

**LOUISIANA STATE POLICE RETIREMENT SYSTEM  
Request for Proposals**

**Safekeeping and Custodial Services**

**Date of Issue: February 17, 2016**

**Proposal Due Date: March 11, 2016 4:00PM CST**

# **SAFEKEEPING AND CUSTODIAL SERVICES REQUEST FOR PROPOSAL LOUISIANA STATE POLICE RETIREMENT SYSTEM**

## **I. INTRODUCTION**

The Louisiana State Police Retirement System (“LSRPS”) is interested in receiving proposals from qualified banks, trust companies and/or institutional custodians in connection with asset safekeeping and custody services for the Louisiana State Police Retirement System pension and retirement funds in accordance with Louisiana statutes and all applicable rules and regulations promulgated thereunder. The objective is to hire a custodian to provide the necessary safekeeping and custodial services to the Funds described below.

## **II. OVERVIEW OF THE LOUISIANA STATE POLICE RETIREMENT SYSTEM**

The LSPRS was first established in 1938 (Act No. 293) by the Louisiana Legislature. LSPRS is a qualified pension and retirement plan under Section 401(a) of the Internal Revenue Code created to provide retirement benefits for Louisiana state police officers and their beneficiaries. Currently, the LSPRS serves 1009 active members, 1305 retired/survivor members. With assets valued at \$654,844,987 (as of June 30, 2015), LSPRS’ primary goal is to safeguard and manage the funds it holds in trust so that future benefits are guaranteed and protected.

## **III. SCOPE OF SERVICES TO BE PROVIDED:**

The Board is attempting to identify a bank that has the ability to:

- A. Provide secure safekeeping services
- B. Settle securities transactions on time
- C. Collect trust fund income when due
- D. Provide accurate accounting services
- E. Prepare useful, relevant, and timely investment reports
- F. Provide necessary cash management services
- G. Provide necessary administrative support
- H. Lend securities profitably and safely
- I. Provide all required services within reasonable fee levels
- J. Provide accurate fiscal year-end (June 30<sup>th</sup>) financial statements by July 31st

## **IV. MINIMUM QUALIFICATIONS OF PROPOSER:**

At the time of submission of the proposal, the Proposer must certify that it can perform all tasks and activities associated with the requirements of this Request for Proposal and attachments. The following minimum criteria must be met and maintained throughout the term of the contract:

- A. Currently have a minimum of \$200 million in assets of the proposer’s financial institution.
- B. Currently have a minimum of \$1 billion in assets under custody in the proposer’s trust and/or safekeeping departments.

- C. Currently be a state bank organized under the laws of Louisiana or a national bank registered to conduct business in the State of Louisiana.
- D. Currently be a member of, or have access to, the Federal Reserve System with full wire transfer capabilities to send requests to the United States Government, receive funds, transfer funds to other banks as directed by the State Treasurer's Office, and process the receipt, transfer and payment of book entry securities and to verify and remit funds immediately.
- E. Currently be a member of, or have access to, the Depository Trust & Clearing Corporation to provide clearance, settlement and information services for equities, corporate and municipal bonds, government and mortgage-backed securities, and money market instruments. In conjunction with the receipt, transfer and payment of book entry securities, the Proposer must have the capability to verify and remit funds immediately.
- F. Have the capability to immediately verify and remit funds involving securities purchased under agreements to resell in conjunction with the receipt and transfer of book entry securities.
- G. Currently have FDIC capital adequacy requirements.
- H. Currently have Fidelity and Indemnity Insurance coverage for all branches, facilities and offices.
- I. The Proposer must have been in operation for a minimum of five (5) years prior to the deadline to receive proposals.
- J. Demonstrate familiarity and experience in dealing with GASB and FASB reporting requirements through reporting capabilities.
- K. Currently provide safekeeping and custodial services to public fund clients with at least \$1 billion in aggregate assets.
- L. Currently provide safekeeping and custodial services to at least one (1) client with \$500 million in assets.
- M. Demonstrate the ability to maintain a data processing interface with the Louisiana State Police Retirement System and its consultants by tape, diskette, on-line capability and other acceptable electronic data means.
- N. Demonstrate the ability to provide electronic access to the Funds on a daily basis preferably through a connection to one or more of the LSPRS personal computers. Proposer should describe its capability to provide this service.

## **V. INFORMATION TO BE PROVIDED BY PROPOSER**

### A. Cover Letter

A cover letter, which will be considered an integral part of the proposal package, shall be signed by the individual(s) who is (are) authorized to bind the institution contractually. This cover letter must indicate the signer is so authorized, and must indicate the title or position the signatory holds in the proposing firm. **An unsigned proposal shall be rejected.**

The letter shall also contain the following:

1. The institution's name, address, telephone number, fax number and e-mail address.

2. A statement to the effect that the proposal is a firm and irrevocable offer good for 180 days.
3. A statement to the effect that the proposer meets the minimum requirements as stated in Section IV.
4. A statement expressing the institution's willingness and ability to perform the services as described in this Request for Proposals.
5. The proposed account relationship officer's name, title, telephone number, fax number and e-mail address.

#### B. Proposal Questionnaire

Proposers must complete and return the Proposal Questionnaire contained in Section XI. The information requested must be provided in the prescribed format. Responses which, in the opinion of the LSPRS, materially deviate from the prescribed format may be rejected. All responses to the questionnaire will be subject to verification for accuracy. Proposals containing false or misleading information shall be rejected and automatically disqualified. Failure to provide complete information may, in the sole discretion of the LSPRS, result in the rejection of the proposal.

Information and materials that are promotional in nature should not be used. The LSPRS reserves the right to request clarification and modification of any proposal prior to awarding the contract. Any proposer retains the right to withdraw their proposal at any time prior to the contract being awarded.

### **IX. SUBMISSION OF PROPOSALS**

A. The Proposer shall submit five (5) hard copies of the proposal and one electronic copy, delivered via email. Timely and proper delivery is the responsibility of the proposer. Failure to meet the proposal submission deadline shall result in rejection of the proposal.

Proposals should be sent to:

Kimberly Gann, Assistant Director  
Louisiana State Police Retirement System  
9224 Jefferson Highway  
Baton Rouge, LA 70809  
kgann@lsprs.org

The LSPRS is not responsible for any delay or failure to deliver caused by the proposer's chosen means of delivery. Proposals submitted in response to this solicitation are irrevocable for 180 days following the proposal submission deadline date.

All inquiries as to the RFP process must be in writing and submitted via email to Kimberly Gann no later than February 26, 2016. All questions and answers will be made available to participating respondents.

The LSPRS reserves the right to reject all proposals received in response to this Request for Proposals if that action is deemed to be in the best interest of the Fund. The cost related to the preparation, submission and presentation of a proposal shall be borne entirely by the proposer. It is the sole responsibility of the proposer to inquire into and clarify any item of this Request for Proposals that is not understood.

**XI. SELECTION OF FINALISTS**

After evaluation, Finalists may be invited to make oral and/or technology presentations to the evaluation team. The LSPRS reserves the right to enter into a contract without further discussion of the proposal submitted based on the initial offers received. If needed, oral presentations will be scheduled for May 11, 2016 at the offices of the LSPRS in Baton Rouge, Louisiana.

**XII. PROPOSAL QUESTIONNAIRE**

**A. FIRM BACKGROUND AND GENERAL INFORMATION**

1. Provide your institution’s name and business address. Provide a description of how your institution is organized and how your resources will be utilized to accomplish the services requested, including a statement of how the services required would be performed. Provide the last three (3) annual audited financial statements and the most recent available call report of your financial institution. Provide for the same periods, except for the call report, the 10K reports (for holding companies).
2. In what year did you initiate your Trust/Custody Service? Describe its history.
3. Please outline the distribution of your Trust/Custody clients as follows:

	2015	2014	2013	2012	2011
Total # of custodial clients					
# of custodial clients added					
# of custodial clients lost					
# of custodial clients > \$100 million					
# of custodial clients < \$100 million					
Total custodial assets (in millions)					
Total # of public fund custodial clients					

	2015	2014	2013	2012	2011
Total public fund custodial assets (in millions)					
Total # of custodial personnel					
Custodial personnel added					
Custodial personnel lost					

4. What is your average client size in terms of assets? List your three (3) largest accounts by assets.
5. Detail the growth of Trust/Custody relationships during each of the past five years in terms of clients and asset values. Have any clients terminated their custody relationship in the last five years? If so, who and why? Provide a contact person and telephone number for each.
6. What percentage of total bank revenues comes from Trust/Custody business?
7. What is the Bank's commitment to the Trustee/Custodian areas for the future? Give a brief description of your firm's business plan for these services (e.g., proposed spending and staffing).
8. What are the total expenditures you plan to devote toward the development of new and enhanced Trustee/Custodian systems over the next five years?
9. List those clients and contact information (name, title, company name, address and phone number) you are currently servicing which are most comparable to LSPRS in terms of size, total assets and services required.
10. Indicate the number and dollar amount of custodial relationships gained and lost annually for each of the last five years.

## **B. SERVICING**

1. Please identify the person or persons who would be responsible for our day-to-day relationship. Please provide a brief biography describing that person's background, experience with custodial accounts, and total account load. Please identify the team assigned to this relationship and provide their credentials and biographies as well.
2. What kind of backup support is available to your customer contact personnel?

3. What level of employee turnover in your custody services department have you experienced in the last 5 years?
4. Please provide a servicing plan for our account. Describe your firm's experience servicing Plans of the type and size of our Plan. Do you have dedicated divisions? Explain in detail.
5. Describe any ongoing educational programs, user conferences, publications or other means you have of keeping clients fully educated and providing a forum for new ideas and needs.
6. What is the training experience of your representatives? Please provide an organizational chart depicting Trust/Custody as part of the overall organization as well as within the functional area.
7. Please describe your approach to customer contact and service. Please describe your training program for Trust/Custody personnel.
8. What managerial policies do you have in place to ensure client satisfaction?
9. How is the performance of your custody service representatives judged?

### **C. ACCOUNTING & REPORTING AND SETTLEMENT PROCESSING**

1. Describe your accounting and reporting system, including the name of your provider.
2. Describe what format is used to report data (i.e., trade date, settlement date). Can the clients and consultant receive multiple formats? Are accruals provided?
3. What reports are provided as part of your standard Trust/Custody package? How frequently are they produced and how quickly are they distributed? Please list and describe each report separately along with the date mailed to the client. Are cusips provided for all securities on all reports? How are cusips provided? Explain any electronic means in detail.
4. How many business days after month-end are custody statements available online?
5. Can you provide an annual report of all sales and purchases classified by asset class and security type? What optional reports are available with/without an extra fee? Please list and provide summary examples.
6. Are reports checked manually before they are mailed to the client? If so, explain how; if not, explain why not.
7. With regard to CMOs and other mortgage-backed securities, are factors provided on the monthly reports? How are redemptions and pay-downs handled in terms of principal and gains/losses?

8. What securities pricing services are utilized for each asset category, and how are the prices verified? How often is pricing done for each asset class? How do you price non-publicly held securities?
9. What is your system of quality control to ensure reporting accuracy? Who provides your auditing services?
10. What is your policy toward automatic crediting of interest and dividends on payable dates? Please specify when funds are available in Fed Funds.
11. What steps do you take to insure proper delivery and credit to the account of purchases and sales?
12. Do you have a direct relationship with the Depository Trust & Clearing Corporation and the Federal Reserve Book Entry System? If not, who is your correspondent relationship through?
13. Is your system dedicated exclusively to Trust? Do you have unlimited access to this equipment? If time is shared or purchased, explain your priority ranking for access to the system. Please describe your back-up process and your Disaster Recovery Plan/Business Continuity Plan. How often is your back-up system and Disaster Recovery Plan/Business Continuity Plan tested?
14. Describe the hardware and software used in your Trust/Custody services. What expenditures are planned for each of the next 3 years? What enhancements have been made over the last 2 years? What enhancements are planned for the next 2 years?
15. Do you use a consistent and standardized method for pricing portfolio holdings?
16. What is your procedure to eliminate (or reimburse) fail float? Can you trace fail float earnings and report on the amount earned?
17. Describe your system for registration and custody of assets?
18. What percentage of purchase fails is experienced by your organization? Sell fails?
19. Do you have GASB reports as part of your standard reporting package? If not, can you provide GASB reports to us?
20. How do you handle the accounting and processing of the alternative investment classes (private investments, hedge funds, private equity, timber, etc.)? State your custodial experience related to the alternative investment asset class. How long after month end are statements generally available for alternative investments?
21. Are monthly or quarterly returns calculated/performance reports available as part of your trust/custody services? Is there a separate charge for these services?

## **D. CASH MANAGEMENT**

1. Is an in-house, short-term investment fund (STIF) maintained? Will you create a STIF fund for sole use of a client? Please provide return history, prospectuses, fees and a general description of each.
2. Will Trust/Custody clients ever be placed in a STIF account managed by an organization other than yours? If so, who manages the fund(s)? What are the circumstances that would lead to this situation?
3. What process do you use to ensure cash balances are invested? To what value are assets swept into a STIF account? What time of day is the cash sweep deadline?
4. Please provide in table format quarterly returns for the last five years for your STIF account, along with one-, three- and five-year annualized returns as of December 31, 2015. Also, provide a list of the account holdings as of December 31, 2015.
5. Is the STIF/money market fund registered with the SEC? If not, explain why. What is the current asset value of the fund?
6. Do you maintain separate STIF pools for securities lending collateral and “investment” cash? If not, detail the breakdown of securities lending collateral versus “investment” cash currently in the fund.
7. Have you infused capital into any short-term fund maintained by your organization? What is your policy on this issue?
8. Please provide the internal guidelines for the funds you suggest we use. Include the quality, maturity and all other restrictions on the fund, including variable rate note parameters.
9. Is a separate fee charged for STIF use? If so, how is it charged? What is the fee?
10. Is a controlled disbursement account available for clients (i.e., an account funded only to the extent cash is needed to clear checks presented for payment)?
11. What is the notification deadline for cash transfers/wires to and from an account?

## **E. ON-LINE COMMUNICATIONS**

1. What reports and functions are available on-line? Please provide examples.
2. How current are the transactions and valuations?
3. How many of your clients are currently regular users of the on-line service?

4. What provisions are made for training of client personnel on the on-line system? What systems (hardware and software) are the clients required to have in order to receive on-line service?
5. Is there a separate fee for on-line use?

## **F. TRANSITION**

1. Include a conversion plan and an outline of the process, including a timeline.
2. Please specify if you have a dedicated "conversion team." If so, please include names and titles.
3. What amount of lead time is necessary to proceed with the conversion? Describe the timeframe associated with the conversion process.
4. What type and level of resources are required of the client in the transition process?
5. How do you handle transactions that are in process during the transition period?

## **G. PUBLIC FUND EXPERTISE**

1. Please describe the nature of your Trust/Custody relationships with public fund entities. How long have you provided these customized services?
2. Provide a contact name, telephone number, asset size and inception date for your 5 largest public fund relationships and three other relationships closest to the asset size of the LSPRS.

## **H. FEE PROPOSAL**

1. Please state the annual, all-inclusive fees to provide safekeeping and custody services, at the \$500 million asset level and the \$1 billion asset level. The LSPRS will not pay "per transaction" costs or monthly account fees of any kind. All costs, charges and expenses to perform the services outlined in this RFP must be included in the basis point/fixed fee charge below.
  - a. Please state the fee as a percentage of assets.
  - b. Please state the fee as a fixed (hard dollar fee)
2. State the length of time the fees quoted above will remain in effect.

## **I. SUMMARY**

1. What are the main strengths your organization brings to a potential relationship with us?

2. What is your plan for expansion over the next three to five years? How do you plan to accommodate future growth?