income securities (144As, etc.).
  14. Do you maintain a record of the original face amount purchased with regard to pass-through investments, such as GNMAAs, FHLMCs and FNMAAs?

15. List the various inventory values (market vs. book/cost) that you compute and carry, describe the computation of each, and identify where each is reported.
  - a. Describe your procedures and available options for calculating base currency cost for non-USD denominated securities.
  - b. Describe your procedures for computing and reporting realized and unrealized gains and losses in total, from currency, and from the market for USD denominated and/or non-USD denominated securities.
  - c. For any "effective date posting" in use, describe its benefits, its effects on current and prior period reports, and the controls in place to maintain integrity of data for prior periods for which the books are closed.
  - d. What levels of authorization are required for:
    1. Processing reversals?
    2. Effective date posting?
    3. "File maintenance" changes directly to elements of the database?
16. Describe how you validate accounting accuracy of various reports provided to custody clients on a daily and monthly basis.
17. What is your process for restating previously closed periods once an issue has been identified? Under what circumstances will a closed period be reopened and who will authorize this process?
18. Describe the process and frequency of reconciliations performed with depositories, agents, and sub-custodian banks.
19. Identify and describe any other reconciliation performed.
20. Describe your tax lot accounting and reporting procedures including all purchase cost options (LIFO, FIFO, etc.) for US and non-US securities. Attach a sample page of tax lot positions from an actual report consolidating US and non-US positions.
21. Describe your capability to provide commingled fund accounting.
22. Can your accounting system track hurdle rates and assist in validating investment manager fees by having breakpoints and the associated basis point fees?
23. What current accounting data is available on-line and for how long? What historical accounting data is available on-line or through other electronic media?
24. What holdings information is available on-line, and for how long? How much historical data is available on-line or other electronic media?

25. Do you have documented policies and procedures in place over the processing and reporting of the master trust/global custody department? If yes, please provide the table of contents for such policies.

26. Risk Management.

- a. Do all your employees sign a Code of Ethics? Please provide a copy of the document.
- b. How does your company monitor conflicts of interest?
- c. Describe how your risk management department is structured, its main objectives and any enterprise risk management programs, tools or policies you have in place.
- d. Identify and describe the major risk factors that you manage in a custody relationship. Describe how you manage these risks.
- e. Describe how you manage the sub-custodians, technology, counter-party and regulatory risk. Identify and describe the services or products you offer to clients to manage, reduce or eliminate risks.
- f. Provide a copy of your Statement on Standards or Attestation Engagements report (SSAE 16) and your most recent Annual Report. List and describe the nature of all errors and/or weaknesses that were discovered as a result of an outside review of the SSAE 16. What steps have been taken to correct the errors or otherwise strengthen the internal controls of your system?
- g. Provide a brief overview of the internal control environment of your organization.
- h. Describe the system of proofs and controls that assure accuracy of the processing and reporting of the custody business unit.
- i. Briefly, describe your practice of updating documented policies and procedures.
- j. Identify the internal and external entities that audit, regulate, and/or review your custody services. For each entity identified, provide the following:
  1. A brief description of their audit plan;
  2. Frequency of audits and reviews;
  3. Reports produced and provided to management; and
  4. Required responses of the business unit.

- k. What level of management review is applied to reports resulting from audits and reviews? What level is required to implement changes to correct deficiencies noted? Provide a recent example of this process.
- l. What controls are in place or are you capable of installing to ensure that account activity is authorized?
- m. 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?

#### **D. TRANSACTIONS PROCESSING, SECURITIES PROCESSING, SETTLEMENT**

1. Discuss your procedures for processing trade instructions.
2. What is the name of the working unit that processes trades and settlements? Describe their reporting relationship and level of responsibility to the business unit. Identify them on the organization chart.
3. List the depositories, agents, and sub-custodian banks used for all asset classes.
4. Describe your process for settling derivative products, (e.g., futures and options).
5. Discuss your trade processing performance, (e.g., settlement rate, failed trades, average age of failed trades, etc.) by country for the last three (3) years. Group them by asset class and major and emerging markets.
6. What have you done to improve your settlement rate in the last two years?
7. Discuss your procedures for daily proof of trade settlements reported by your depositories, agents, and sub-custodians.
8. Discuss your procedures for settling purchases and sales. Start with the trade entry by an investment manager and include in your discussion actual settlement date processing and contractual settlement date processing.
9. If you use a central depository for domestic securities transactions, is your firm a direct participant in that depository? Please provide your average daily transaction volume by depository.
10. How soon after settlement date are you made aware of settlement problems and at what time? At what point do you notify the investment manager?
11. Describe your process for monitoring failed trades.
12. What is your process for settling cash or same day trades?
13. Describe your efforts to resolve claim and counterclaims resulting from failed trades. How successful have you been? What is the longest it has taken to resolve a claim?

14. How do you determine responsibility for client compensation for losses due to errors in processing?
15. Discuss your procedures for depositing newly eligible securities to DTC or other depositories/clearinghouses.
16. Describe the process for registering securities, such as those received as a distribution from private equity funds.
17. Describe your system for registration and custody of assets, including depository used, level of interface and procedures for depository-ineligible securities.
18. Discuss how you assure each client's assets are properly held and segregated in safekeeping and positions accurately maintained in your accounting records. Note in your discussion distinctions between physical and book entry positions.
19. Describe special procedures you employ for processing, valuing and reporting both domestic and international derivative products.
20. Provide an overview of your global custody capabilities. Include when you began offering custody bank services and how you differentiate yourself from the competition.
21. Are you currently on the SWIFT system?
22. Do you use international central depositories for clearing and/or holding?
23. Does your insurance cover all of your global custody activities? Does your insurance cover the activities of your sub-custodians?
24. What trade data is available on-line and for what period of time? How much historical data is available on-line or via other electronic media?
25. Describe your prime brokerage services available. Is the prime brokerage reporting consolidated with the primary custody reporting?

#### **E. FOREIGN TRADE AND FOREIGN EXCHANGE TRADE PROCESSING**

1. Discuss your procedures for processing foreign exchange transactions, source(s) of pricing and time(s) of repatriation.
2. List your sources of exchange rates, including forward rates. Describe your procedures for accessing and applying exchange rates for all types of activity and position valuations. Identify choices available to clients.
3. Provide the average daily trade volume processed by country for the last three years. Group them by asset class and major and emerging markets.

4. Describe your capability for providing custom links for communicating trade instructions electronically.
5. Identify the methods of communicating and processing trades from managers. Provide statistics on the volume of trades processed daily, weekly, and monthly.
6. Describe your process for verifying trade instructions and exception processing. Include the percentage of trades that require corrections or amendments.
7. Describe your foreign exchange execution capabilities, including:
  - a. Primary foreign exchange desk:
    - Location within the organization and
    - Relationship to the business unit;
  - b. Foreign exchange operations:
    - Location within the organization and
    - Relationship to the business unit;
  - c. Currencies exchanged;
  - d. Daily volume per currency for past 12 months;
  - e. Provide a current fee schedule for FX transactions;
  - f. Percentage of foreign exchange execution represented by current clients of the business unit;
  - g. Capability to trade FX forward and futures contracts and volume as percent of cash market trades; and
  - h. Percentage of net revenue attributable to FX operations.
8. Describe your trade execution monitoring system.
9. Describe your systems, controls, and procedures for providing best execution on foreign exchange transactions. What reports or audit trails are available for monitoring each trade's execution time, method, and other information necessary for the purpose of monitoring exchange rates used for best execution? What are the fees associated with foreign exchange transactions?
10. What current transaction information is available on-line? What historical trade information is available on-line or other electronic media?

## **F. INCOME COLLECTION AND INCOME CREDITING, CASH MANAGEMENT**

1. What are your international income collection and income crediting policies by country? Do you allow standing instructions to convert income to US dollars or another currency?
2. Describe your procedures for establishing entitlements/accruals for dividends and interest for all asset types.
3. Describe how you validate the information for accruals/entitlements from your primary sources. List the alternate sources and procedures used. Distinguish between automated, semi-automated, and manual steps.
4. Describe your procedures for payable date credit. Identify any exclusions in your response.
5. Describe the processing of tax on foreign income, including:
  - a. Sources of information;
  - b. Procedures for maintaining information on current treaty provisions;
  - c. Responsibilities and processing steps for:
    1. Filing to establish status for exemptions and reclamation;
    2. Filing reclamation for tax refunds; and
    3. Collecting refunds;
  - d. Procedures for accruing, reporting, aging, and posting of reclaimable tax; and
  - e. Reporting detail to clients.
6. Describe the process of accounting/collecting for tax claims from a prior custody bank relationship.
7. How do you prove accuracy and timeliness of receipts of income reported by your depositories, agents, and sub-custodians?
8. What US and non-US investment options are available for managing short-term cash, including overnight? Discuss management objectives, guidelines, historical performance and fees.
9. Identify the cash interest rates paid by country for major and emerging markets. How are these rates determined?
10. Discuss your policy, including interest that may be charged, for overdrawing a local currency account. How is the rate determined?
11. What reports are available for reporting overdrafts?

12. Discuss how the client is compensated for late payment of interest, dividends, maturities, tenders, etc. How is the rate determined?
13. Describe your program for providing fail float interest on sale proceeds.
14. Discuss your cash forecasting process. Is it available through your on-line information system? Are alternative investments capital calls and distributions included in cash forecasts? Can you facilitate the processing of capital calls? How far in advance can cash be projected?
15. Describe your cash management policies and procedures regarding the purchase and sale of securities and receipt of income.
16. What are your policies and procedures for investing daily surplus cash balances that are not used by investment managers?
17. 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 June 30, 2022. Describe the investment guidelines and policies (risk analysis, asset allocation, average duration, quality, term structure, diversification, etc.) of your short-term investment funds.
18. Who manages each of the available short-term investment funds?
19. Have any of your short-term investment funds defaulted during the past five (5) years? If so, please explain the circumstances of the default, recovery of investment, allocation of loss, etc. Did any participants incur a loss? Were any adjustments made to your investment guidelines/ policies to avoid a similar problem?
20. What are the sweep timing options?
21. What is the daily notification deadline for outgoing wire transfers for domestic & international/US and non-US currencies?
22. What is the daily deadline for receiving incoming wire transfers in order to ensure same-day investment and posting to our account?
23. Describe how you work with clients who manage some or all cash themselves.
24. List any countries where your standard cash management policies are currently not enforced and explain.

**G. INVESTMENT MANAGER LIAISON**

1. Provide a listing of the investment managers with whom you presently work on behalf of master trust/global custody clients. Include the full name of units or affiliates of your own organization. Indicate the assets that you jointly process with each of them (e.g., US securities, international government securities, and international corporate securities).

2. Describe your investment manager service organization and management.
3. Describe your process for interfacing with the investment managers serving your global custody clients, including the following:
  - a. Dedicated staff positions and responsibilities;
  - b. Mode and means of trade instruction communication and validation;
  - c. Cash management support including foreign exchange transactions;
  - d. Mode, timing, and content of reports provided;
  - e. Inquiry and problem resolution processes;
  - f. Accounting record reconciliation and audit procedures; and
  - g. Special support for managers located outside the US.
4. If your system requires the use of your own proprietary trade transmission software, what is the cost impact to the Agency and the Agency's external investment managers?
5. Describe the process for reconciling transactions and holdings with investment managers at month-end. How do you resolve differences?
6. How are valuation differences resolved between the external investment managers and the global custody department?
7. Do you reconcile balance sheet as well as income statement items?
8. Please provide a sample reconciliation report.
9. Describe your process and deadlines for transitions from one investment manager to another.

## **H. SUB-CUSTODIAN NETWORK MANAGEMENT**

1. Provide a list of all sub-custodians and the markets for which each is responsible.
2. Describe your network coverage and capabilities. What is their market share? How long has each one been affiliated with you?
3. Discuss your process for managing the sub-custodian network in terms of selection, oversight, problem resolution and termination.

4. How many new sub-custodians and markets were added in the last two years? Please identify them.
5. How often do you review the performance of sub-custodians and visit their offices?
6. Describe your process for interfacing with the Agency to facilitate the setup of accounts in new markets and to assist with the ongoing maintenance of existing accounts and markets.
7. Describe the experience the relationship management team has in international markets, including documentation and returns required and opening markets.

## **I. REPORTING REQUIREMENTS**

1. Provide a set of standard daily, monthly, quarterly, and annual accounting statements and reports (audited and unaudited) provided by your system. Note the frequency and time available for daily, monthly, quarterly, annually and by exception. When are they delivered (e.g., time of day or number of business days after the end of the relevant period)? NOTE: Include enough pages of each report to demonstrate its use and distinguishing features; total reports are not required. Identify which of these reports are available on-line or via other electronic media.
  - a. In what format are your reports available?
  - b. Do statements reflect pending transactions?
  - c. Do statements reflect amortized balances for fixed income?
  - d. Do statements reflect accrued interest, accrued dividends, in asset valuations?
2. Describe your system of quality control to ensure reporting accuracy. Are reports audited before they are delivered to clients? Who audits and corrects reports?
3. Illustrate how your reports will allow us to easily create a monthly journal entry to our general ledger. Provide a sample report.
2. For multi-currency reporting, does the report identify: the country, the industry, and security levels? Do you have the capacity to report in both the local currency and translate to the reporting currency?
3. Describe the process of validating the local currency information, processing it for US dollars reporting, and producing daily and monthly reports for viewing on-line reports, for each international portfolio and consolidated level of portfolios, including the total Agency fund.
4. Describe your process for providing customized reports to our specifications, both at the onset of the relationship and ongoing. Provide turnaround times for customized reporting requests. Is customization available to the end-user through ad hoc query tools?

5. What types of commission/transaction cost reports are available? Please provide a sample report. Can your system identify both executing and clearing brokers? Can your system identify the exchange on which the transaction is executed?
6. Describe your reporting capabilities as it relates to the integration of accounting, valuation and custody.
7. Describe the capabilities of your on-line reporting system. Discuss the type of reports, delivery method and timing of data available on-line. Include the following: ease of use; accuracy and completeness; ease of integration with standard desktop applications; and customization available.
8. How long are reports available on-line, via other electronic media or special request?

**J. CORPORATE ACTIONS, CLASS ACTIONS AND PROXY VOTING**

1. Describe your procedures and timing for establishing domestic and international entitlements and accruals for capital changes (stock splits, stock dividends, spin-offs, mergers/acquisitions, tenders, calls, warrants, maturities, etc.).
2. Describe in detail your process for providing notice to clients of capital changes/corporate actions requiring their decisions and notification from them prior to processing, including:
  - a. All sources of information on terms and elections, domestic and international;
  - b. Methods of notifying clients;
  - c. Deadline requirements for client response;
  - d. Methods of receipt of instruction from clients (including on-line access);
  - e. Procedures for implementing client elections;
  - f. Method and mode of relaying instructions to sub-custodians;
  - g. Procedures for controlling sub-custodians' timely and appropriate action; and
  - h. Provide information on your procedures and timing for posting income receipts and capital changes to client accounts.
3. Describe in detail your process for USD and non-USD capital changes, including:
  - a. Sources of information on terms and elections;
  - b. Policy and procedures for posting capital change transactions; and
  - c. Method and mode of relaying client instructions to sub-custodians.

4. Described in detail the services provided with respect to class action processing. Specifically include any cut-off date requirements specified with respect to class action processing.
5. Describe your process for coordinating with outside monitoring services for class actions and provide information on additional fees charged for this service.
6. Describe in detail the services provided with respect to proxy processing. Specifically include any cut-off date requirements specified with respect to proxy processing.
7. Describe your systems and procedures for securing and providing clients with proxy information for both U.S and foreign corporations.

**K. PERFORMANCE MEASUREMENT AND ANALYTICS**

1. Is there a dedicated group devoted to producing holdings-based investment risk analysis for public pension fund clients? If so, describe the risk organization including experience of the risk professionals. What is the typical staff to client ratio? What are the average years of professional risk measurement and analytics experience? What is the turnover within this unit? Describe the resources available to support the staff analyzing the data.
2. Describe in detail the basic performance measurement and analytics services currently available to institutional custody clients. How many institutional clients and what percentage of institutional clients use these services? Please provide at least one client reference relating to your risk reporting capabilities.
3. Do you offer multiple levels of risk reporting/analytics? If so, please state what services are included in your fee proposal and what services are available for an additional fee.
4. What holdings-based model do you use? Is it an internally or externally developed model?
5. Describe the significant features of the holdings-based risk analytics 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 restraints that drive this decision?
  - d. Describe the approach to modeling each different asset class.
6. Provide a risk sample report for the total fund. How often would you propose producing this report? When would this report be available?
7. Do your clients have online access to the risk model?

8. Do your clients have the capability to perform stress testing or scenario analysis using the risk model?
9. Describe in detail your approach to proxying risk for alternatives (including private equity & private credit), real estate and real assets.
10. 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 level exposure to changes in interest rates.
11. Provide sample copies of performance measurement, performance attribution, and analytics reports for a domestic portfolio, an international portfolio, and 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? Which reports are standard and available as part of this proposal? Which service would we have to pay for additionally?
12. What performance measurement and analytics data are available on-line? 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 other analytic items.) How much historical data is available on-line and for what periods?
13. Explain how your performance system handles derivative securities such as futures and options, forward contracts, warrants and rights, convertibles with currency features, venture capital, limited partnerships, and real estate for US and non-US investments where applicable.
14. Describe the indices and universes you provide for comparison, their sources, and the manner and timing in which you receive them and make them available.
15. Discuss the policy of your organization regarding maintaining consistency between accounting system information and performance information for a given period.
16. Describe how the performance reports are reconciled with accounting statements for the same period. How are they audited? Indicate whether the system is internal or if you use an outside vendor's service. If you use outside vendors, please list them along with a brief description of the specific services provided. What report is provided to clients to reconcile accounting information of the performance reports with accounting statements for the same period?
17. Can performance data remain unchanged when "effective date" postings are made to the accounting records? Can performance data be changed if accounting data remains unchanged? Can intramonth "effective date" postings be made to performance data?
18. What procedures exist to verify the accuracy of rates of return? Describe the process for reconciling performance with investment managers. What percentage of the returns that you calculate is verified with investment managers?

19. Does your system have the capability to report returns both gross and net of investment management fees?
20. Does your firm provide holdings-based and/or returns-based attribution and for what time frames?
21. Does your firm provide attribution analyses on fixed income portfolios?
22. Please discuss your performance measurement capabilities in the private equity and real estate areas. What systems do you use to calculate internal rates of return for private equity and other alternative investment portfolios?
23. What additional performance measurement and analytical databases would be made available to the Agency?
24. Provide a sample of the descriptive statistics available in the base service exposure reporting (i.e. geography, sector, industry, bond characteristics, etc.)
25. What are your current capabilities surrounding ESG reporting?
26. Can clients access performance measurement and analytics through your online system? If not, is there a planned release date for this capability?
  - a. Describe the ability of your system to calculate net and gross returns, including how returns for alternative investments is calculated.
  - b. Are returns available on a daily and monthly frequency at: 1) total portfolio level, 2) economic sector level, and 3) industry level?
27. Describe your data requirements to backload data for historical performance comparison.
28. Describe your domestic and international performance measurement system and its capabilities. Specifically, describe how information is loaded into the system (e.g., electronically, manually, etc.) by asset class, including alternatives; and the timing for loading (e.g., daily, weekly, monthly).
29. For international portfolios, please explain what type of security and country level return information you provide. Please provide a sample report.
30. Are look-throughs available for all of the Agency's existing managers of commingled funds (Aberdeen Emerging Markets)?
31. Do you provide universe comparison services based on an internal universe, an outside vendor (such as Wilshire/TUCS), or both? Please describe.
32. Describe the performance attribution service(s) you offer including their respective methodology. Please indicate if these performance attribution reports are included in your core services or if there are additional fees?

33. Identify and describe the services or products you offer to clients to help measure risks, such as VAR (Value at Risk) measurement.
34. Which of the following statistics can your firm calculate on a monthly basis: standard deviation, tracking error, information ratio, Sharpe ratio, alpha, beta, t-squared, Treynor ratio and Jensen alpha?
35. On-Line Access/Customized Performance Reporting:
  - a. What information can be accessed via a web-based portal?
  - b. What types of customized reporting capabilities do you provide with your on-line tool? What support do you provide Staff in setting up their own custom reports using your on-line tools?
  - c. Please indicate how soon after a reporting period the Agency can access final information (e.g., rates of returns, market values, holdings information, etc.).
  - d. Describe any unique features of your performance system.
  - e. What plans do you have for enhancing your performance systems? Please provide a release schedule for enhancements.

#### **L. COMPLIANCE MONITORING AND REPORTING**

1. Do you offer an automated system to monitor a client's investment manager compliance with investment guidelines? If so, please describe it, and indicate if it offers the following:
  - a. Portfolio holding tests: tests performed on the portfolio data (e.g., test the maximum total domestic equity as a percent of total assets);
  - b. External data tests: tests that require data available from external database sources (e.g., credit ratings of fixed income instruments);
  - c. Derivatives tests: tests that measure the exposure to derivative instruments;
  - d. Risk management tests: tests that measure the risks associated with individual portfolios as well as the total fund (e.g., value-at-risk analysis); and
  - e. Commingled fund investments: discuss whether the compliance monitoring system can incorporate information relating to commingled fund investment, to the extent that a "look-through" capability is available.
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 or rogue trading. Can these trades be

- identified before settlement? What types of alerts are available?
4. How do you work with new clients to adapt your system to their unique requirements? How long does it usually take to implement a new client of similar size and scope to the Agency?
  5. Please provide an example of what a daily, weekly, monthly summary compliance exception report would look like.
  6. Can your compliance service conduct off-line manual tests if your on-line system is unable to conduct the test?
  7. Please indicate which tests your system can do on-line versus manual.

#### **M. ALTERNATIVE INVESTMENTS PROCESSING AND REPORTING**

1. Describe your experience with alternative investments (e.g., private equity, real estate, real return assets, opportunistic credit, hedge funds, etc.). Describe any special procedures for the processing, valuing, reporting and performance measurement of alternative investments.
2. Describe your process for initiation and internal approval of recording cash transactions (e.g., capital calls and distributions).
3. Describe the ability of your accounting system to track total commitment levels to alternative investments, to track capital calls, distributions and recallable capital against commitments, and to track market values. Please include the ability of the accounting system to include the following components of capital calls and distributions: management fees, incentive fees, fund expenses, return of capital, recallable capital, return of fees, realized gains, etc.
4. Explain the processes to accommodate holding alternative investments in foreign currencies.
5. How does your system accommodate separate monthly adjustments to individual investments to true up fees and expenses or reclassify items?
6. Describe your system's ability to accrue income and expenses. Will you accrue fees at our fiscal year-end for alternative investments?
7. Provide details about processes to record and track non-cash asset distributions from limited partnership holdings.
8. Provide details about your process to discover, record and inform the Agency of deemed distributions and contributions typically recorded as net zero cash transactions.
9. Do you have any proprietary software for alternative investment accounting? If so, please provide a brief description. Describe the process to integrate alternative investment accounting with the custody accounting.
10. Please provide a copy of your electronic form that is used to record calls and

distributions.

11. Please provide a copy of a sample monthly valuation report. What is the timing of the locking and reporting of the valuations each month?

## **N. SYSTEMS AND TECHNOLOGY REQUIREMENTS**

### **Organization**

1. Describe your technology support organization, including how many professional, non-professional, and total personnel work in the systems and technology development unit. Include in your description responsibilities, reporting lines and staffing.
2. Describe your process for prioritizing projects and allocating resources.
3. Please discuss scheduled downtime. What are the processes relating to scheduled downtime (e.g., client notification, parallel servers, period of time system unavailable per occurrence, etc.)? How much scheduled downtime has the system experienced in each of the past two years? How much unscheduled downtime has the system experienced in each of the past two years? What were the primary causes and how were the problems corrected?
4. How much has your organization dedicated to custody-related hardware and software enhancements/upgrades during each of the past two years in dollar terms and as a percentage of total custody operating expenses?
5. Describe your cyber security monitoring operation?
6. What are the main cyber security challenges that your organization faces, and how do you plan to overcome these?
7. What are your firm's client response plan and notification procedures in the event of a security breach?
8. Do you defend against malware?
9. Have you completed a risk assessment to identify cyber security and physical threats, vulnerabilities, and potential business consequences? If yes: who completed; what if any findings/ recommendations were there. If no, are there any plans to undertake such a risk assessment?
10. Do you maintain insurance that specifically covers losses and expenses attributable to cyber security incidents?

### **Systems Development**

1. Provide a summary of the systems supporting the global custody service, including:
  - a. Custody systems (securities movement and control, trust accounting, global

- custody, multicurrency accounting, derivative accounting);
- b. Corporate actions systems;
  - c. Performance measurement systems (domestic and international);
  - d. Compliance systems; and
  - e. Any recent or planned system developments.
2. Please describe how all of the systems supporting the global custody service are integrated. Specifically, explain how the platforms for your accounting, alternative investments, custody, performance and compliance systems are integrated.
  3. Describe significant past, current and future (next 5 years) system developments that prepare your organization for industry or market changes with specific focus on the on-line accounting, performance and compliance systems with which Staff would interact.
  4. How do you work with clients in systems development? How are clients' requests prioritized for implementation?
  5. How do you receive and provide information electronically to the client or third-party vendors? Include a description of client interface technical requirements. Explain the reporting technology, how it is implemented in your system and application interface capabilities.
  6. Identify your system architecture's strengths and how it gives you a competitive advantage.
  7. How much money was spent on product development for Institutional Master Trust/Custody during each of the past three years? What is the targeted amount for this year?
  8. How many people are assigned to product research and development? What percentage of your Support/IT staff referenced in Section 1 do they represent? To whom do they report?
  9. What is the Institutional Master Trust/Custody unit's plan for product development?

### **Security and Business Continuity**

1. What are your security procedures to protect customer information, especially with respect to unauthorized access to data, methods for authenticating users, and providing different access rights and permissions? Please describe in detail all security measures. Please describe your notification process should a breach occur.

2. Have you experienced any breaches in the past three years? If so, how many? Describe how the issues(s) were resolved and provide the downtime experienced as a result of the breaches.
3. Describe your process for real-time file back-up and off-site storage for data and software, including back-up locations.
4. Describe your emergency management/business continuation plan. In your description, please identify alternative operating sites and the maximum time required to resume business operations. Please provide the date of the last testing and a summary of results or lessons learned.
5. Please answer the following questions about your disaster recovery plan:
  - a. Are there back-up capabilities for your systems in case of malfunction or disaster?
  - b. How many hours before data can be retrieved?
  - c. How often do you test the plan?
  - d. When was the last test?
  - e. Has the disaster recovery plan been used during the past three years? If so, please describe each situation and the results.
  - f. What was the longest duration of any such outage and what was the cause?
  - g. What has been put in place to prevent this occurrence again?

### **Products**

1. Identify and describe the range of products or services available to clients. Identify which products are standard and which are an additional cost. What sets your products apart from your competitors?
2. Describe what role the Internet plays in your overall development of the custody business.
3. Please provide information on how you notify your clients of updates to the software and the ramifications of those changes that impact them.
4. Describe any new and innovative services that currently exist as part of your on-line system or that will be available in the near future.

### **Online Systems**

1. Briefly describe your online system (design, inquiry features, reporting capabilities, flexibility).

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?
3. Please provide the following information related to your online system.
  - a. Name,
  - b. Version and release date,
  - c. Access (Toll dial/toll free dial/Internet),
  - d. Supports modem pool (yes/no),
  - e. Consultant access (yes/no),
  - f. On-site training for clients (yes/no),
  - g. Online delivery of accounting reports (yes/no),
  - h. Installation and annual fee,
  - i. Frequency of data,
  - j. Downloadable to Excel (yes/no),
  - k. Help desk staff (number of employees) and hours,
  - l. Commingled fund "look through" to underlying holdings (yes/no), and Ad hoc report generator (yes/no).
4. Is a demo site available that the Agency can access?

### **Client Customization and Development**

1. Describe your systems development capability for client specific requirements.
2. How do you set priorities and assign resources for client customization? What role does the business unit Administration play in setting the priorities?
3. Describe the services and resources available to assist clients resolve a range of technology issues. Include the hours of operations (availability in Mountain Standard Time) our on-line systems.

## **O. TRANSITION AND CONVERSION**

### **Planning**

1. What group will serve as the transition team in planning and implementing the Agency custody account? Identify the individuals and the roles each will serve in the transition. Also, describe their experience and how they are related to the business unit. Identify it on the organizational chart.
2. Describe your transition planning process. Provide a sample of documentation and a calendar, including lead-time required for transition. How might the transition of the Agency account differ from the normal transition?
3. What planning and training would be necessary for the Staff; the Agency's outside investment managers; the Agency's current master custody bank, and your depositories, agents, and sub-custodians?
4. Provide a detailed description of your last comparable conversion. Include the details of specific problems that occurred and the solutions implemented.
5. What resources are required of the client during the transition period?
6. What is the disposition of transactions, claims, and accruals pending during the transition/ conversion period?

### **Implementation**

1. What is the role of the transition team during implementation?
2. What is the relationship between the transition team and the permanent account administration staff?
3. Describe the process by which the conversion team transitions the relationship to the administration team.
4. Provide a summary of the problems that you reasonably expect to occur during a custody service conversion and your approach to resolving these anticipated problems.
5. How would you prepare your accounting and performance measurement databases and systems for processing the Agency's investments? Discuss the following:
  - a. What information would you load into your system in advance?
  - b. How could you receive that data?
  - c. For what period would you conduct parallel processing in order to develop history, test procedures, and establish entitlements/accruals?

- d. How far in advance would you begin processing of trades to prepare for live processing of settlements by the conversion date?
  - e. How do you process transactions that are pending during the conversion year?
  - f. What is your policy for treatment of accruals, which would have been earned before the conversion date?
6. How do you conduct the transfer of securities and cash from a prior custody bank to control the risk of loss of assets and assure that all are received and accounted for properly?
  7. What reconciliations do you perform to verify that all asset positions, including accruals, are accurately transferred into the accounting and performance measurement systems?

**P. SECURITIES LENDING**

1. Does your firm offer securities lending services? If so, how many years has your organization been providing securities lending services to tax-exempt organizations? Please provide the total number of clients and the number of clients gained and lost for each of the past five years.
2. Outline your process for lending securities, including a flow chart. Please incorporate into the discussion any competitive advantages you offer relative to competitors. (Please distinguish between domestic US and Non- US lending.)
3. What was your organization's quarterly average lendable asset base and average loan volume for the past three years? Please break down the total by asset type (US Government, international equities, international fixed income, US equities and corporate bonds).
4. Please describe the process for selecting borrowers and the standards used to measure their creditworthiness. Include a description of your ongoing due diligence process to evaluate the continued creditworthiness of borrowers.
5. Who is responsible for the credit review of borrowers and how often is it done?
6. Explain how you value loans and collateral on a daily basis. Explain your sources for pricing bonds and non- US securities.
7. What securities are accepted as collateral for loans (i.e. cash and government securities)? Are the securities held by the custodian? Please comment.
8. How soon is additional collateral delivered in the case of a shortfall? Explain monitoring procedures in place for ensuring collateral levels are maintained at proper levels.

9. What types of indemnification does your organization offer against losses to lending participants?
10. What additional safeguards does your organization offer its lending participants?
11. Describe the degree of duration mismatch between the loan portfolio and the collateral pool.
12. Please provide all assessments regarding the adequacy of your compliance policies and procedures with respect to securities lending for the past three years. Identify any weaknesses or failures in those policies and procedures, and what steps were taken to correct them.
13. Have you or your clients ever sustained a loss as the result of lending activities? If yes, please explain and include the magnitude of the loss and identify the time it occurred.
14. Have you or any of your clients ever sustained a loss due to a rights offering or similar distribution on loaned securities? If so, please describe this event and what steps you have taken since then to prevent a recurrence.
15. Please describe your policy to relating to borrower recall settlement fails/borrowers' defaults.
16. Please describe the time frame and process to recall shares on loan.
17. Who is responsible for credit research at your firm? How are credits monitored and what actions are taken after credit downgrades?
18. In general, describe the systems you have in place to insure that clients' lending activities conform to the Investment Company Act of 1940 and all regulatory requirements there under, in particular how you insure that clients do not lend more securities than is permissible.
19. What types of reports are available to inform clients of lending activity, lending income and collateral investments? Provide samples of all daily, weekly and other Periodic client reports.
20. How do you coordinate lending activity with investment managers? Provide specific operational procedures and deadlines for all activity including notification of security sales.
21. Fee Proposal Split

PERA's Share \_\_\_\_\_  
Offeror's Share \_\_\_\_\_

**Q. REFERENCES**

Each Offeror must provide a minimum of five (5) references, using the format below. References must be from customers of the Offeror who can be contacted to evaluate the performance of the Offeror. Each reference must include the client name, address and phone number, the primary contact's name, position or title, phone number and e-mail address. A separate form must be used for each client organization named.

At least three (3) references must be for US-based clients (include at least two public funds) each with domestic and international assets having a market value in excess of \$10 billion.

At least three (3) references must be for your three most recent conversions that are comparable in size and scope to the Agency.

Please use this format for all references. Please use a separate form for each reference. The Agency may contact any of the clients named as references.

Name of Offeror
Client Name & Address
Contact Name & Position or Title
Contact Phone Number & E-mail Address
Contract Term (Start & End Dates as applicable)
Nature of Services Provided

**WARRANTIES**

**CUSTODY BANK SERVICES**

Offeror agrees to the incorporation of the following warranties in any contract entered into with PERA:

- A. Offeror warrants that it is registered as an investment adviser under the Investment Advisers Act of 1940 and that it shall maintain such registration at all times during the term of the contract (unless exempt and explanation of exemption is attached).
- B. Offeror warrants that it meets or will meet before the award of a contract the bonding requirement provided by Section 412 of the Employment Retirement Income Security Act of 1974 (ERISA) or that it carries at least an equivalent fidelity bond applicable to Contractor's actions under the Contract (unless exempt, and explanation of exemption is attached).
- C. Offeror warrants that it will not delegate its fiduciary responsibilities assumed pursuant to the Contract.
- D. Offeror warrants that it has completed, obtained, and performed all registrations, filings, approvals, authorizations, consents or examinations, required by a government or governmental authority, including the State of New Mexico, for acts contemplated by the Contract.

**APPENDIX D**

**RFP NO. NM INV-002 FY23**

**NEW MEXICO PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION**

**FINANCIAL PROPOSAL FOR  
CUSTODY BANK SERVICES**

- A. Please provide a detailed fee schedule for trustee/custodial services. Please submit an all-inclusive flat fee for ALL TRUSTEE/CUSTODY services, including but not limited to portfolio administration, plan accounting, portfolio trading, portfolio transactions and report generation. This inclusive fee shall cover expenses relating to all services required under the final contract, including but not limited to internal and out-of- pocket expenses (wire charges, courier services, telex, etc.), whether or not incurred in the ordinary course. The flat fee proposal should not include offsets, including but not limited to those from securities lending income.

<b><u>COMPENSATION SCHEDULE</u></b>	
<b><u>Year</u></b>	<b><u>Flat Dollar Custody Fee*</u></b>
1 <sup>st</sup> Year	
2 <sup>nd</sup> Year	
3 <sup>rd</sup> Year	
4 <sup>th</sup> Year	
5 <sup>th</sup> Year	
6 <sup>th</sup> Year	
7 <sup>th</sup> Year	
8 <sup>th</sup> Year	
*This Flat Dollar Custody Fee shall cover expenses relating to all services required under the final contract, including but not limited to internal and out-of- pocket expenses (wire charges, courier services, telex, etc.), whether or not incurred in the ordinary course. The Flat Dollar Custody Fee does not include any offsets, including but not limited to those from securities lending income.	

1. Please discuss the circumstances which would necessitate an increase in fees and the protocol for notifying the client of a change in fees. Please note that any increase in fees must be approved by PERA.
  2. How much notification is needed to effect the termination of a trustee / client relationship?
- B. Use the Fee Proposal Sheet provided as an attachment to the RFP. The final proposal should be in the “Sample Fee Proposal” format using the sample data provided by PERA.
- C. Provide a sample invoice for an institutional public fund client in your typical format.

**Optional: Provide a fee proposal in Offeror’s preferred format.**

Contract No. \_\_\_\_\_

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO

\ CONTRACT FOR CUSTODY BANK SERVICES (this "Agreement")

(SAMPLE)

THIS AGREEMENT is made and entered into effective \_\_\_\_\_, by and between the Public Employees Retirement Association (the "Agency") and \_\_\_\_\_ ("Contractor"), to define the terms and conditions of the designation of Contractor as Custody Bank for the Agency.

WHEREAS, Contractor has been selected to act as custodian in all matters concerning securities custody and the clearance of investment transactions as described herein; and

NOW, THEREFORE, IT IS HEREBY AGREED BY THE PARTIES AS FOLLOWS:

**GENERAL TERMS AND CONDITIONS**

1. Scope of Agreement.

This Agreement and its exhibits, schedules and appendices incorporate all agreements, covenants, and understandings between the Agency and Contractor concerning the subject matter hereof, and all such covenants, agreements and understandings have been merged into this written Agreement. No prior agreement or understanding, verbal or otherwise, of the parties or their agents shall be valid or enforceable unless embodied in this Agreement; provided, however, that those matters specifically designated herein as procedural can be as agreed to by the Contract Administrators without the necessity of direct embodiment within this written Agreement. In the event that there is any conflict between this Agreement and other documents attached hereto and incorporated herein by reference as Exhibits A through D including any documents referenced to therein, the provisions of this Agreement shall control.

2. Amendments.

This Agreement shall not be altered, changed or amended except by an instrument in writing executed by the parties. No amendment to this Agreement shall be effective until approved in writing by the parties. If additions or changes in services are requested by the Agency, Contractor shall present a proposal for services and fees for the Agency's review and approval. No payment for such added or changed services shall be made until an amendment has become effective.

3. Definitions.

As used in this Agreement:

- A. "Account" has the meaning set forth in paragraph 24(A) (3).
- B. "Agency" means the Public Employees Retirement Association of New Mexico.
- C. "Agent" means those employees of who are designated in writing by the Agency to Contractor to act in the capacity of agents of the Agency.
- D. "Business Day" means Monday through Friday excluding Federal Reserve holidays, and bank holidays.
- E. "Cash Account" has the meaning set forth in paragraph 24(A) (3).
- F. "Contract Administrator" has the meaning set forth in paragraph 13.
- G. "Entitlement Holder" means the person named on the records of a Securities Intermediary as the person having a securities entitlement against the Securities Intermediary.
- H. "Financial Asset" means a Security and refers, as the context requires, either to the asset itself or to the means by which a person's claim to it is evidenced, including a Security, a security certificate, or a securities entitlement. "Financial Asset" does not include cash.
- I. "Instruction" or "Instructions" means an instruction that has been verified in accordance with a Security Procedure or, if no Security Procedure is applicable, which Contractor believes in good faith to have been given by an Agent in the manner specified next to its name in the relevant authorizing document.
- J. "New Mexico Employee" and "employee" means, for the purposes of paragraph 39, any resident of the State of New Mexico performing the majority of their work within the State of New Mexico, for any employer regardless of the location of the employer's office or offices.
- K. "Securities" means shares, stocks, debentures, bonds, notes or other like obligations, whether issued in certificated or uncertificated form, and any certificates, receipts, warrants or other instruments representing rights to receive, purchase or subscribe for the same that are commonly traded or dealt in on securities exchanges or financial markets or other obligations of an issuer, or shares, participations and interests in an issuer recognized in the country in which it is issued or dealt in as a medium for investment and any other property as may be acceptable to Contractor for the Securities Account.
- L. "Securities Account" means each Securities custody account on Contractor's records to which Financial Assets are or may be credited under this Agreement.
- M. "Securities Depository" means any clearing system, securities depository, dematerialized book entry system or similar system for the central handling of Securities
- N. "Securities Intermediary" means Contractor, a Securities Depository, and any other financial institution which in the ordinary course of business maintains Securities custody accounts for others and acts in that capacity.
- O. "Security Procedure" means security procedures to be followed upon the issuance of an Instruction and/or by Contractor upon the receipt of an Instruction, so as to enable Contractor to verify that such Instruction is authorized, as set forth in service level documentation agreed in writing by the parties. A Security Procedure may, without

limitation, involve the use of algorithms, codes, passwords, encryption and telephone call backs. The Agency acknowledges that Security Procedures are designed to verify the authenticity of, and not detect errors in, Instructions. For the avoidance of doubt, the parties agree that a SWIFT message issued in the name of the Agency through any third party utility agreed upon by the parties as being a method for providing Instructions and authenticated in accordance with that utility's customary procedures, shall be deemed to be an authorized Instruction.

P. "Separate Account" means one or more separate accounts under each Account for such Financial Assets received by Contractor from time to time.

Q. "State" or "State of New Mexico" means the departments, agencies, branches, commissions, boards, instrumentalities and institutions of government of the State of New Mexico, including but not limited to the Agency.

All terms in the singular will have the same meaning in the plural unless the context otherwise provides and vice versa.

4. Assignment or Transfer.

Contractor shall not assign or transfer any interest in this Agreement or assign any claims for compensation due under this Agreement without prior written approval of the Agency.

5. Written Authority.

Contractor agrees not to bind the Agency or the State of New Mexico to any obligation not assumed under this Agreement unless Contractor has the express written authority from the Agency to do so, and then only within the strict limits of that authority.

6. Appropriations.

The terms of this Agreement are contingent upon sufficient appropriations and authorization being made by the Legislature of New Mexico for the performance of this Agreement. If sufficient appropriations and authorization are not made by the Legislature, this Agreement shall terminate immediately upon written notice being given by the Agency to Contractor. The Agency's decision as to whether sufficient appropriations are available shall be accepted by Contractor and shall be final. If the Agency proposes an amendment to this Agreement to unilaterally reduce funding, Contractor shall have the option to terminate this Agreement or to agree to the reduced funding, within thirty (30) days of receipt of the proposed amendment.

7. Term.

This Agreement shall not become effective until approved in writing by the Agency and the Contractor. Subject to such approval, the term shall begin on \_\_\_\_\_ shall terminate eight years following that date.

8. Termination.

A. Cancellation by the Agency. The Agency may terminate, without cause, any or all services provided for in this Agreement upon at least thirty (30) days' written notice to Contractor.

B. Cancellation by Contractor; Notice; Agency Opportunity to Cure. Contractor may only terminate this Agreement based upon the Agency's uncured, material breach of this Agreement, in accordance with the terms of this paragraph 8(B). Contractor shall give Agency written notice of termination at least one hundred eighty (180) days prior to the intended date of termination, which notice shall, in good faith (i) identify all of the Agency's alleged material breach or material breaches of this Agreement for which Contractor seeks to terminate this Agreement; and (ii) state the steps that the Agency must undertake to cure such material breach or material breaches. If applicable, Contractor shall cooperate in good faith with the Agency in the Agency's attempts to cure any such material breach. This Agreement shall be terminated pursuant to Contractor's written notice of termination only if the Agency does not cure all material breaches within the one hundred-eighty (180) day notice period (or, in the case of any material breaches that cannot be cured within one hundred-eighty (180) days, the Agency does not, within the one hundred-eighty (180) day notice period, notify Contractor of its intent to cure and commence curing the material breach

C. Immediate Termination by the Agency. Notwithstanding the foregoing, this Agreement may be terminated immediately by the Agency, upon written notice to Contractor (i) if Contractor becomes unable to perform the services contracted for, as determined by the Agency; (ii) if, during the term of this Agreement, Contractor is suspended or debarred by the State Purchasing Agent; or (iii) this Agreement is terminated pursuant to paragraph 6, "Appropriations", of this Agreement.

D. Liability. Except as otherwise expressly allowed or provided under this Agreement, the Agency's sole liability upon termination shall be to pay to the Contractor fees due pursuant to this Agreement for services performed, subject to paragraph 23, prior to Contractor's receipt or issuance of a notice of termination; provided, however, that a notice of termination shall not nullify or otherwise affect either party's liability for pre-termination defaults under or breaches of this Agreement. Contractor shall submit an invoice for such work within thirty (30) days of receiving or sending the notice of termination. *THIS PARAGRAPH IS NOT EXCLUSIVE AND DOES NOT WAIVE THE AGENCY'S OTHER LEGAL RIGHTS AND REMEDIES CAUSED BY CONTRACTOR'S DEFAULT/BREACH OF THIS AGREEMENT.*

E. Termination Management. Immediately upon receipt by either the Agency or Contractor of notice of termination of this Agreement, Contractor shall: 1) incur no further obligations for salaries, services or any other expenditure of funds under this Agreement without written approval of the Agency; 2) comply with all directives issued by the Agency in the notice of termination as to the performance of work under this Agreement; and 3) take such action as the Agency shall direct for the protection, preservation, retention or transfer of all property titled to the Agency and records generated under this Agreement. Upon termination or expiration of this Agreement, Contractor shall deliver all cash, securities and other property then in the Agency Accounts to the Agency or in accordance with its order, without charge, provided, however, that sufficient time shall be given to prepare for the transfer of the assets of the Agency Accounts. Any non-expendable personal property or equipment provided to or purchased by Contractor with contract funds shall become property of the Agency upon termination and shall be submitted to the Agency as soon as practicable.

9. Continuing Obligation.

For sixty (60) days following expiration or termination of this Agreement, Contractor agrees that it will be under a continuing duty, without charge to the Agency or the State, to comply with the terms and conditions of this Agreement until all assets and funds of the State have been successfully transferred to the successor custody bank.

10. Status of Contractor.

Contractor and its directors, officers, employees and agents are independent contractors performing professional services for the State and are not employees of the State or the Agency. The directors, officers, employees, and agents of Contractor shall not accrue leave, retirement, insurance, bonding, and use of State vehicles or any other benefits afforded to employees of the State as a result of this Agreement. Contractor acknowledges that all sums received by it hereunder as compensation are reportable by it for income tax purposes and self-employment or business income, and are reportable for self-employment tax.

11. Contractor Standard of Care.

Contractor acknowledges that it is a fiduciary (as such term is defined in section 3(21) of the Employees Retirement Income Security Act of 1974, as amended to date (“ERISA”)) to Agency with respect to the services it provides under this Agreement. Contractor accepts its appointment as a fiduciary, and specifically agrees to perform its duties to the Agency with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims. Contractor agrees to discharge its duties with respect to the Agency (i) solely in the interest of the beneficiaries and participants of the Agency and (ii) otherwise in accordance with the terms of this Agreement. Contractor shall be liable to the Agency for any claims or liabilities which arise directly from any failure by Contractor, its officers, employees or agents to exercise the applicable standard of care described above in performing their responsibilities hereunder.

12. Conflict of Interest.

Contractor warrants that it presently has no interest and shall not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance of services required under this Agreement. Contractor certifies that the requirements of the Governmental Conduct Act, Sections 10-16-1 through 10-16-18 NMSA 1978, as amended, and the Gift Act, section 10-16B NMSA 1978, as amended and the Agency’s restrictions on gifts, Section 10-11-130.1 NMSA 1978, in each case as may be amended, have been and will be complied with throughout the term of this Agreement. The Contractor shall annually certify compliance with Section 10-11-130.1 NMSA 1978, regarding restrictions on gratuities to the Agency’s board members and employees, on a form satisfactory to the Agency.

13. Contract Administrators.

Contractor and the Agency shall each designate in writing a contract administrator (“Contract Administrator”) who shall have the authority to ensure that the terms of this Agreement are observed and that services are timely provided.

14. Records and Audits.

Except as otherwise provided in paragraph 16, Contractor shall retain copies of its records and reports produced for the Account for a minimum of seven (7) years, or a longer period if required

by applicable law. Subject to Contractor's obligations of confidentiality to all of its other clients, the appropriate officials of the State of New Mexico shall have the right to inspect, copy and audit at any reasonable time during Contractor's normal business hours such records and reports and other such records as may relate to the performance of the services as provided under this Agreement unless otherwise prohibited by law. Payment by the Agency of any amount of compensation due under this Agreement shall not foreclose the right of the Agency to audit billings for such amounts nor foreclose the right of the Agency to recover excessive or illegal payments.

15. Visitation.

Contractor agrees that the Agency may visit it at any time reasonable to observe and inspect operations of Contractor in providing services under this Agreement unless otherwise prohibited by law.

16. Cooperation with Audits.

Contractor agrees to cooperate with and make space available at reasonable times and for reasonable periods for auditors when audits are made of the Agency for which services are being provided under this Agreement. The books and records of Contractor relating to charges, fees and other expenses incurred by Contractor and charged to the Investing Agency in the performance of services under this Agreement shall be maintained for a period of at least three (3) years from the date of the final payment under this Agreement unless a shorter period is otherwise authorized in writing by the Agency.

17. Confidentiality.

A. Contractor acknowledges that the data provided by the Agency for the purpose of safekeeping custodial services under this Agreement may be confidential in nature and unauthorized disclosure may cause the Agency substantial harm. Contractor shall ensure that such information and data is kept confidential in accordance with paragraph 17(B) below.

B. Any confidential information provided to or developed by Contractor in the performance of this Agreement shall be kept confidential and shall not be made available to any individual or organization by Contractor without the prior written approval of the Agency, except (1) as is required by applicable law, regulation or valid court order, (2) as is required by any regulatory authority to which Contractor is subject, (3) as is authorized by the Agency or its Contract Administrator in writing, or (4) as is required of Contractor in the normal course of its providing services under this Agreement

18. Bond Requirement

Contractor represents and warrants that it meets the bonding requirement prescribed by section 412 of ERISA or that it carries at least an equivalent fidelity bond applicable to Contractor's actions under this Agreement. During the term of this Agreement, Contractor shall furnish and maintain, at its expense, a banker's blanket bond per occurrence coverage in a minimum amount of Seventy Five million dollars (\$75,000,000) and additional coverage for electronic computer crime losses in the minimum amount of Fifty million dollars (\$50,000,000) per occurrence containing terms and conditions reasonably acceptable to the Agency. A "Certificate of Liability Insurance" indicating the type and amount of insurance coverage, the insurance provider(s), and listing the Agency as the "certificate holder" shall be submitted to the Agency at the time that this Agreement is

executed, and each time coverage is renewed or materially changed.

19. Indemnification

- A. Contractor shall defend, indemnify and hold harmless the Agency and the State of New Mexico from any and all actions, proceedings, claims, demands, losses, costs, damages, expenses (including, without limitation, legal fees and expenses) and liability (collectively hereinafter "Loss") resulting from errors, omissions, fraud, embezzlement, theft, negligence, misconduct or breach of this Agreement (collectively hereinafter "Actions or Omissions") by Contractor, its employees, officers, agents, subcontractors, and directors in performing their duties under this Agreement. Contractor acknowledges and agrees that any Loss shall, unless such loss can be demonstrated by Contractor to have been due to a cause or causes beyond the reasonable control of Contractor (such as acts of god, acts of the public enemy, insurrections, riots, fires, explosions, orders or acts of civil or military authority and other cataclysmic events, to the extent all reasonable and diligent precautions by Contractor could not have prevented the damage or loss resulting from any such event) be conclusively presumed to be the result of Actions or Omissions on the part of Contractor.
- B. In the event that any claim, action, suit or proceeding relating to the obligations of or services provided by the Contractor or any of its directors, officers, agents, employees or subcontractors under this Agreement is made or brought against Contractor, Contractor shall, as soon as practicable but no later than two (2) days after it receives notice thereof, notify the legal counsel of the Agency and the Risk Management Division of the New Mexico General Services Department by certified mail. The Contractor shall cooperate, assist, and consult with the Agency in the defense or investigation of any claim, suit or action made or filed against the Agency as a result of, or relating to, the Contractor's performance under this Contract.
- C. Contractor acknowledges and agrees that the Agency has no obligation to provide legal counsel or defense to the Contractor or its directors, officers, agents, employees or subcontractors in the event that a suit, claim, or action of any character is brought by any person against the Contractor or its directors, officers, agents, employees or subcontractors as a result of or relating to the Contractor's performance under this Agreement.
- D. Contractor acknowledges and agrees that the Agency has no obligation for the payment of any judgments or the settlement of any claims against the Contractor or its directors, officers, agents, employees or subcontractors as a result of or relating to the Contractor's performance under this Agreement.
- E. Notwithstanding any other provision of this Agreement to the contrary, this paragraph 19 shall survive the termination or expiration of this Agreement.

20. Notice of Litigation; Settlement.

The Agency shall give prompt written notice to Contractor of any litigation or threatened litigation with respect to claims for which Contractor may be responsible under the indemnification provision hereof, whereupon Contractor, at its option, shall be entitled to

assume full responsibility for the contesting, defense, or litigation of any matter for which indemnification is claimed.

- A. The Agency shall not settle, terminate, compromise, appeal or otherwise dispose of such litigation or threatened litigation without the prior written consent of Contractor, which shall not be unreasonably withheld. If Contractor does not agree to terms proposed by the Agency for settlement of any litigation or threatened litigation which (i) would terminate such litigation or threatened litigation, (ii) would discharge Contractor from all liability with respect thereto, and (iii) would not require that Contractor bear any portion of the damages, costs, or expenses associated therewith, then any liabilities and legal expenses incurred by the Agency in connection with such litigation or threatened litigation which exceed the amount of such proposed settlement shall be borne by Contractor.
- B. In the event Contractor assumes such litigation as provided above, Contractor shall not settle, terminate, compromise, appeal or otherwise dispose of such litigation or threatened litigation without the prior written consent of the Agency.

21. Product of Services – Copyright.

All materials developed or acquired by Contractor under this Agreement shall become the property of the State of New Mexico and shall be delivered to the Agency no later than the termination date of this Agreement. Nothing developed or produced, in whole or in part, by Contractor under this Agreement shall be the subject of an application for copyright or other claim of ownership by or on behalf of Contractor.

22. Taxes and Assessments.

Contractor shall be solely responsible for the payment of all taxes and assessments of any kind for which Contractor, in its corporate capacity, may become liable by virtue of the performance of the services as specified in this Agreement.

23. Failure to Perform.

- A. Separate and apart from and in addition to the obligation of Contractor to indemnify the Agency pursuant to paragraph 19 of this Agreement, Contractor's failure to acceptably perform any of the services or requirements of this Agreement shall result in a loss of compensation to Contractor. The amount of such loss and the manner and time of the allocation of such loss shall be determined by the Contract Administrators and shall be binding on the parties, but subject to any legal action which the parties may thereafter take. Contractor's compensation shall be further subject to reduction for amounts determined by the State of New Mexico, on the basis of any audit conducted in accordance with the terms of this Agreement, not to constitute proper compensation for goods delivered or services provided.
- B. Subject to paragraph 23(C) below, Contractor's obligations and responsibilities pursuant to this Agreement shall not be affected in the event of personnel problems, strike by employees, work stoppages, and other employee-related events. Contractor is responsible for and shall provide, in accordance with paragraphs 25(C) and 25(H), state-of-the-art backup systems and established and

proven plans for business continuation in emergency situations. Contractor shall review the adequacy of those plans and systems with the Agency or the State of New Mexico upon request. The prevention of business interruption shall be the sole responsibility of Contractor, and Contractor shall immediately notify the Agency in the event such business interruption takes place.

- C. If Contractor is delayed in or prevented from performing any service or requirement of this Agreement by reason of war, strike, terrorism, national emergency, any rule, order or regulation of any government authority, mechanical or electronic malfunctions, "acts of God" (including without limitation, fire, storm, flood or earthquake) or other similar extraordinary causes not within the control of Contractor, to the extent all reasonable precautions could not have prevented the failure to perform, and if prompt notice of the delay and its cause is given to the Agency, the time for performance of such service or requirement of this Agreement shall be extended by the period of time during which the cause of delay shall continue, and no loss of compensation to Contractor shall result if Contractor performs with reasonable promptness after the delay.

#### 24. Scope of Work.

Contractor shall provide the Agency custody services in all matters concerning securities custody and settlement of investment transactions for the Agency. In performing its obligations under this Agreement, Contractor shall ensure compliance with all applicable laws, regulations and rules of the State of New Mexico and policies of the Agency, including but not limited to those set forth in Schedule I hereto, as they may be updated and revised from time to time. Contractor represents that it is an expert in providing custody services, safekeeping services, servicing for securities and other instruments, and all other services as outlined in this paragraph 24. In addition to its fiduciary obligation as set forth in paragraph 11 and under applicable federal and state law, Contractor agrees that it shall at all times exercise at least that degree of care and competence as would a professional expert in the field of providing the services outlined in this paragraph. Contractor shall provide the following trust/custody services:

##### A. Safekeeping Services

- 1. General. Contractor shall provide safekeeping services and servicing for securities and other instruments belonging to or pledged as security to the Agency and delivered to Contractor by or at the direction of the Agency. Contractor shall provide automated holding and control of all eligible securities throughout the safekeeping and settlement process, including equities held at the Depository Trust Company (DTC) and elsewhere, bonds held on the Federal Reserve Book-Entry System and elsewhere, mortgage-backed securities, and other investment instruments. Contractor shall monitor stock splits, stock dividends, class actions, tax re-claims, maturities, call dates, and other corporate actions. Contractor shall provide for statements of the Agency's holdings reconciled by internal personnel acting in accordance with Contractor's reconciliation policies and procedures, which are attached hereto as Exhibit A, as of the end of the preceding month by the date acceptable to the Agency but no later than the twelfth (12<sup>th</sup>) business day of each month.

2. **Separate Identification.** All certificated securities deposited for safekeeping shall be kept physically segregated from securities belonging to Contractor and clearly identified on the records of Contractor as belonging to the Agency. Uncertificated securities shall be kept on the books of depositories, segregated on the books of Contractor, and clearly identified as belonging to the Agency.
3. **Accounts Set Up**
  - (a) Contractor will establish and maintain the following accounts ("Accounts"):
    - (i) multiple Securities Accounts in the name of the Agency (or in another name requested by the Agency that is reasonably acceptable to Contractor) for Financial Assets, which may be held by Contractor or a Securities Depository for Contractor on behalf of the Agency, including in the Agency's capacity as an Entitlement Holder;
    - (ii) one or more accounts in the name of the Agency (or in another name requested by the Agency that is reasonably acceptable to Contractor) ("Cash Account") for any and all cash in any currency received by or on behalf of Contractor for the account of the Agency.
  - (b) At the request of the Agency, additional Accounts may be opened or closed by the Contractor in the future, and such additional Accounts shall be subject to the terms of this Agreement;
  - (c) In the event that the Agency requests the opening of any additional Account for the purpose of holding collateral pledged by the Agency, to the extent such pledging is permitted by that Agency's governing law, to a securities exchange, clearing corporation, or other central counterparty (a "Counterparty") to secure trading activity by the Agency, or the pledge to a Counterparty of cash or individual Securities held in an Account, that Account (or the pledged cash or Securities) shall be subject to the collateral arrangements in effect between the Agency and the Counterparty in addition to the terms of this Agreement;
4. **Acting on Instructions; Method of Instruction and Unclear Instructions**
  - (a) Subject to Security Procedure, the Agency authorizes Contractor to accept, rely upon and/or act upon any Instructions received by it without inquiry.
  - (b) Subject to Security Procedure, the Agency will, where reasonably practicable, use automated and electronic methods of sending Instructions.

- (c) Contractor shall within one (1) Business Day of receipt of an Instruction notify an Agent if Contractor determines that an Instruction does not contain all information reasonably necessary for Contractor to carry out the Instruction and request such Agent to provide what specific information is needed for Contractor to carry out the Instruction. Contractor may decline to act upon an Instruction if it does not receive the requested information. Contractor shall not be liable for any loss arising from any reasonable delay in carrying out any such Instruction after request for and pending receipt of that information or in declining to act upon any Instruction for which it does not receive the requested information.

5. Verification and Security Procedures

- (a) Contractor and the Agency shall comply with any applicable Security Procedures with respect to the delivery or authentication of Instructions and shall ensure that any codes, passwords or similar devices are reasonably safeguarded.
- (b) Subject to compliance with applicable law, either party may record telephone communications in connection with services provided under this Agreement.

6. Instructions; Contrary to Law/Market Practice

Contractor shall not act upon Instructions which it reasonably believes to be contrary to law, regulation or market practice, and Contractor shall be under no duty to investigate whether any Instructions comply with applicable law or market practice. In the event Contractor does not act upon such Instructions pursuant to the foregoing sentence, Contractor will notify the Agency within one (1) Business Day of receipt of the applicable Instructions.

7. Miscellaneous Administrative Duties

- (a) Until Contractor receives Instructions to the contrary, Contractor will:
  - (i) Present all Financial Assets for which Contractor has received notice of a call for redemption or that have otherwise matured, and all income and interest coupons and other income items that call for payment upon presentation;
  - (iii) Execute in the name of the Agency such certificates as may be required to obtain payment in respect of Financial Assets; and
  - (iii) Exchange interim or temporary documents of title held in the Securities Account for definitive documents of title.
- (b) In the event that, as a result of holding Financial Assets in an omnibus account, the Agency receives fractional interests in Financial Assets arising out of a corporate action or class action litigation, Contractor will credit the Agency with the amount of cash it would have received had the Financial Assets not been held in an omnibus account, and

the Agency shall relinquish to Contractor its interest in such fractional interests.

If some, but not all, of an outstanding class of Financial Asset is called for redemption, Contractor shall allot the amount redeemed among the respective beneficial holders of such a class of Financial Assets on a pro rata basis.

B. Security Settlement.

1. Contractor shall provide automated settlement for eligible investments and electronic access to settlement data by the Agency so that it may monitor trades. All trades affirmed by an Agent concerning securities transactions shall be settled in a timely manner according to industry standards in the prevailing market. Notwithstanding any other provision of this Agreement, funds to be invested under this Agreement shall not be paid out without a contemporaneous transfer of the securities at the earliest time industry practice permits; provided that in all cases, settlement of purchases and sales of marketable US securities shall be on a same day basis either by physical delivery or, in the case of uncertificated securities, by appropriate book entry on the books of the insurer, to Contractor acting as agent or trustee for the Agency; Contractor shall furnish timely confirmation to the Agency. Credits for securities transactions shall be made on the actual settlement date and credits for investment income (other than income on securities registered in the name of the Agency) shall be made on payable date in immediately available funds pursuant to the industry standards in the prevailing market. Income on private placements, and any other investments for which there is no payable date, shall be credited in available funds upon receipt of funds. All credits to Agency accounts of anticipated proceeds of sales and redemptions of securities or other property and of anticipated income from such securities or other property shall be conditional on receipt by Contractor of final payment and may be reversed to the extent final payment is not received. Paydowns of principal and receipt of interest on GNMA and other mortgage-backed securities shall be credited to the Agency accounts on payable date. Should fails occur, Contractor shall take reasonable steps to resolve them in a timely manner and in no event shall Contractor transfer payment if a “fail to deliver” occurs. Contractor must provide a copy of its settlement and affirmation procedures to the Agency.
2. To the extent that any US dollar cash balance, other than funds needed to cover any existing overdrafts or to cover fails to receive, exists at the end of a Business Day in any Agency Account, Contractor shall transfer such cash to the Agency Account that same day for credit to the Agency’s Separate Account. For a Separate Account opened for purposes of short-term US dollar cash management which is to be managed by the Agency or an investment manager (other than Contractor or an affiliate of Contractor), the Separate Account will not be a dedicated short-term investment fund (STIF) Account and fund accounting services pursuant to paragraph 24(G)(3) may apply.

3. Contractor shall disclose the transfer and delivery of all securities received or delivered by it for the Agency by providing the Agency with prompt electronic access to the Contractor's online records for settlement confirmation on settlement date. Daily statements of securities held shall identify the securities owned by the Agency held by Contractor. The books and records of Contractor shall at all relevant times reflect such ownership. Monthly written statements of securities held, reconciled by internal accountants, shall be provided by Contractor to the Agency. Contractor also shall provide a permanent record of securities held for the Agency.
4. Pursuant to the terms of Exhibit -B, Contractor shall provide a monthly hard-copy report of securities-settlement activity to the Agency, along with Contractor's account analysis.
5. Settlement, Securities Processing and Custody – Contractor shall provide:
  - a. On-line security clearing at the DTC, Federal Reserve and other clearing agents;
  - b. On-line trade affirmation capabilities with DTC for Agency staff;
  - c. Settling and safekeeping of domestic and international securities within a single accounting system;
  - d. Settling and safekeeping of physically-held securities;
  - e. Execution of foreign exchange transactions, monitoring foreign tax liability, and collecting tax reclaims;
  - f. Electronic access to trade data by the Agency, consultants and investment managers, and any other third party approved in advance by the Agency;
  - g. Settlement on a delivery versus payment basis, and free delivery settlement must receive prior written approval by the Agency unless it complies with established policies and procedures for the security and market in question;
  - h. Assistance with the automation of trade affirmation process for international investments, including pair-off of foreign currency (FX) to net cash flows;
  - i. Interfacing with SEDOL, EuroNext, Clearstream, Euroclear, and other applicable foreign depositories and/or sub-custodians to support foreign trading activity;
  - j. Settlement of international equity, fixed income, alternative investments, and derivative instruments. Contractor shall provide a comprehensive system for selecting sub-custodians and evaluating

and monitoring their internal control structures, performance, and financial condition. Contractor shall be liable for any and all financial losses as it relates to the actions or inactions of the sub-custodians and their agents in accordance with paragraph 30;

- k. Monitoring and resolution of failed trades in a timely manner; and
- l. Tracking of overdrafts.

C. Income Settlement and Income Crediting – Contractor shall:

- 1. On a contractual processing basis, credit or debit the appropriate money account of the Agency in connection with the purchase, sale, maturity, redemption, income, dividends or other disposition of securities and other assets held on behalf of the Agency.
- 2. Agree to pay sale fail compensation in an amount equal to the daily earnings for the cash sweep vehicle of the account for all securities that are settled under actual settlement procedures, provided
  - a) The security was in Contractor's possession, and
  - b) None of the Agency, its investment managers or agents, or any party selected by them, was responsible for the failure to settle the trade.
- 3. Ensure that all such amounts collected shall be credited in immediately available funds on payable date to the appropriate Agency Account.
- 4. Provide, at its own expense, a collection service including postage and insurance on any investment transaction requiring special handling.

D. Accounting and Auditing – Contractor shall provide:

- 1. Trade date multi-currency accounting for all securities and full accrual accounting for all assets in the performance of services under this Agreement and will report an appropriate payable or receivable for income and for securities purchased or sold but not yet settled.
- 2. Accounting services for all investments in the portfolio including, but not limited to, the following:
  - a. All income and security transactions (cash and non-cash); domestic and international equity, fixed-income securities, commingled trusts, private market funds, and foreign tax reclaim receivables;
  - b. Same-day recording of capital changes, including mergers, acquisitions, tenders, stock splits, warrants, spin-offs and purchase of fractional shares;
  - c. Options, futures, swaps, and any other derivative instruments;

- d. Leveraged buy-outs, venture capital, real estate, and various other private equity and debt investments; and,
  - e. Forward exchange contracts.
3. Unless otherwise directed by the Agency, booking all investments at cost and reporting them with updated market values. Gains and losses on securities sold shall be recognized on an average cost basis;
  4. A daily comprehensive pricing system ensuring the accuracy of the prices received from various external sources (especially alternative sources like brokers, external investment managers, etc.) by employing procedures to verify the primary price (reserving the Agency the right to mandate the primary source) to a secondary pricing source, by comparing the prior period's prices to the current period's prices and by investigating both changes outside established tolerances, as well as changes from the prior month that appear unreasonable in relation to current market trends;
  5. Fixed income discounts and premiums shown at purchase, but not amortized or accreted after purchase;
  6. Payable date posting for dividends, bond interest and principal, and interest and principal paydown on mortgage pass-through certificates;
  7. Annual accounting on a fiscal year basis, July 1 through June 30;
  8. Daily fund accounting and pricing of portfolios for the purpose of computing daily net asset values for various portfolios;
  9. Market valuation and accounting for commingled investments on at least a monthly basis;
  10. Technical expertise and assistance to the Agency's investment accounting and portfolio administration personnel including, but not limited to:
    - a. Assistance in identifying ways in which Contractor's resources, products, and information can be used to maximize efficiency of investment accounting and trade settlement procedures;
    - b. Providing ongoing updates, information, and training concerning new investment instruments and accounting issues surrounding various investment types;
    - c. Providing technical assistance and ongoing education 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 qualified, designated individuals to assist with technical and accounting questions; and,

- e. Providing an account administrator(s) available by telephone between the hours of 7:30 a.m. and 5:00 p.m. Mountain Time on normal operating business days;
  - 11. Daily verification with Agency staff of net cash flows by fund as requested; and
  - 12. Freezing of monthly and yearly closed periods, which must be frozen to additional transactions except when mutually agreed upon by the Agency and Contractor.
- E. Reporting Requirements – Contractor shall:
- 1. Provide all reports requested by the Agency. In addition, ad hoc query and reporting functions shall be available, and Contractor shall, by mutual agreement and in a timely manner, provide additional custom reports (complying with industry-standard report formats developed in the future) as requested by the Agency at no additional charge;
  - 2. Complete monthly reconciled accounting statements by the twelfth (12th) business day of the month (for the prior month's reporting cycle). The Agency and Contractor may mutually agree in writing to a later completion and/or delivery schedule for transaction reports subject to availability of third party information or substantive changes in the Agency's portfolio composition or structure;
  - 3. Produce at a minimum, the following month-end reports in electronic form (in both PDF and Excel format). All reports must be available by individual manager and composites of managers. All reports must present transactions in both local and base currency.
    - a. Statement of Assets and Liabilities: a balance sheet report summarizing the assets and liabilities of the Agency at both cost and market value;
    - b. Reconciliation of Assets: a summarized reconciliation report tracking activity affecting assets between the beginning and ending balances;
    - c. Reconciliation of Cash: a cash reconciliation report tracking all transactions affecting cash between the beginning and ending cash balances;
    - d. Accrued Income: a summarized and detailed report of receivables and payables to include all income earned but not yet paid as well as items that should have been paid but have not been received;
    - e. Pending Trades: a summarized and detailed report of all trades initiated by managers but not yet settled as of month-end;
    - f. Statement of Income: a summarized and detailed report tracking transactions affecting income to arrive at an earned income total;

- g. Statement of Expenses Incurred: a summarized and detailed report tracking transactions affecting expenses to arrive at total expenses;
  - h. Statement of Net Unrealized Gains and Losses: a summarized report tracking current unrealized gains and losses and change in net unrealized gains and losses by asset type;
  - i. Statement of Net Realized Gains and Losses: a summarized report tracking current proceeds vs. cost and net realized gains and losses by asset type;
  - j. Detail Statement of Assets and Liabilities: a report tracking cost and market value by asset type sorted in alphabetical order;
  - k. Detail Statement of Purchase and Sale Transactions: a statement detailing purchase and sale transactions, which statement must list such transactions in chronological order within each transaction type and must include derivatives; and
  - l. Fail Report: a detailed audit trail report must be produced tracking all trades that have failed, which report shall include sufficient detail to allow a thorough review of the trade;
4. Provide a monthly general ledger feed via Excel spreadsheet to the Agency's accounting system,
  5. Provide a daily reconciliation report for all cash accounts associated with internally managed accounts as well as alternative investments;
  6. Provide access to management information and accounting systems utilizing personal computers at the Agency with the capability of providing the following information on a daily basis:
    - a. Exposure reporting for custodied holdings, including, but not limited to, country, currency, corporation, economic sectors, industry class, and types of securities.
    - b. Underlying exposure to asset holdings in commingled funds;
    - c. Current and historical performance;
    - d. Current and historical prices and exchange rates;
    - e. Composite portfolios;
    - f. Current and historical transactions;
    - g. Current and historical holdings in any aggregation;
    - h. Performance aggregate data and (custom) benchmarks;

- i. Performance and analytic databases;
  - j. Customized reports as required; and
  - k. *Ad hoc* holdings and performance reports;
7. Provide an accurate report of all holdings, yearly transactions, and other pertinent investment data, in a format acceptable to the Agency, no later than 30 days after the end of each fiscal year (ending June 30);
8. Provide on-line access to recent and pending transactions, current asset listings, and cash flow projections. These documents and/or reports must be available for individual and combined portfolios and must include, at a minimum, the following capability:
- a. Ability to access real time portfolio information including market indices from the Agency's office;
  - b. Automated report writer interface with Windows based spreadsheets and databases;
  - c. Complete selection of month-end multi-currency accounting reports;
  - d. Multi-currency performance and analytic reports including access to TUCS Universe information;
  - e. Ability to download data elements with user selected formats and sorting; and
  - f. Customization of reports to client specifications at no additional charge;
9. Provide information to investment managers for bankruptcy filings;
10. Provide data access to Agency-approved third parties; and
11. Provide a monthly file (in acceptable media) of all transactions in all the Agency accounts to the Agency's general investment consultant for the purpose of receiving audited positions and transaction data by the third (3rd) business day after the books are closed for all accounts custodied at Contractor. The Agency and Contractor may mutually agree, in writing, to a later delivery schedule for transaction reports resulting from the delay in availability of third-party information or substantive changes in the Agency's portfolio composition or structure.

F. Credit Availability and Scheduling

1. All funds received by Contractor for credit to the Agency accounts shall be credited in immediately available funds on payable date. Contractor shall provide credit availability for custody accounts of the Agency made through lock boxes as needed.
2. Contractor shall provide to the Agency from time to time a schedule of cutoff times for the receipt of various types of funds pertaining to investment transactions and the receipt of income. Contractor shall provide to the Agency a daily online report of all funds not received in the Agency accounts by the appropriate cutoff time.
3. Nothing in this Agreement shall require Contractor to complete any cash transaction for which there are insufficient available funds in the applicable Account to the extent the insufficiency of funds is not attributable to Contractor.

G. Other Services

1. Wire Transfer Service

- a. Contractor shall provide funds transfer services via (the Federal Reserve Bank wire system) as instructed by the Agency Funds wired must be in immediately available funds. All requests for wire transfers shall be executed in a timely and customary manner, in compliance with industry standards.
- b. Incoming wire transfers shall be credited by Contractor to the appropriate Agency Account the same day as received. The receipt of transferred funds shall be noted on the electronic reporting system for the day such funds were received.

2. Account Activity Analysis

- a. Contractor shall provide to the Agency by the fifteenth (15<sup>th</sup>) business day of each month an account analysis for each Agency Account showing activity for the preceding month in each category and the fee for each service. The Agency shall pay those charges to Contractor in direct fees.
- b. Any uninvested cash balances left in any Agency Account will be used in calculating account-analysis credit back to the particular Agency Account.
- c. Contractor shall provide record keeping for external short term investment funds for the Agency.

3. Fund Accounting Services. The Agency may request Contractor to provide fund accounting services in support of the Agency's short-term investment fund (STIF) held in a Separate Account established by or for the Agency. These services include calculating the fund net asset value according to fund requirements, coordinating daily fund admissions and distributions through an automated transfer process, and monthly payment of Separate Account income to participating accounts as further set forth in the Accounting Services Rider, attached hereto as Exhibit C.

H. Cash Management – Contractor shall:

1. Provide an automated daily sweep of net cash flows from all domestic and international accounts to Contractor short-term investment fund (STIF) or external money market funds, as directed by the Agency;
2. Compound and accrue income earned by the short-term investment fund (STIF) daily;
3. Meet the restrictions imposed by New Mexico statutes for the securities in the short-term investment fund (STIF) utilized by the Agency and be within guidelines mutually agreed on;
4. Provide overnight investment management services for the funds received after the occurrence of the daily sweep;
5. Provide an interactive and secure transaction processing system for cash movements and wire transfers;
6. Provide for transfer of cash between accounts, make and accept wire transfers of funds in both USD and non-US currency (including provision of Fed reference numbers upon request);
7. Provide for same-day settlement of cash trades, such as physical, DTC, and Fed wireable repo and term purchases. Cash flow from purchases and sales must be debited/credited on contractual settlement date;
8. Credit income earned, redemptions, and maturities to the proper accounts on payable date in Fed funds (federal funds). Contractor must identify any security types not eligible;
9. Provide a system that daily projects cash by account for a minimum of five days forward. Projections should incorporate short-term investment fund (STIF) balances, dividend and interest income, and income from trade settlements, corporate actions, or other known cash flows;
10. Provide currently available cash balances to the Agency's investment managers each morning by 10 AM Eastern Time;
11. Provide notification of overdrafts to the Agency and its investment managers daily; and

12. Complete and report foreign currency conversion and movement transactions.

I. Foreign Trade and Foreign Exchange Processing (FX) – Contractor shall:

To facilitate the administration of the Agency's trading and investment activity, Contractor may, but will not be obligated to, enter into spot or forward foreign exchange contracts with the Agency, or an Agent, and may also provide foreign exchange contracts and facilities through its affiliates or Foreign Sub-custodians. Instructions, including standing Instructions, may be issued with respect to such contracts, but Contractor may establish rules or limitations reasonably acceptable to the Agency concerning any foreign exchange facility made available subject in all cases to the terms and conditions of this Agreement. In all cases where Contractor, its affiliates or Foreign Sub-custodians enter into a master foreign exchange contract that covers foreign exchange transactions for the Accounts, the terms and conditions of that foreign exchange contract and, to the extent not inconsistent, this Agreement, will apply to such transactions.

1. Obtain best execution on FX conversions relating to income and tax reclaim transactions, but not limited to these types of transactions, and provide transparency in reporting FX transactions compared to FX benchmarks;
2. Provide monthly report demonstrating best execution with respect to FX transactions; and
3. Ascertain that FX transactions associated with repatriation of international dividends to USD are competitive.

J. Sub-custodian Network Management – Contractor shall:

1. Have sub-custodian relationships to service all of the Agency's international and emerging markets investments;
2. Provide a comprehensive system for selecting sub-custodians and evaluating and monitoring their internal control structures, performance, and financial condition;
3. Have a thorough knowledge of tax treaties, withholding laws and tax reclamation procedures;
4. Have a thorough knowledge of relevant securities and tax laws in each country, as well as the ability to recover assets in the event of broker bankruptcy, and
5. Facilitate the setup of accounts in new markets and assistance with ongoing maintenance of existing accounts.

K. Investment Manager Liaison – Contractor shall:

1. Communicate directly with the investment managers of the Agency on all trading matters.
2. Keep Agency staff informed of significant issues.
3. Provide a monthly reconciliation between investment managers and Contractor. Contractor shall review each holding on the reconciliation and investigating differences that lie outside of thresholds (determined by the Agency), and documenting their work. Contractor shall send reconciliation spreadsheets to the managers with any significant differences and shall submit final reconciliation spreadsheets to the Agency's back office.
4. Interface with the Agency's current and future external investment managers and with those managers that may be added by the Agency from time to time. Contractor shall discontinue exchanging data related to the Agency with any such manager if so directed by the Agency.

L. Investment Manager Transition Services

Upon the written request of the Agency, Contractor may provide investment manager transition services.

M. Corporate Actions, Class Actions and Proxy Voting –Contractor shall:

1. Provide advance notification and same-day posting of corporate actions including bond puts, calls and other scheduled and non-scheduled redemptions to the Agency and/or its external investment managers in a timely manner via a secure interactive internet based system to process corporate actions.
2. Provide an automated feed between Contractor's system and the Agency's class action monitoring service provider on at least a monthly basis.
3. File claims in all class action or similar suits associated with any investment securities owned by the Agency on behalf of the Agency when applicable with respect to claim periods for which Contractor or any prior Custody Bank or other entity with possession of data is the holder of record relating to those securities. Further, upon expiration or termination of any contract, Contractor agrees that it shall continue to file claims for any future or potential class action claim of settlement regarding such investment securities.
4. In the event Contractor receives any deficiency or rejection notices from litigation agents in connection with a claim filing (other than a minor deficiency which it determines that it can readily cure), use reasonable efforts to forward such notice to the Agency. Contractor shall take no further action with respect to a claim filing that has been deemed deficient or rejected by a litigation agent until instructed by the Agency as provided herein.

5. Provide reports of all class actions, claims filed and settlements received on at least a monthly basis. This reporting shall include notification of claims yet to be filed and information regarding past and present holdings and holding periods for class action litigations via a secure internet based reporting system.
6. Provide proxies and proxy statements for US corporations to the Agency or its designee (currently Institutional Shareholder Services) prior to annual and special meetings within a timeframe sufficient for relevant receipt, analysis and vote determination.
7. Provide proxies and proxy statements to the Agency, its external managers or its designee prior to annual and special meetings for foreign corporations. Such proxies and proxy statements will be provided in accordance with local market practice but in a manner consistent with the practice of Contractor's peers for the relevant market, at minimum.
8. Provide an automated feed of holdings between Contractor's system and the Agency's proxy voting service provider (currently Institutional Shareholder Services).

N. Alternative Investments Processing and Reporting –Contractor shall:

1. Provide support in the processing, accounting, and administrative requirements of alternative investments (e.g., hedge fund of funds, real estate, private equity, infrastructure, opportunistic credit, etc.);
2. Provide multi-tiered electronic approval and processing of capital calls and distributions;
3. Provide recording of non-cash deemed distributions and non-cash contributions and distributions of assets to the Agency from partnerships; and
4. Provide monthly valuation with cash flow roll forwards.

O. Performance Measurement and Analytics – Contractor shall:

1. Provide audited monthly performance reports detailing the market values, cash flows and returns of the portfolio, including both custodied and non-custodied assets, asset classes and on a consolidated basis at gross, net of management fees, and net of all fees using GIPS compliant calculation methodology by the fifteenth (15<sup>th</sup>) business day of the month for the prior month's performance;
2. Provide unaudited daily performance reports detailing the market values, cash flows and returns of each portfolio for all custodied assets as well as any consolidations deemed necessary by the Agency;
3. Provide monthly audited sector, industry and CUSIP level reports by the twelfth (12<sup>th</sup>) business day of the month;

4. At least on a monthly basis transmit raw performance data, transactions data, rates of return or any other information concerning the Agency's accounts to the Agency or to vendor(s) selected by the Agency;
5. Provide reports generated by the Trust Universe Comparison Service (TUCS) or its successor;
6. Provide performance analytics and attribution analysis for the Agency's accounts versus relevant agreed-upon benchmarks in formats acceptable to the Agency;
7. Provide monthly performance reports detailing market performance, portfolio performance, and any level of detail or any aggregate deemed necessary by the Agency, which reports must include current as well as historical data;
8. Provide a quarterly investment performance analysis across all Agency funds in a format to be agreed upon between Contractor and the Agency, which analysis must be delivered within thirty (30) days after the close of the calendar quarter reported upon, electronically; and
9. Act as a performance consultant and, based upon its knowledge of client and industry trends, advise the Agency of Contractor's latest performance measurement tools and products as they become available.

P. Compliance Monitoring and Reporting – Contractor shall:

1. Provide the Agency with an online investment compliance reporting service, which will identify, and notify staff of, investment trades that are outside established policies, tolerances and parameters based on available holdings information.
2. Ensure that the compliance monitoring and reporting service has the capability to track any internally managed portfolios as well as all externally managed portfolios, which shall encompass the following obligations:
  - a. Provision of formal investment management guideline review and gap analysis for each specified guideline;
  - b. Creation of the initial set of tests and reports to meet the Agency's requirements;
  - c. On-going assistance in creating new and/or modifying existing tests and reports;
  - d. Formal confirmation by the Agency of proper interpretation of the tests and results;
  - e. Performance of compliance monitoring daily, with weekly and monthly reports;

- f. Upon the occurrence of any exceptions, determination of why such exceptions occurred and to retention of compliance monitoring results history; and
  - g. Ability to review exception reports online and to download the exception reports in PDF and excel formats.
3. Ensure that reports display the status of each test; a pass, an alert or a warning, and ability to summarize why the alert occurred. Reports shall be based on post-trade date and pre-settlement date holdings previously reported to Contractor.
  4. Ensure the incorporation of compliance fail management capabilities, including the ability to assign severities, breaches and approvals for each alert. Agency or assigned Contractor employees shall be able to view the test breaches, assign breaches to individuals for follow-up, and record commentary or research results on-line.

Q. Notifications

If the Agency has agreed to access information concerning the Accounts through Contractor's website, Contractor may make any notifications required under this Agreement by e-mail.

R. No Overdrafts

The parties anticipate that, as a rule, the Agency will manage the Accounts so that no debit balance of any Cash Account occurs, and the Agency will direct each of its Agents responsible for directing transactions affecting the Account to do so. The parties recognize, however, that in order to facilitate the proper settlement activities of the Accounts, overdrafts can occur on an intraday basis, typically with the expectation that the overdraft will be covered on the same day. If a debit to any currency in the Cash Account results in a debit balance, then Contractor may, in its discretion, (i) advance an amount equal to the overdraft, (ii) refuse to settle in whole or in part the transaction causing such debit balance, or (iii) if any such transaction is posted to the Securities Account, reverse any such posting. If Contractor elects to make such an advance, the advance will be payable on demand. No prior action or course of dealing on Contractor's part with respect to the settlement of transactions on the Agency's behalf will be asserted by the Agency against Contractor for Contractor's refusal to make advances to the Cash Account or to settle any transaction for which the Agency does not have sufficient available funds in the applicable currency in the Account. Provided that any such advance is repaid in full within two (2) Business Days of the applicable Agent receiving notice of the advance, no charge shall be applied with respect to the advance. If the advance is not repaid in full within two (2) Business Days of the applicable Agent receiving notice of the advance, Contractor shall be entitled to recover expenses in an amount based on the cost of funds to Contractor.

S. Additional Services

The Agency may request amendments to this Agreement, including to add or delete services to facilitate trades, transfers and settlements, and any such amendments shall be subject to paragraph 2 of this Agreement. In the event that any such changes in services are approved, all other terms and conditions of this Agreement, as may have been previously amended, shall remain in full force and effect.

25. Systems and Technology Requirements –Contractor shall:

- A. Provide online, real time access to data held in Contractor's records by authorized Agency staff and the Agency's external investment managers and maintain throughout the term of this Agreement complete histories of investment activity of all Agency holdings.
- B. Provide a web enabled or internet-based system with access to management information and accounting systems with the capability of providing the following information:
  - 1. Current and historical prices, market values, and exchange rates in effect at times of pricing international securities;
  - 2. Composite portfolios;
  - 3. Current and historical transactions, including pending and settled trades, by security, by account, by asset class;
  - 4. On-line access to current and historical holdings in any aggregate;
  - 5. Customized reports as required; and
  - 6. Ad hoc query and reporting;
- C. Provide state-of-the-art back-up systems to minimize loss of data and provide instant availability;
- D. Provide the Agency's staff with the ability to review all externally managed portfolios;
- E. Provide access to Contractor's reporting/portal system via secure internet login for purposes of downloading reports and extracting data for analysis using software products such as Microsoft Excel, as well as "inquiry only" access by various internal and external users;
- F. Provide training to Agency staff as new employees are added to Agency staff and any time substantial changes have been made to the information-delivery program;
- G. Provide adequate protection against unauthorized access to Agency records under Contractor's control;

- H. Provide an established and proven plan for business continuation in emergency situations. Contractor shall recreate records and resume operations necessary for the daily investment activities of the Agency, including but not limited to, trade settlement, money movement and cash sweep, and portfolio holding data essential to portfolio management within twenty-four hours of any occurrence of any major disaster or other cause which destroys records and/or interrupts normal operation of Contractor's systems. Contractor shall periodically test its business continuation plan and operating procedures. Every twelve (12) months, Contractor shall provide assurances to the Agency that internal testing has confirmed its abilities to operate as indicated in Contractor's business continuation plan;
  - I. Retain computer records of all reconciled investment transactions and month-end positions on electronically readable storage media, indefinitely. Contractor 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. Upon contract termination, Contractor shall translate the information to a flat file, or other format mutually determined, for retention by the Agency; and
  - J. Provide access to the Agency data on Contractor's systems from the Agency's local area network. The access will occur via the internet to the on-line reporting system. The on-line reporting system will be available from any location with an internet connection in the event that the Agency's primary office internet connection is not functional, or the Agency has experienced a circumstance that requires relocation to the backup site.
26. Transition and Conversion from Existing Custodian. If applicable, in connection with the conversion by the Agency from the Agency's current custody bank to Contractor's system of record, Contractor shall:
- A. Perform all procedures necessary to convert from the system of the current custody bank to Contractor's system of record, including:
    - 1. Present to the Agency management a detailed plan for, and schedule of, the transition from the current custody bank to Contractor which plan and schedule must include the timing of each phase of the transition as well as the proposed involvement of Contractor's employees in the process, the level of involvement anticipated from the Agency's employees and the proposed involvement of the current Contractor in the transition process;
    - 2. Reconcile custody positions to the prior custody bank's records, research all reconciling items, and correct all position discrepancies;
    - 3. Have in place and adequately test prior to conversion all interfaces, including, but not limited to, those of the Agency, outside investment managers, pricing services, and others (or provide mutually agreed upon acceptable alternatives);

4. Complete the asset conversion process, including the reconciliation of custody positions, values, outstanding foreign tax claims, receivables, or liabilities and the proper identification of reconciling items by April 30, 2023; and run all parallel processing from May 1, 2023 through June 30, 2023 with full operation on July 1, 2023; and
  5. Provide training to Agency staff during the initial conversion process; and
- B. Upon termination of this Agreement, cooperate fully with the successor custody bank to facilitate the transition from Contractor's system to the successor's system. During such transition, Contractor shall:
1. Provide to the Agency and the successor custody bank all information about Contractor's system that may reasonably be needed by or useful to the successor custody bank to prepare for and effect the transition. Such information might include data formats, data element definition, update frequencies, etc.; provided that Contractor shall not be expected to provide proprietary information about its internal systems;
  2. Provide to the successor custody bank a copy of all Agency data in a mutually agreed form and format for test purposes, with the expectation of parallel processing for the two (2) months prior to the end of this Agreement;
  3. On the effective date of the conversion from Contractor to the successor custody bank, provide a complete final copy of all current Agency files to the successor custody bank. To complete close-out of transactions in process, Contractor agrees to cooperate in good faith to find suitable and mutually agreed arrangements between Contractor, the Agency, and the successor custody bank for processing of such transactions received subsequent to the effective date of conversion;
  4. Provide the necessary personnel to ensure a smooth transition to the successor custody bank;
  5. Continue to collect tax reclaims due the Agency and coordinate with the successor custody bank on outstanding claims; and
  6. Continue to file class action litigation claims and process those claims and disbursements for litigations referring to the time period Contractor has served as custody bank.

27. Contractor's Corporate Audit – Contractor shall:

- A. Provide annual financial statements audited by an independent certified public accounting firm in accordance with generally accepted accounting principles and require that an unqualified opinion must be issued by the auditor in connection with the most recent audit.

- B. Afford necessary Agency staff and the Agency's internal auditor (also including, when the Agency so requires, external auditors) continued access to Contractor's corporate audit staff and make available information from the corporate internal audits such as audit reports and the working papers of Contractor's internal audit division that pertain directly to the services utilized by the Agency, as long as such access does not violate client confidentiality, contractual obligations of Contractor, or applicable federal or state laws or regulations; and
- C. Provide electronically the semi-annual Statement on Standards for Attestation Engagements (SSAE 16) and/or International Standard on Assurance Engagements 3402, Assurance Reports on Controls at a Service Organization (ISAE 3402)

28. Personnel, Meetings, Client Conferences

- A. Contractor shall make appropriate personnel available to meet with Agency staff on site, at dates and times determined by the Agency, at least quarterly, or more frequently if required by the Agency, to discuss services related to the Agency's needs.
- B. Contractor shall provide direct access to appropriate computer system technical staff for assistance with computer system problems in connection with services described in this Agreement.
- C. Contractor must have in place a relationship management protocol which assures the appropriate escalation of issues and special projects with defined deadlines for resolution within the context of the Agency relationship; a weekly conference call with appropriate Agency staff and Contractor staff shall be conducted to discuss progress of all issues.
- D. Agency staff shall have direct access to Contractor's specialists in each functional area to discuss processing issues as they arise.
- E. Contractor shall invite the appropriate Agency staff members to participate in Contractor's group client conferences and all other educational activities provided by Contractor and normally offered to Contractor's clients.

29. Errors.

All errors occurring in the parties' performance under this Agreement shall be corrected in a timely manner and back-value credit given or a back-value debit charged to the original date of the transaction for purposes of the account analysis. Errors shall be separately stated as back-dated adjustments. Actual compensation may be necessary for investment and safekeeping transaction errors, which shall be the responsibility of the party causing the error, except as otherwise specifically provided.

30. Subcontracting

A. Except as otherwise expressly provided in this Agreement, Contractor shall not subcontract, transfer or otherwise assign any portion of the services to be performed under this Agreement without obtaining the prior written approval of the Agency. Notwithstanding anything to the contrary in this Agreement, Contractor represents and warrants that it shall not delegate its fiduciary responsibilities under this Agreement.

B. Contractor may subcontract with entities which are affiliates of Contractor to act as a subagent or subagents of Contractor, provided that Contractor shall retain responsibility and liability for acts or omissions of any such affiliates to the same extent as if Contractor were to have performed the subcontracted activities, and no such subcontract shall relieve Contractor of such responsibilities or liabilities. Contractor shall promptly notify the Agency in writing of any such subcontract.

C. In the event that the Agency invests in a security for which the principal trading market is a country other than the United States, Contractor shall appoint a sub-custodian in the appropriate jurisdiction ("Foreign Sub-custodian") to carry out the provisions of this Agreement, provided that such appointment shall not relieve Contractor of its responsibilities and liabilities under this Agreement. Contractor shall promptly notify the Agency in writing of any such appointment. The Foreign Sub-custodian may be a banking institution, securities depository or securities clearing system organized under the laws of a country other than the United States. Contractor may, at any time in its discretion, terminate the appointment of any Foreign Sub-custodian and shall notify the Agency thereof. Contractor shall be responsible for the prudent selection of any Foreign Sub-custodians within its jurisdiction and for periodically monitoring its selections to determine that each selection continues to be prudent within the applicable jurisdiction. In the event Contractor appoints a Foreign Sub-custodian that is an affiliate of Contractor, Contractor shall retain responsibility and liability for the acts and omissions of such Foreign Sub-custodian in accordance with paragraph 30(B); in the event Contractor appoints a Foreign Sub-custodian that is not an affiliate of Contractor, such Foreign Sub-custodian shall act in accordance with the standard of care applicable to a professional custodian for hire in the jurisdiction where such duties are performed, and Custodian shall be responsible for any loss which is incurred as a direct result of the negligence or misconduct of a Foreign Sub-custodian to perform custodial duties in accordance with the foregoing standard. Contractor shall be responsible for any loss incurred as a direct result of Contractor's negligence, misconduct or breach of this Agreement in making a prudent selection within a particular jurisdiction or in monitoring such selection to determine if it continues to be a prudent selection within such jurisdiction.

D. Contractor acknowledges and agrees that neither the Agency nor the State shall be responsible for the fulfillment of Contractor's liabilities or obligations to any subcontractor of Contractor, including but not limited to any fees due to the applicable subcontractor, expenses under the applicable subcontract or any other obligations or liabilities with respect to the applicable subcontractor.

31. Release

Contractor, upon final payment of the amount due under this Agreement, releases the State, its officers and employees, the Agency and its officers and employees from all liabilities, claims and obligations whatsoever arising from or under this Agreement. Contractor agrees not to purport to bind the State or the Agency to any obligation not assumed herein by the State or the Agency, unless Contractor has express written authority to do so, and then only within the strict limits of the authority.

32. Equal Opportunity Compliance

Contractor agrees to abide by all applicable federal and state laws and rules and regulations, and Executive Orders of the Governor of the State of New Mexico pertaining to equal employment opportunity. In accordance with all such laws, rules, regulations, and Executive Orders of the Governor of the State of New Mexico, Contractor agrees to assure that no person in the United States shall, on the grounds of race, color, religion, national origin, sex, sexual orientation, gender identity age or handicap, be excluded from employment with or participation in, be denied the benefits of, or be otherwise subjected to discrimination under, any program or activity performed under this Agreement. If Contractor is found not in compliance with these requirements during the life of this Agreement, Contractor agrees to take appropriate steps to correct such noncompliance.

33. Applicable Law

This Agreement shall be governed by, and construed and interpreted according to, the laws of the State of New Mexico. Contractor agrees that it is and shall be subject to the jurisdiction of the federal and state courts of New Mexico in all matters related to this Agreement. Venue shall be proper only in a New Mexico court of competent jurisdiction in accordance with NMSA 1978, § 38-3-1 (G).

34. Waiver

Contractor and the Agency agree that no waiver of any breach of this Agreement or any of the terms or conditions thereof shall be held to be a waiver of any other or subsequent breach; nor shall any waiver be valid or binding unless the same shall be in writing and signed by the party alleged to have granted the waiver.

35. Charges and Compensation

Contractor's compensation in the form of an all-inclusive, flat dollar custody fee inclusive of expenses relating to all services required under this Agreement, including but not limited to internal and out-of-pocket expenses (wire charges, courier services, telex, etc.), whether or not incurred in the ordinary course, is detailed in the compensation schedule attached to this Agreement as Exhibit D (the "Compensation Schedule"). No other amounts shall be charged to or payable by the Agency without prior written approval of the Agency. The Compensation Schedule shall not be changed during the term of this Agreement or any extension of the term except as may be agreed between the parties pursuant to paragraph 2 of this Agreement:

A. Monthly Billing.

Contractor agrees to:

1 Submit an invoice within 30 days after the end of the month in which services are completed on Contractor's letterhead detailing the fee amount for the services rendered. Payment to Contractor pursuant to this Agreement shall be made no later than 30 days after the Agency's receipt of a proper invoice from Contractor.

2 Include on the face of each invoice submitted to the Agency the State-assigned Contract Control Number, Contractor's Federal Tax Identification or Social Security Number, and Contractor's ACH Transfer Instructions.

3 Include on each invoice submitted to the Agency a detailed description of all services performed for which payment is sought and the applicable billing rate, fee or unit cost for such services and the total amount due for the billing period. If the Agency finds that the services are not acceptable, within thirty days after the date of receipt of written notice from Contractor that payment is requested, it shall provide Contractor a letter of exception explaining the defect or objection to the services, and outlining steps Contractor may take to provide remedial action. Upon certification by the Agency that the services have been received and accepted, payment shall be tendered to Contractor within thirty days after the date of acceptance. If payment is made by mail, the payment shall be deemed tendered on the date it is postmarked. However, the agency shall not incur late charges, interest, or penalties for failure to make payment within the time specified herein.

B. Transfer Costs. Contractor agrees that it shall bear all costs associated with any transfer of any accounts or other assets of the Agency to another custody bank upon the expiration or termination of this Agreement.

36. Miscellaneous, Other Agreements

Contractor represents and warrants that (i) it is registered as an investment adviser under the Investment Advisers Act of 1940 and that it shall maintain such registration at all times during the term of this Agreement; and (ii) it has completed, obtained and performed all registrations, filings, approvals, authorizations, consents and/or examinations required by any government or governmental authority, including the State of New Mexico, for acts contemplated by this Agreement.

This Agreement supersedes any prior agreement between the parties with respect to the subject matter hereof. No other agreements or terms and conditions, with respect to the subject matter hereof, online or otherwise, or any version thereof shall be valid or enforceable against the Agency, unless each such agreement or terms and conditions has been incorporated into this Agreement and has received prior written approval by the Agency pursuant to paragraph 2 of this Agreement. This paragraph does not apply to documents that simply provide information or powers of attorney whereby the Agency delegates certain actions as to its voting rights to Contractor consistent with this Agreement.

37. New Mexico Employees Health Coverage

- A. At any time Contractor has six (6) or more employees who work, or who are expected to work, an average of at least twenty (20) hours per week over a six (6) month period during the term of this Agreement, Contractor certifies that it shall, by signing this Agreement, to:
- 1.) have in place, and agree to maintain for the term of this Agreement, health insurance for those employees and offer that health insurance to those employees no later than July 1, 2023 if the expected annual value in the aggregate of any and all contracts between Contractor and the State exceed one million dollars (\$1,000,000) or;
  - 2.) have in place, and agree to maintain for the term of this Agreement, health insurance for those employees and offer that health insurance to those employees no later than July 1, 2024 if the expected annual value in the aggregate of any and all contracts between Contractor and the State exceed five hundred thousand dollars (\$500,000) or;
  - 3.) have in place, and agree to maintain for the term of this Agreement, health insurance for those employees and offer that health insurance to those employees no later than July 1, 2025 if the expected annual value in the aggregate of any and all contracts between Contractor and the State exceeds two-hundred fifty thousand dollars (\$250,000).
- B. Contractor agrees to maintain a record of the number of employees who have (a) accepted health insurance; (b) declined health insurance due to other health insurance coverage already in place; or (c) declined health insurance for other reasons, which record shall be subject to review and audit by a representative of the State
- C. Contractor agrees to advise all employees of the availability of State publicly financed health care coverage programs by providing each employee with, at a minimum, the following web site link to additional information:  
<http://insurenemexico.state.nm.us/>.
- D. For “Indefinite Quantity, Indefinite Delivery” contracts (i.e., price agreements without specific limitations on quantity and providing for an indeterminate number of orders to be placed against it), Contractor agrees these requirements shall apply the first (1<sup>st</sup>) day of the second (2<sup>nd</sup>) month after Contractor reports combined sales (from State and, if applicable, from local public bodies) of \$250,000, \$500,000 or \$1,000,000, depending on the dollar value threshold in effect at that time

38. Employee Pay Equity Reporting

Contractor agrees if it has ten (10) or more New Mexico employees OR eight (8) or more employees in the same job classification, at any time during the term of the Contract, to complete and submit the PE10-249 form on the annual anniversary of the initial report submittal for contracts up to one (1) year in duration. If contractor has (250) or more employees contractor must complete and submit the PE250 form on the annual anniversary of the initial report submittal for contracts up to one (1) year in duration. For contracts that extend beyond one (1) calendar year, or are extended beyond one (1) calendar year, contractor also agrees to complete and submit the PE10-249 or PE250 form, whichever is applicable, within thirty (30) days of the annual contract anniversary date of the initial submittal date or, if more than 180 days has elapsed since submittal of the last report, at the completion of the contract, whichever comes first. Should contractor not meet the size

requirement for reporting at contract award but subsequently grows such that they meet or exceed the size requirement for reporting, contractor agrees to provide the required report within ninety (90 days) of meeting or exceeding the size requirement. That submittal date shall serve as the basis for submittals required thereafter. Contractor also agrees to levy this requirement on any subcontractor(s) performing more than 10% of the dollar value of the Contract if said subcontractor(s) meets, or grows to meet, the stated employee size thresholds during the term of the contract. Contractor further agrees that, should one or more subcontractor not meet the size requirement for reporting at contract award but subsequently grows such that they meet or exceed the size requirement for reporting, contractor will submit the required report, for each such subcontractor, within ninety (90 days) of that subcontractor meeting or exceeding the size requirement. Subsequent report submittals, on behalf of each such subcontractor, shall be due on the annual anniversary of the initial report submittal. Contractor shall submit the required form(s) to the State Purchasing Division of the General Services Department, and other departments as may be determined, on behalf of the applicable subcontractor(s) in accordance with the schedule contained in this paragraph. Contractor acknowledges that this subcontractor requirement applies even though contractor itself may not meet the size requirement for reporting and be required to report itself.

IN WITNESS WHEREOF, the parties to this Agreement have caused the same to be executed by their duly authorized officers.

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION  
OF NEW MEXICO

By: -----

Michael Shackelford

By: -----

Name: -----

Title: -----

Legal Counsel-----

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Certifying legal sufficiency of this Agreement

Exhibit A

Contractor's Reconciliation Policies and Procedures

## Exhibit B

### Parameters of Reporting of Securities-Settlement Activity and Account Analysis

Exhibit C

Accounting Services Rider

Exhibit D

Compensation Schedule

<b><u>COMPENSATION SCHEDULE</u></b>	
<b><u>Year</u></b>	<b><u>Flat Dollar Custody Fee*</u></b>
1 <sup>st</sup> Year	
2 <sup>nd</sup> Year	
3 <sup>rd</sup> Year	
4 <sup>th</sup> Year	
5 <sup>th</sup> Year	
6 <sup>th</sup> Year	
7 <sup>th</sup> Year	
8 <sup>th</sup> Year	
<p>*This Flat Dollar Custody Fee shall cover expenses relating to all services required under this Agreement, including but not limited to internal and out-of- pocket expenses (wire charges, courier services, telex, etc.), whether or not incurred in the ordinary course. The Flat Dollar Custody Fee does not include any offsets, including but not limited to those from securities lending income.</p>	

## Schedule I

[PERA's Investment Policies and Practices Rule (PERA Rule No. 2.80.300 NMAC)]

[The Public Employees Retirement Act can be read in its entirety at the following website:

<https://nmonesource.com/nmos/nmsa-unanno/en/item/18510/index.do#!fragment/zoupio-Toc123901311/BQCwhgziBcwMYgK4DsDWszIQewE4BUBTADwBdoAvbRABwEtsBaAfX2zgEYAmAZgE4ADBx4cOASgA0ybKUIQAiokK4AntADk6iREJhcCRcrWbtu-SADKeUgCE1AJQCiAGUcA1AIIA5AMKOJpGAARtCk7GJiQA>]

[PERA's Investment Policy (available at <https://www.nmpera.org/assets/uploads/home-banner/2022-PERA-Investment-Policy-Final.pdf>)]

**Rule 300: Investment Policies and Practices**

**TITLE 2 PUBLIC FINANCE**

**CHAPTER 80 PUBLIC EMPLOYEES RETIREMENT**

**PART 300 INVESTMENT POLICIES AND PRACTICES**

2.80.300.1 ISSUING AGENCY: Public Employees Retirement Association, P. O. Box 2123, Santa Fe, New Mexico 87504-2123  
[10-15-97; 2.80.300.1 NMAC – Rn, 2 NMAC 80.300.1, 12-28-00]

2.80.300.2 SCOPE: This rule applies to the Public Employees Retirement Board and its investment managers and brokerage firms.  
[10-15-97; 2.80.300.2 NMAC – Rn, 2 NMAC 80.300.2, 12-28-00]

2.80.300.3 STATUTORY AUTHORITY: This rule is authorized by NMSA 1978, Sections 10-11-130, 10-11-132, 10-11-133 and 10-11-133.1, as amended.  
[10-15-97; 2.80.300.3 NMAC – Rn, 2 NMAC 80.300.3, 12-28-00; A, 9-30-10]

2.80.300.4 DURATION: Permanent.  
[10-15-97; 2.80.300.4 NMAC – Rn, 2 NMAC 80.300.4, 12-28-00]

2.80.300.5 EFFECTIVE DATE: May 4, 1994 unless a different date is cited at the end of a Section.  
[10-15-97; 2.80.300.5 NMAC – Rn, 2 NMAC 80.300.5, 12-28-00]

2.80.300.6 OBJECTIVE: The objective of this rule is to set the Public Employees Retirement Board's investment policy for investments of funds under NMSA 1978, Sections 10-11-132 and 10-11-133, as amended.  
[10-15-97; 2.80.300.6 NMAC – A, 2 NMAC 80.300.6, 12-28-01; A, 8-15-01]

2.80.300.7 DEFINITIONS: [Reserved] [2.80.300.7  
NMAC – A, 2 NMAC 80.300.7, 12-28-00]

2.80.300.8-9 [Reserved]

2.80.300.10 INVESTMENT COMMITTEE: [Reserved]  
[2.80.300.10 NMAC – A, 2 NMAC 80.300.10, 12-28-00]

2.80.300.11-19[Reserved]

2.80.300.20 MANAGEMENT AND PHILOSOPHY: [Reserved]

[2.80.300.20 NMAC – A, 2 NMAC 80.300.20, 12-28-00]

2.80.300.21-29[Reserved]

2.80.300.30 BEST EXECUTION AND BEST PRICE

A. Statement of policy: The New Mexico public employees retirement board adopts the following statement as its policy with respect to securities transactions of the PERA investment funds.

(1) The board serves as trustee of the retirement funds created under the Public Employees Retirement Act, NMSA 1978, Section 10-11-1 et seq.; the Judicial Retirement Act, NMSA 1978, Section 10-12B-1 et seq.; the Magistrate Retirement Act, NMSA 1978, Section 10-12C-1 et seq.; and the Volunteer Firefighters Retirement Act, NMSA 1978, Section 10-11A-1 et seq.

(2) As trustee of these funds, the board has a fiduciary responsibility to invest these funds solely in the interest of the members, retirees, and beneficiaries and exclusively to provide benefits to the members, retirees, and beneficiaries and to pay reasonable administrative costs. The board also has a fiduciary obligation to give primacy to the preservation of trust funds and to insure the procurement of a reasonable income while avoiding undue investment risks.

(3) The board has delegated the investment of the funds under its jurisdiction to external investment managers.

(4) ) By contractual agreement, the board has delegated to its investment managers full discretion with regard to securities transactions so long as they conform to New Mexico state statutes, the PERA investment policy and the specific PERA investment objectives and guidelines for each particular investment portfolio.

(5) Both by contract and by virtue of common law trust principles, the investment managers serve as fiduciaries to PERA and must at all times act in a fiduciary capacity to PERA and the investment accounts assigned to them.

(6) As fiduciaries of the funds, both the board and its investment managers are obligated to require that all securities transactions be made on the basis of best execution under the circumstances at the lowest available price.

(7) The board's policy is that all securities transactions shall be executed on the basis of best execution under the circumstances at the lowest available price and that all investment decisions shall be made solely for the benefit of the members, retirees and their beneficiaries.

B. [Reserved]

[10-15-97; 2.80.300.30 NMAC – RN & A, 2 NMAC 80.300.30, 12-28-00; A, 8-15-01, A, 9-30-10]

**HISTORY of 2.80.300 NMAC:**

**Pre-NMAC History:** The material in this Part was derived from the previously filed with the State Records Center & Archives under: Rule 300.00, Investment Policies and Practices, filed on 10-4-79; PERA Rule 300.00, Investment Policies and Practices, filed on 11-19-81; PERA Rule 300, Investment Policies and Practices, filed on 7-1-91; PERA Rule 300, Investment Policies and Practices, filed on 5-4-94.

## **Uniform Prudent Investor Act (UPIA)**

### **§ 45-7-601. Short title**

Sections 45-7-601 through 45-7-612 NMSA 1978 may be cited as the “Uniform Prudent Investor Act”.

### **§ 45-7-602. Prudent investor rule**

- A. Except as otherwise provided in Subsection B of this section, a trustee who invests and manages trust assets owes a duty to the beneficiaries of the trust to comply with the prudent investor rule set forth in the Uniform Prudent Investor Act [45-7-601 NMSA 1978].
- B. The prudent investor rule, a default rule, may be expanded, restricted, eliminated or otherwise altered by the provisions of a trust. A trustee is not liable to a beneficiary to the extent that the trustee acted in reasonable reliance on the provisions of the trust.

### **§ 45-7-603. Standard of care; portfolio strategy; risk and return objectives**

- A. A trustee shall invest and manage trust assets as a prudent investor would, by considering the purposes, terms, distribution requirements and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill and caution.
- B. A trustee’s investment and management decisions respecting individual assets must be evaluated not in isolation but in the context of the trust portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the trust.
- C. Among circumstances that a trustee shall consider in investing and managing trust assets are such of the following as are relevant to the trust or its beneficiaries:
- (1) general economic conditions;
  - (2) the possible effect of inflation or deflation;
  - (3) the expected tax consequences of investment decisions or strategies;
  - (4) the role that each investment or course of action plays within the overall trust portfolio, which may include financial assets, interest in closely held enterprises, tangible and intangible personal property and real property;
  - (5) the expected total return from income and the appreciation of capital;
  - (6) other resources of the beneficiaries;
  - (7) needs for liquidity, regularity of income and preservation or appreciation of capital; and
  - (8) an asset’s special relationship or special value, if any, to the purposes of the trust or to one or more of the beneficiaries.
- D. A trustee shall make a reasonable effort to verify facts relevant to the investment and management of trust assets.
- E. A trustee may invest in any kind of property or type of investment consistent with the standards of the Uniform Prudent Investor Act [45-7-601 NMSA 1978].

F. A trustee who has special skills or expertise, or is named trustee in reliance upon the trustee's representation that the trustee has special skills or expertise, has a duty to use those special skills or expertise.

#### **§ 45-7-604. Diversification**

A trustee shall diversify the investments of the trust unless the trustee reasonably determines that, because of special circumstances, the purposes of the trust are better served without diversifying.

#### **§ 45-7-605. Duties at inception of trusteeship**

Within a reasonable time after accepting a trusteeship or receiving trust assets, a trustee shall review the trust assets and make and implement decisions concerning the retention and disposition of assets, in order to bring the trust portfolio into compliance with the purposes, terms, distribution requirements and other circumstances of the trust, and with the requirements of the Uniform Prudent Investor Act [45-7-601 NMSA 1978].

#### **§ 45-7-606. Loyalty**

A trustee shall invest and manage the trust assets solely in the interest of the beneficiaries.

#### **§ 45-7-607. Impartiality**

If a trust has two or more beneficiaries, the trustee shall act impartially in investing and managing the trust assets, taking into account any differing interests of the beneficiaries.

#### **§ 45-7-608. Investment costs**

In investing and managing trust assets, a trustee may only incur costs that are appropriate and reasonable in relation to the assets, the purposes of the trust and the skills of the trustee.

#### **§ 45-7-609. Reviewing compliance**

Compliance with the prudent investor rule is determined in light of the facts and circumstances existing at the time of a trustee's decision or action and not by hindsight.

#### **§ 45-7-610. Delegation of investment and management functions**

A. A trustee may delegate investment and management functions that a prudent trustee of comparable skills could properly delegate under the circumstances. The trustee shall exercise reasonable care, skill and caution in:

- (1) selecting an agent;
- (2) establishing the scope and terms of the delegation, consistent with the purposes and terms of the trust; and
- (3) periodically reviewing the agent's actions in order to monitor the agent's performance and compliance with the terms of the delegation.

B. In performing a delegated function, an agent owes a duty to the trust to exercise reasonable care to comply with the terms of the delegation.

C. A trustee who complies with the requirements of Subsection A of this section is not liable to the beneficiaries or

to the trust for the decisions or actions of the agent to whom the function was delegated.

D. By accepting the delegation of a trust function from the trustee of a trust that is subject to the law of this state, an agent submits to the jurisdiction of the courts of this state.

#### **§ 45-7-611. Language invoking standard**

The following terms or comparable language in the provisions of a trust, unless otherwise limited or modified, authorizes any investment or strategy permitted under the Uniform Prudent Investor Act [45-7-601 NMSA 1978]: “investments permissible by law for investment of trust funds”, “legal investments”, “authorized investments”, “using the judgment and care under the circumstances then prevailing that persons of prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety of their capital”, “prudent man rule”, “prudent trustee rule”, “prudent person rule” and “prudent investor rule”.

#### **§ 45-7-612. Application to existing trusts**

The Uniform Prudent Investor Act [45-7-601 NMSA 1978] applies to trusts existing on and created after its effective date. As applied to trusts existing on its effective date, the Uniform Prudent Investor Act governs only decisions or actions occurring after that date.

Current with legislation through the 2022 regular session and special session.

**NMSA 1978, Section 10-11-1 et seq.**

New Mexico State Statutes Chapter 10, Articles 11 through 14 are known as the Public Employees Retirement Act. The current version can be read in its entirety at the following website:

<https://nmonesource.com/nmos/nmsa-unanno/en/item/18510/index.do#!fragment/zoupio-Toc123901311/BQCwhgziBcwMYgK4DsDWszIQewE4BUBTADwBdoAvbRABwEtsBaAfX2zgEYAmAZgE4ADBx4cOASgA0ybKUIQAIokK4AntADk6iREJhcCRcrWbtu-SADKeUgCE1AJQCiAGUcA1AIIA5AMKOJpGAARtCk7GJiQA>