

Dahab Associates, Inc.

Custodial Bank Request for Proposal - 2023

Dukes County Contributory Retirement System

Please note that the fee section of this RFP must be separated.

Introduction

The Dukes County Contributory Retirement System, located in Massachusetts, is conducting a search for a custodial bank under the guidance of their investment consultant, David Lee, CFA. The fund has approximately \$215 million in assets. These assets are distributed across 3 separate accounts and 5 commingled funds. A more detailed snapshot of the portfolio is provided in the fees section of this RFP (toward the end of this document). Respondents need to be familiar with Massachusetts public funds and must be able to produce required PERAC reports. All proposals will be evaluated by the investment consultant and recommendations will be made to the client. The final decision will be made by the Trustees.

Timetable

Date proposals are due: May 26, 2023 @ 12:00pm EST

Formats Required:

Email: to both dan@dahab.com AND kelly@dukesretirement.com

Subject line: RFP: Dukes-CUST-'Firm Name'

Fee Section: A separate Word document named “(Firm name) fees.doc”

Additional Information

Any addenda or corrections to this RFP will be posted at <http://www.dahab.com/searches/>

While Dahab Associates does not usually make submissions public on a proactive basis, our clients retain the right to use and/or make publicly available any and all submissions, for searches done on their behalf, as they see fit or as required by law or regulation. Such rights are retained by our clients and by Dahab Associates irrespective of requests for confidentiality from submitting firms.

The client and Dahab Associates reserve the right to accept or reject any proposals, or any parts thereof, and to waive any formalities in the proposal, constrained by any applicable laws and guidelines, if it is deemed in our client's best interests to do so.

Contract Terms

All contracts must include all mandatory terms and conditions applicable to the procurement, specifically those set forth in Massachusetts General Law Chapter 32 Section 23B(k)(1)(a) thru (e), which depending on whether it is a separate contract or a commingled fund, will need to be in a side letter. Subsections (c), (d) and (e) may simply reference the forms previously filed with PERAC.

(k) (1) In the event of a competitive process to select an investment service provider the request for proposals shall include mandatory contractual terms and conditions to be incorporated into the contract including provisions:

- (a) stating that the contractor is a fiduciary with respect to the funds which the contractor invests on behalf of the retirement board;
- (b) stating that the contractor shall not be indemnified by the retirement board;
- (c) requiring the contractor to annually inform the commission and the board of any arrangements in oral or in writing, for compensation or other benefit received or expected to be received by the contractor or a related person from others in connection with the contractors services to the retirement board or any other client;
- (d) requiring the contractor to annually disclose to the commission and the retirement board compensation, in whatever form, paid or expected to be paid, directly or indirectly, by the contractor or a related person to others in relation to the contractors services to the retirement board or any other client; and
- (e) requiring the contractor to annually disclose to the commission and the retirement board in writing any conflict of interest the contractor may have that could reasonably be expected to impair the contractor's ability to render unbiased and objective services to the retirement board. Other mandatory contractual terms and conditions shall address investment objectives, brokerage practices, proxy voting and tender offer exercise procedures, terms of employment and termination provisions.

All contracts shall be for not more than 5 years, including any renewal period. The board reserves the right to limit the term of years to fewer than 5 in its sole discretion.

Additionally, MGL Chapter 32 Section 23B (k)(3) states:

A person submitting a proposal for the procurement or disposal of services to a retirement board shall certify in writing on the proposal as follows:

The undersigned certifies under penalties of perjury that this proposal has been made and submitted in good faith and without collusion or fraud with any other person. As used in this certification, the word "person" shall mean a natural person, business, partnership, corporation, union, committee, club or other organization, entity or group of individuals.

(Signature of individual submitting bid or proposal)

(Name of business)

Evaluation Criteria

Criteria to be used in evaluating the proposals will include the following (where applicable):

1. The ability to perform custodial duties under the objectives established by the Board and in accordance with requirements and restrictions mandated by MGL c. 32, and the Public Employees Retirement Administration Commission.
2. The ability to analyze and monitor financial markets.
3. Acceptable risk characteristics.
4. Clear and demonstrable buy and sell disciplines, security selection processes, and execution procedures.
5. The ability to keep the execution and transaction costs down to competitive levels.
6. The financial strength and the stability of the organization.
7. The ability to achieve superior investment returns on an absolute and relative basis.
8. The ability to provide these services at competitive rates.
9. Familiarity with Massachusetts public funds.

PERAC Forms

Please submit the following documents with your electronic submission, which can be downloaded from the PERAC web site; the links are provided below. Firms that are invited to the Finals presentation will be required to bring the original form to the meeting.

Vendor Contact Information:

<https://www.mass.gov/doc/vendor-contact-information/download>

Vendor Certification:

<https://www.mass.gov/doc/vendor-certification/download>

Vendor Disclosures:

<https://www.mass.gov/doc/vendor-disclosures/download>

Placement Agent Statement for Investment Managers:

<https://www.mass.gov/doc/placement-agent-statement-for-investment-managers/download>

General Submission Guidelines

- Include a cover letter that binds the firm contractually. This letter must have the consent of an individual authorized to approve this document and must indicate the individual advising this. A digital signature is welcome, but not necessary.
 - The cover letter should be named “Cover Letter-[firm name]” in your choice of format, PDF or Word Document are both acceptable.
 - The letter should be brief and indicate the specific search for which the proposal is intended.
 - Any major changes within the last year or contemplated within the next year with respect to the firm, the ownership structure, or personnel should be explained in the letter.
 - State that the proposal is irrevocable for 120 days.
- Submit **email** proposals to both dan@dahab.com and kelly@dukesretirement.com, in accordance with the submission instructions outlined above.

Submission Checklist

- This RFP
- The cover letter
- PERAC Forms
- **Separate fee structure file**
- A copy of your organizational chart. Please include a chart that shows the full structure of the relevant team for this submission
- Sample monthly, quarterly and annual accounting reports
- Please do not attach an Annual Report, as they tend to be of large size

Summary Information

Firm Name	
Location of Headquarters (City, State)	
Parent Company (or 'Independent')	
Inception of Trust Business	
Total Institutional Trust Assets	
Number of Institutional Trust Clients	
Number of PERAC Clients	
Contact Name	
Contact Number	
Contact Email	

I. Overview of the Firm

1. Describe the history of your firm, with a focus on the development of the Trust/Custody Department.
2. How many years has your firm been in business?
3. How many years has your firm been in the Trust/Custody business?
4. What is the ownership structure of your organization?
5. Briefly describe the organizational structure of the Bank and of the Trust/Custody Department (Please provide an organizational chart). Provide a description of key employees (biographies, number of years in business, years within the bank).
6. Discuss the financial stability of your firm. Provide information from your most recent S&P and Moody's ratings & reports.
7. At the present time, for how many clients do you provide institutional trust services?
8. What is the total asset size of the institutional trust business?
9. What is the size of the largest account?
10. What is the size of the smallest account?
11. Complete the following matrix for total master trust/master custody assets and clients by type:

	# of Accounts	\$ Value
Tax Exempt Assets:		
ERISA		
Public		
Taft-Hartley		
Endowment		
Foundation		
Religious Order		
Other		
Total Tax-Exempt		
Taxable Assets:		
Personal Trusts		
Commingled		
Total Taxable		
Mutual Funds:		
Equity		
Fixed Income		
Money Market		
Total Mutual Funds		
Overall Total		

12. How many clients have you gained/lost in each of the past five years?

Gained	2018		2019		2020		2021		2022	
	#	\$	#	\$	#	\$	#	\$	#	\$
Public										
ERISA										
Taft-Hartley										
Endowment										
Foundation										
Religious Order										
Other										
Total										

Lost	2018		2019		2020		2021		2022	
	#	\$	#	\$	#	\$	#	\$	#	\$
Public										

ERISA										
Taft-Hartley										
Endowment										
Foundation										
Religious Order										
Other										
Total										

Please provide the reason behind any termination.

13. What are your plans for growth in the next three years, and in the next five years?
14. Please provide five references and their contact information.
15. Describe any litigation or investigation within the last five years that has had or currently has a direct impact on the Trust/Custody Department.
16. What were the key findings from the most recent SSAE 16 (SAS 70) review? Briefly list and describe the nature of all errors and/or weaknesses that were discovered as a result of an outside review of SSAE 16 (SAS 70). What steps have been taken to correct the errors or otherwise improve the controls?
17. How often do you provide updated SSAE 16 (SAS 70) reports?
18. What features set you apart from other custodians?
19. Is your firm associated with any other custodial banks (parent, subsidiary or partners)? Please describe those relationships.
20. Is your firm associated with any other financial institutions (whether parent or subsidiary)?

II. ADMINISTRATION & CLIENT SERVICES

1. Please give an overview of the client services that you provide to Trust/Custody clients.
2. List the locations (city, state) of all administrative operations and computer facilities that support your custody operations.
3. Where is the location of the toll-free call center?
4. Who will be the client’s primary contact and where are they located?

5. Will a dedicated team be assigned to this account? If so, please list all members of the team and briefly describe their responsibilities.
6. How many clients does a primary relationship manager typically service?
7. If a specific manager has been named for this account, how many clients do they currently work with?
8. Please attach biographies of the team members.
9. How many employees of the custodial group have you gained in each of the past five years and how many employees of the custodial group have you lost in each of the past five years? Please break this down by professional and operations personnel.
10. Provide the level of turnover (%) for the Trust Department as a whole for each of the past three years:

Year	Turnover (%)
2020	%
2021	%
2022	%
3 Year Average	%

11. Please describe any organizational changes in the planning stage or that have occurred within the past year.
12. How does your firm stay informed of current legislative and regulatory changes within the Trust/Custody field?
13. What type of training exists for your employees?
 - a. How are employees kept up to date on current trends within the trust/custody business?
 - b. Are employees cross-trained to ensure proper workflow?
14. Are training classes available for the clients? How are clients kept informed on current trends within the Trust/Custody field?
15. Describe the auditing procedures that are in place. Is the audit handled internally as well as externally? Who or what department is responsible for the implementation of changes recommended by the audit?
16. How many times a year do you meet with clients?

17. What are your retention policies and procedures for all records, tax materials, memos, correspondence and history?
18. Does your firm offer Third Party Administrator (TPA) capabilities, such as collecting data, calculating benefit payments and writing checks? If so, please describe services offered and any additional fees associated with those services.

III. Accounting/Reporting

1. Describe in detail the accounting system.
 - a. How many years has the system been in place?
 - b. Was it developed in-house or by an outside vendor? If an outside vendor was used please provide the name of the vendor and the number of years used.
 - c. What are the plans for future expansion over the next five years?
2. Does your system operate on a trade date, settlement date, or cash basis?
3. How do you handle corrections/reversals?
4. How does the system handle accruals?
5. How does the system handle paydowns? What source is used for paydown information?
6. How are futures and options taken into account?
7. Are broker costs/commissions broken down by each transaction or by each account?
8. What types of reports are provided to clients?
 - a. How soon after the close of the (month, Quarter, and Year) are complete sets of fully audited reports delivered to the client in hard copy?
 - b. When are these reports available on-line?
 - c. Will the client be able to export them to Excel?
9. What auditing procedures are in place to ensure the accuracy of the reports?
10. Describe any unique features that your reporting package includes as it relates to standard master trustee accounting reports. Describe your capabilities for consolidated reporting. Include consolidating individual portfolios, accounts, foreign and domestic, etc.
11. Do the standard reports provide both book and market value reconciliations?

12. How are broker commissions and trade executions monitored? Can you provide trading cost analysis and brokerage analysis?
13. Describe the system's ability to provide on-line access to fund accounting data for portfolio managers and administrators? Provide details of the information available via this access.
14. Will you be able to provide CAFR reporting information for investments at fiscal year-end, including the ability to sort by type, rating and maturity?

IV. Cash Management

1. Do you offer a STIF Fund?
 - a. If so, briefly describe the STIF Fund.
 - b. Do you offer a government-securities only STIF fund?
2. Is the STIF Fund managed in-house or by an outside vendor?
3. What is the typical type of investment used within the STIF Fund?
 - a. What is the average maturity and credit quality of these funds?
 - b. What has the performance been for the past one, three, and five years?
4. How much notification is required to make a withdrawal from the STIF Fund?
5. How are balances handled in the STIF Fund? Do you sweep the account automatically?
6. Do wire deadlines exist on the investments?
7. Can you accommodate a custom short-term fund to be managed specifically for the client by an outside manager?
8. How do you handle the investment of cash in trades that fail?
9. What rate do you pay on free U.S. cash balances left overnight with your institution?

V. Security Processing

1. Which major depository and clearinghouse facilities are you a member of?
2. How are interest and dividends handled?
3. What pricing services do you subscribe to for each investment class?

4. How are sales and deliveries handled? What steps are taken to ensure proper delivery?
5. Discuss the procedure for tracking failed trades and reporting failed trades to the client. How quickly are failed trades reported? Do you guarantee proceeds? In which markets?
6. Is an audit trail of transactions maintained?
7. How do you handle processing and voting of proxies?
8. What procedures exist to handle corporate actions?
9. What controls do you have to ensure that securities involved in corporate actions are valued correctly on the day of the action?
10. When and how is cash availability reported to the client? Is this process fully automated? Describe the full range of cash projection services you offer on-line.
11. What is your involvement in private and class action claims recovery/processing? Are additional fees charged for these services?

VI. Investment Manager Interactions

1. How many investment management organizations do you work with? What group within the bank is responsible for investment manager contracts?
2. Estimate the typical transaction volume for master trust/custody accounts.
3. Are investment managers provided on-line access to balances, market values and transactions?

VII. Systems

1. Briefly describe the systems:
 - What hardware and software packages are currently in use?
 - How long has the current system been in place?
 - Was the software developed in-house or externally?
2. What kind of training is available for the client?
3. What back-up and recovery systems are in place to guard against system emergencies or failures?

4. How much of the potential capacity available for master trust/custody is currently being utilized?
5. Does a dedicated data processing and programming staff support the master trust/custody department?
6. What has been the turnover of this staff in the past three years?
7. Provide a list of any major changes made to the system in the past two years.
8. What are the plans for expanding the system in the future?

VIII. On-line Capabilities

1. Are there on-line services available to clients? How long have they been offered?
2. How many clients are currently using on-line services?
3. What features and services are available on-line?
4. What type of training is available for client personnel on the on-line system?
5. Describe all the hardware and software required.
6. What is the real experience MTBF (mean time between failures) of your on-line system? If your communications gateway(s) fails, what alternative communication methods can the office use to access information?
7. How current is the on-line information?
 - a. What hours is this information available?
 - b. How frequently is the data updated?
 - c. How many months of data are available via the web-based platform?
 - d. How are clients advised that monthly audited data is available?
8. What current and historical information is available on the on-line system?
9. Describe the standard reports available.
10. What flexibility exists for reformatting reports?
11. Can you provide links to additional information that may be of interest to clients?

12. What enhancements or new features do you expect to make to your internet platform over the next year? Please rank priority of tasks.

IX. CONVERSION PROCESS

1. Please describe in detail the implementation and conversion process. Please include an estimated time-frame from inception to completion of the process.
2. What resources, procedures, and controls are recommended during the transition period?
3. Do you have a dedicated "Conversion Team"? If so, please include names, titles, brief biographies and where they are located.
4. Provide a summary of the typical problems that might arise and the solutions to those problems.
5. Are you able and willing to backload historical data?
6. Will you reconcile the asset listing as it exists with the current custodian?
7. At what level is the client involved in the process?
8. How are transactions and claims handled that are already in process during the conversion process?
9. What type of training exists for the client during the implementation period?
10. Please describe what advantages your transition management services offer over the offerings of competitors.

X. Contract terms

1. Please provide as an attached document a sample contract for custodial services. This does not have to be customized to this search, rather it will serve as an overview of standard language and expectations.
2. Are you willing to negotiate final contract terms with the fund's counsel?
3. Please include in this space the standard indemnification clause from your contract.
4. Is the indemnification clause negotiable?

XI. FEES

- **Please note that the fee section must be separated from the RFP and sent in a separate file**
1. Please submit a copy of the current fee schedule, with ALL fees associated with the Trust/Custody program.
 2. Additionally, please provide an estimate in dollars, of the annual fee for this client based on this schedule and the assumptions below. Include an itemized list of all calculations involved in reaching this number.

<u>Asset Class</u>	<u>Account Type</u>	<u>Assets</u>
Large Cap Growth	Separate	\$28mm
Smid Cap	Separate	\$33mm
Core Fixed Income	Separate	\$20mm
Large Cap Value	Commingled	\$19mm
Diversified	Commingled	\$84mm
Int'l Equity	Commingled	\$10mm
Real Estate	Commingled	\$21mm
Private Equity	Commingled	\$1mm

Annual Transactions: 800

3. What are the fees for the cash management account?
4. How often are clients billed for services?
5. Are the fees guaranteed, and if so for how long?