

**FRANKLIN REGIONAL RETIREMENT BOARD
REQUEST FOR PROPOSAL**

CUSTODIAL/MASTER TRUST SERVICES

I. INTRODUCTION

The Franklin Regional Retirement Board (“FRRB”) is considering the procurement of a qualified bank or financial institution to provide institutional custodial/master trust services. The Franklin Regional Retirement System (“FRRS”) is valued at approximately \$145 million and is currently comprised of **four (4) Active Managers (1 Small Cap, 1 Mid Cap and 2 Large Cap), PRIT Fund, and three (3) pooled funds. Custodial services are being sought for the four active managers only at this time.**

Candidates must have familiarity with and agree to comply (in writing) with Massachusetts General Law Chapter 32 and Chapter 176 of the Acts of 2011 and must also agree to comply with all reporting and investment guidelines administered by Massachusetts Public Employees Retirement Administration Commission (PERAC). The Board reserves the right to reject any and all proposals at its discretion.

Please direct questions pertaining to the Request for Proposal to Dale Kowacki, Executive Director via email only address: **FRRS.RFP2018@gmail.com** and include “Custodial RFP” in the subject line.

II. SCOPE OF SERVICES

Proposers should be advised that the contract shall be canceled if funds are not appropriated or otherwise made available to support continuation of performance in any fiscal year succeeding the first year. Should the respondent ultimately be selected under the requirements of M.G.L. Ch. 32, the contract must state that the contractual commitment will be for not more than seven (7) years.

The proposer should provide detail regarding the ability to provide monthly reporting using an Excel file and PDF files in the reporting format required by the Massachusetts Public Employee Retirement Administration Commission (PERAC) annual report; reports should be capable of upload to the FRR System’s Microsoft Access reconciliation program. (See attachment for Schedules 4A, 4B, and 4C.)

III. SUBMISSION OF PROPOSALS

1. Proposals for Services and Proposals for Pricing must be separately submitted and sealed. Each envelope must include the “Respondent Firm Name – **Franklin Regional Retirement Board** Proposal for Services Custody” and “Respondent Firm Name – **Franklin Regional Retirement Board** Proposal for Pricing Custody”.
2. Please mail one (1) original copy of the Service and Price Proposal and also email a copy with all attachments with the email subject “Custodial RFP – Respondent Firm Name” to the following:

**Dale Kowacki, Executive Director
Franklin Regional Retirement System
278 Main Street, Suite 311
Greenfield, MA 01301
(413) 773-4837, x4
Email: FRRS.RFP2018@gmail.com**

3. Proposals shall be signed by an official with power to bind the proposers, and it shall contain a statement that the proposal is firm through **12/31/2018**.

4. Proposal must be received at the **Franklin Regional Retirement Board** prior to **4:00 pm** on **August 16, 2018**. Proposals will not be accepted after the closing date and time.

Proposers may correct, modify or withdraw their proposals prior to the submission deadline only. Requests to withdraw proposals must be in writing.

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

IV. ACCEPTANCE AND AWARD

The Board may elect to schedule an interview process with respondents based upon the proposals' relative merits and relative prices. The Board reserves the right to reject any or all proposals at its sole discretion whether prior to or after the interview. The Board shall also have sole discretion in deciding which respondents will be considered/interviewed in compliance with M.G.L. Ch. 32.

The respondents are hereby advised that any proposal selected shall be subject to the Board's approval and approval of a written contract. Failure of the parties to agree on mutually acceptable contract language will void the award of the proposed engagement to the selected candidate. The Board shall have sole discretion in determining whether the parties are unable to reach agreement on the language of the written contract. The Board may require that the contract contain mandatory contractual terms and language.

The contract, at a minimum, must contain terms and conditions that:

- A. Incorporate by reference the selected respondent's proposal;
- B. Specify that the contract shall be for not more than a seven-year term. The contract may be terminated earlier by the Board upon thirty (30) days written notice and by the respondent upon ninety (90) days written notice. The respondent may exercise such termination right only for reasonable cause related to its continued ability to effectively provide services, such as, but not limited to, insolvency, sale of the business, or substantial turnover of key personnel;
- C. Prohibit the assignment of any interest to the contract;
- D. Acknowledge that the custodian is a fiduciary with respect to the assets held;
- E. Provide that the respondent shall act solely in the interests of plan participants and beneficiaries;
- F. Provide that the respondent shall at all times act in accordance with applicable state and federal laws; and
- G. Provide that the contract shall be canceled if funds are not appropriated or otherwise made available to support continuation of performance in any fiscal year succeeding the first year.
- H. Provide all of the required PERAC reporting requirements;
- I. That the Custodian has complied with the provisions of M.G.L. Ch. 32 in the Request for Proposal process.

V. DOCUMENTS TO BE SUBMITTED

The respondent must submit the following documents, which are available through the PERAC website <http://www.mass.gov/perac/forms-pubs/compliance-and-investment-gen.html>:

- New Vendor Contact Information – Form C-2281
- New Vendor Disclosures – Form C-0576
- Vendor Certification – Form C-8135

Additionally, please include the following:

- Copy of custodial/master trust agreement;
- Sample reports routinely provided;
- Documentation providing proof of insurance coverage levels;
- Completed custodial/master trust questionnaire.

VI. SEARCH EVALUATION CRITERIA

Assignment of rating:

“Highly advantageous” will be assigned based on:

- Level of experience and knowledge the firm has with respect to the Massachusetts public pension funds including all accounting and investment regulations & restrictions;
- Experience in dealing with public pension systems and agencies;
- High level of client satisfaction;
- A broad scope of products and services;
- The firm’s internal controls for monitoring and controlling the accuracy of portfolio information;
- Strength, stability, and longevity of firm;
- Information presented in a clear, concise and easy to follow format;
- Ability to provide monthly reporting electronically and in the reporting format required by the Massachusetts Public Employee Retirement Administration Commission (PERAC); reports should be capable of upload to the FRR System’s Microsoft Access reconciliation program.
- Custodial/master trust services team with significant years of experience as a working unit.

“Advantageous” will be assigned to responsive proposals addressing all items and meeting all criteria for each part of the proposal.

“Not advantageous” will be assigned for those proposals submitted by offerors who have:

- Minimal experience with Massachusetts public pension funds;
- Minimal experience with Chapter 32 and PERAC regulations;

“Unacceptable” will be assigned to those proposals whose services do not meet the criteria or those who fail to submit any documentation required by the “Request for Proposal”.

Proposals containing “optional” services will not be given a higher rating.

FEES

Proposing for Pricing must be submitted separately from Proposal for Services as stated previously. Please note that Massachusetts State Law requires payment in arrears.

1. Please include the following fee detail (indicate “no charge” if applicable) when submitting pricing information:
 - a) Asset Based Fee (Domestic & Global)
 - b) Cost per Trade (Domestic & Global)
 - c) Wire Fees
 - d) Portfolio Charges (including Managed Accounts)
 - e) Online access
 - f) PERAC Monthly Reporting and Year End Schedules
 - g) Performance and Analytics Fees
 - h) Other (please list in detail)

2. Indicate the duration of this fee structure (i.e., Length of contract).
3. Does the fee stated above include all services required to be performed as described in this Request for Proposal? If not, please list any miscellaneous fees not included.
4. Please describe your billing policy, including frequency.

Custodial/Master Trust Questionnaire

Please provide responses as of **June 30, 2018**, unless otherwise requested.

I. Organizational Background

1. Firm Identification
 - a. Name of Firm
 - b. Type of Firm
 - c. Headquarters Address
 - d. Address of Servicing Office
2. Contact Identification
 - a. Name
 - b. Title
 - c. Telephone Number
 - d. Email address
3. History and Structure
 - a. Year founded
 - b. Please describe your organizational structure
 - c. Number of owners and distribution of ownership
 - d. Relationship of owners to firm
 - e. Please describe the history of your firm (including any prior working experiences the founders and/or key personnel may have had together).
 - f. Please explain any previous changes to your organizational structure and/or distribution of ownership.
 - g. Please describe any anticipated changes to your organizational structure and the reason(s) for those changes.
 - h. If your organization has multiple office locations, please describe the general role and functionality of those offices.
 - i. Please describe any major business affiliations and/or joint ventures that your organization participates in.
4. Indicate the number of personnel involved in the delivery of custodial/master trust services, divided into appropriate functional categories. Also, indicate the level of turnover of personnel over the last five years.
5. How long have you been providing custodial/master trust services? Describe the contractual arrangement under which you normally operate.
6. Please provide information regarding the financial strength of your institution.
7. Describe all the insurance coverage provided by your institution (include limits) for this account.

8. Has the firm, its parent organization, subsidiaries, affiliates or any key personnel been subject to any litigation or legal proceedings related to investment operations during the past five years? If yes, please explain.
9. Has the firm or any senior member of the firm been reported to or investigated by any regulatory authority within the past ten years? If yes, provide full, detailed explanation, including outcome, and a copy of regulatory body report.
10. Will your firm accept fiduciary responsibility for the assets committed to its discretion?
11. Please indicate the face amount of insurance that the firm carries with respect to:
 - a. Errors and omissions
 - b. Fiduciary liability
 - c. Fidelity bonding
 - d. All other relevant insurance coverage
12. Is your firm related by ownership or formal business agreement to any provider of brokerage, consulting and/or research services? If yes, please explain.
13. Are there any potential conflicts of interest that may be created by awarding the contract to your firm? If yes, please explain.
14. Are any arrangements maintained whereby your firm or any individual within the firm pays referral fees, finder's fees, soft dollars or other similar consideration or benefits to consultants, brokers or any other third party? If yes, please explain. Is your firm in compliance with CFA Institute Soft Dollar Standards?
15. Will anyone, outside of your firm, be paid a finder's fee, bonus or any fee or compensation if your firm is retained by the Fund?
16. Discuss the hiring practices and how your firm ensures and promote diversity in the workplace.
17. Is the firm minority or women owned? If yes, please state the percentage of women and/or minority owned.
18. Describe your organization's commitment to service quality and customer service.
19. Discuss the financial stability of your firm, including the organization's total assets and capital base. Provide information from your most recent S&P and Moody's ratings reports, as well as a copy of your latest annual report.

II. Account Staffing and Services

1. Please supply the following information for each individual named in response to any question in this section:
 - Name
 - Title
 - Role
 - Years with the firm
 - Years investment experience
 - Degrees and professional designations
2. Who would have overall responsibility for the account? Primary client contact? Backup assigned to this account?

3. Other than those named above, who else would work with this account?
4. Is someone available to attend board meetings when needed?
5. Who handles relationships with outside investment managers and brokers?
6. What is the average number of accounts handled by each administrator?
7. Please provide an organizational chart of the custodial department, showing the interaction between each area in the department and other areas of the bank/financial institution.

III. Breakdown of Assets and Accounts

1. Total tax-exempt assets in custody (\$ millions) and number of accounts:

		Total Assets (\$ Millions)	#Accounts
a.	12/31/17	_____	_____
b.	12/31/16	_____	_____
c.	12/31/15	_____	_____
d.	12/31/14	_____	_____
e.	12/31/13	_____	_____

2. Mean and Median tax-exempt account size (\$ millions) at **12/31/17**:

Mean _____ Median _____

3. Public fund assets in custody (\$ million) and number of accounts as of **12/31/2017**:

		Total Assets (\$ Millions)	#Accounts
a.	Massachusetts funds	_____	_____
b.	Other public funds	_____	_____

4. Mean and Median public fund account size (\$ millions) at **12/31/2017**:

Mean _____ Median _____

5. What year did your institution begin providing master custodial services to Massachusetts Public Retirement Systems?

6. How many tax-exempt account relationships have you gained over the last five years (as of **12/31/2017**)?

		Total Assets (\$ Millions)	#Accounts
a.	Public Funds:	_____	_____
b.	Massachusetts Public Funds:	_____	_____
c.	Corporations:	_____	_____
d.	Taft-Hartley organizations:	_____	_____
e.	Non-profit organizations:	_____	_____
f.	Total:	_____	_____

7. How many tax-exempt account relationships have you lost over the last five years (as of **12/31/2017**)?

	Total Assets (\$ Millions)	#Accounts
	_____	_____

- a. Public Funds: _____
- b. Massachusetts Public Funds: _____
- c. Corporations: _____
- d. Taft-Hartley organizations: _____
- e. Non-profit organizations: _____
- f. Total: _____

IV. Cash Management

1. Please describe your policies and procedures for:
 - a. Collecting and crediting dividend and interest income; and
 - b. Debiting and crediting accounts for security transactions.
2. When is income available for investment?
 - a. DTC
 - b. U.S. Government and Agencies
 - c. Mortgage-backed Securities
 - d. Other
3. Describe your policies and procedures for sweeping cash balances:
 - a. What is the timing of the sweep?
 - b. What is the maximum amount of cash left uninvested on any day?
4. What short-term vehicles are available for investment of cash balances? For each vehicle provide:
 - a. A description of the types of securities purchased
 - b. Information regarding the investment advisors to the fund
 - c. Annual rates of return/yields for each of the last five calendar years
 - d. Any management or administrative charges applied to the account
5. For actual settlements, what provisions can be made to keep funds invested if our purchase settlements are delayed by the broker delivering securities.
6. Please describe your procedures for collecting past-due income.
7. Do you provide compensation to your clients when credits to accounts are late or are made after the agreed date? If so, at what rate?

V. Fail Float Protection

1. How do you minimize the number of failed security transactions? How are investment managers advised of fails? How often do fails typically occur on purchases and sales?
2. Describe your procedures for debiting and crediting accounts in the case of failed security transactions and your policies with regard to earnings on fail float.

VI. Accounting and Reporting

1. Describe your reporting system.

2. Describe your standard reporting package and the data provided therein. Indicate the frequency with which each report is generated and the number of business days following the end of a reporting period upon which it is distributed. (Please provide us with sample copies of these reports.)
3. Are your reports on a trade date, settlement date, or cash basis? Are all versions available?
4. Do asset valuations and transaction statements reflect accrued income and pending transactions?
5. How are interest and principal paydowns credited on mortgage pass-thru securities?
6. What optional reports are available with or without added fees?
7. How are special requests handled?
8. Describe your ability to customize reports.
9. Describe any unique features of your reporting system.
10. Do you have the ability to generate reports that reflect PERAC accounting? What is your experience with PERAC reporting? Please provide copies of any and all reports.

VII. Performance Measurement

1. Describe your performance group and provide an overview of your performance, risk and analytical capabilities.
2. Describe your performance measurement system, including whether it was purchased or developed internally, and its integration with your accounting system.
3. Can you please describe the methodology used to calculate performance for each asset class? Do you offer the ability to calculate performance for each asset class using both time-weighted and dollar-weighted calculation methodologies? Also, please discuss how your performance calculation system accounts for cash flows, both large and small.
4. Please describe your process for reconciliation, including accounts custodied in-house as well as for investment manager accounts custodied elsewhere for which monthly performance and account values will be provided by the investment manager.
5. How do the performance analysts interact with the accounting analysts? In the event of an accounting error or the need for an accounting correction, please explain the process and how both analysts would work through the process together.
6. Can your system accommodate alternative asset classes such as limited partnerships? Describe the treatment of distributions, capital calls and fees.
7. Can performance be reported net of fees and/or gross of fees?
8. How frequently (quarterly/monthly) are performance calculations prepared and how soon after the end of the period are they available?
9. Do you provide attribution reports? If so, please discuss how attribution is calculated and what attribution reports are available (total fund, asset class level, etc.).

10. Do you offer universe comparisons? If so, comment on your capabilities and construction approach. Are you able to offer universe comparison at the total fund, asset class and manager level? Does your universe data consist solely of custody clients?
11. Can clients access performance measurement and analytics through your online system? If not, is there a planned release date for this capability?
12. What market data is available to clients? Are you able to construct custom benchmarks? Do you provide information on benchmark characteristics?
13. Briefly describe your compliance-monitoring product. Are there different levels of service available to clients?
14. Provide a brief overview of your investment risk services capabilities.

VIII. Procedures and Controls

1. What kind of internal audit procedures are in place to assure that all reported data is accurate? (Please include procedures for the following items.)
 - a. Disbursements
 - b. Asset detail and transaction
 - c. Commission rates
 - d. Interest received
 - e. Accrued income
 - f. Amortization
2. By whom and how frequently are statements audited prior to sending to the client?
3. What types and how frequent are audits conducted by outside firms?
4. What systems do you use for pricing securities? What is the frequency with which you price securities? (Please list pricing sources and their record of timeliness.)
5. Describe your procedures for notifying investment managers of transactions and cash balances available for investment.
6. How do you report on illiquid investments (ie. real estate, private equity)?
7. Describe any procedures established to assure quality of products and services.
8. How do you monitor client satisfaction?

IX. Technical Resources

1. Describe your computer system's hardware and software capabilities. Are your systems developed in-house or purchased from outside vendors? (Please be as concise as possible).
2. How long has the current system been in place?
3. What depth of support staff is available for data processing, programming and supporting the Custodial arrangements?
4. Do you have a dedicated computer system or do you share with other departments?

5. Please define the systems support available to your custodial services for back-up and recovery capabilities, security and emergency arrangements, downtime experience, and audits.
6. Are there any substantial systems changes or innovations being contemplated at this time? Why?
7. What is the dollar amount that has been invested by your company on improvements and upgrades towards your computer systems over the past three years? What is the approximate budgeted dollar amount committed towards system upgrades over the next three years?
8. Describe any on-line capabilities that you can provide to the Board and their advisors. Can reports be downloaded and printed from a local printer? Which portfolio accounting systems can your custody system download to?
9. Is your system batch-oriented or real-time “on-line”? If batch-oriented, please state frequency.

X. Custody and Securities Delivery

1. Describe your policies and procedures for registration and custody of assets.
2. Describe your procedures for securities settlement and clearance. Include an in-depth explanation of all relationships with depositories and your participation in their services and processes.
3. Describe your safekeeping facilities.
4. Can you affect delivery or settlement of all types of securities transactions?
5. Do you provide delivery of securities to brokers or other parties?
6. If securities are lost or damaged, do you obtain replacement securities?

XI. References

Please supply the Full Name of Contact, Title, Organization and Telephone Number of each individual named in response to the questions in this section:

1. Please provide five institutional client references (Massachusetts public funds if available).
2. Please provide information (reason for departure) for all institutional clients lost during the last three years.
3. Please list any tax-exempt accounts managed for Massachusetts municipal/governmental entities that the firm has lost.

XII. Other

1. Describe your procedures in place for the transition of assets from the present custodian.
2. What systems do you have in place for internal transition in the event of a change in investment managers? Please include the availability of the following resources in your response:
 - a. Any broker/dealer affiliations
 - b. Security crossing networks in place
 - c. Temporary investment management/Indexing products
3. Explain your procedures relative to proxy voting, class action issues, and corporate actions.

4. Explain briefly any area of expertise that sets you apart from other custodial service providers.

SCHEDULE 4A - Equities owned at the end of the month

TRUST ACCOUNT	SECURITY NAME	CUSIP	TICKER	SHARES	SHARE PRICE	MARKET VALUE PRIOR YEAR	BUY/SELL BOOK VALE	CURRENT MARKET VALUE	UNREALIZED GAIN	UNREALIZED LOSS	DIVIDENDS RECEIVED
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SCHEDULE 4B - Equities purchased during the year

SECURITY NAME	CUSIP	TICKER	SHARES	DATE ACQUIRED	SEQUENCE NBR	TRUST ACCOUNT	MANAGER	COMMISSION	COST BASIS
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SCHEDULE 4C - Equities sold during the year

SECURITY NAME	CUSIP	TICKER	SHARES	TRUST ACCOUNT	MANAGER	DATE SOLD	SEQUENCE NBR	COMMISSION PAID	PROCEEDS FROM SALES	MARKET VALUE PRIOR YEAR/CURRENT COST	REALIZED GAIN	REALIZED LOSS	DIVIDENDS RECEIVED
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