



New York State Insurance Fund
Procurement Unit

September 5, 2018

The following Q&A will serve as Amendment #3 to NYSIF's Request for Proposals (RFP) for Custodial Banking Services, bid number 2018-56-INV. Material in this Amendment supersedes any contradictory material in the RFP.

Please note that the due date for the submission of bids **remains unchanged**.

All bids are due 9/21/18, by 2:00 p.m.(eastern).

Sincerely,

A handwritten signature in black ink that reads "Alexandria Romano".

Alexandria Romano
Contract Management Specialist 2

Custodial Banking Services

RFP # 2018-56-INV

Amendment 3

#	Question	NYSIF Response
1	Will you accept a standalone bid for third-party securities lending services at this time or will you issue a separate RFP for securities lending	No separate RFP will be issued and no stand alone bids will be accepted.
2	<p>Accounts and Market Value Please provide the following information:</p> <ul style="list-style-type: none"> - Number and type (equity/fixed) of actively/separately managed US accounts (managers) - Number of actively/separately managed non-US accounts (managers) - Market value of actively/separately managed US assets - Market value and number of Physical holdings or Private Placements - Market value of managed non-US assets by country, including the number of holdings and depository/location held - Full list of holdings if available - Market Value of bank loan assets, if any - Total number of positions held by country - Market value of passively managed assets - Number of passively managed funds by type (mutual funds, commingled funds, limited partnerships, hedge funds, etc.) <p>Please note that we are primarily interested in the total number of fund investments you have and not the number of accounts you hold the fund investments in (if the totals vary).</p>	<p>1) 20 equity accounts. All separately managed. 8 fixed income accounts all managed internally. 2) No non-US accounts. 3) Approximately \$18b. All actively managed. 4) < 5 physical holdings. Approximately \$20mm. 5) All assets settled in the US. Securities mainly held via DTC or at the Federal Reserve Bank. 6) Holdings information will not be provided 7) No Bank loans currently, under consideration 8) Large majority of assets held in US. Minimal amount of non-US assets. All settled in US. 9 & 10) Approximately \$50mm in passively managed assets (publicly traded mutual funds) held in separately managed accounts. Approximately 50 distinct securities.</p>
3	<p>Valuation and Pricing Our standard accounting platform adheres to relative GAAP accepted accounting principles. The RFP contemplates adherence to NIAC SSAP, is it the expectation that the custodian will run multi-basis accounting, with STAT and GAAP basis. If so, which basis is required to be used in the performance measurement?</p>	NYSIF currently reports based on NAIC SAP. NYSIF may want the option to utilize GAAP reporting in the future. As stated in the RFP, "Performance measurement and analytics capabilities are crucial to the assignment. Full adherence to NAIC SSAP and GAAP are required service characteristics when responding to this RFP. The Bidder should demonstrate the ability to provide monthly and daily performance reports detailing the market values, cash flows, and returns of each portfolio."
4	<p>Valuation and Pricing Do you require daily or monthly valuation?</p>	Daily prices are required for all securities held. Monthly valuation for is required for each account and the underlying securities.
5	<p>Valuation and Pricing Do you require a General Ledger? If so, please supply a file format and data fields needed for your current General Ledger feed. May we request a sample of your general ledger as well as a chart of accounts?</p>	No General Ledger feed required.
6	<p>Valuation and Pricing Do you require unitization or plan accounting?</p>	No
7	<p>Transactions Please provide the following information:</p> <ul style="list-style-type: none"> - Number of US buy/sell trades per annum - Number of Non-US buy/sell trades by country per annum - Number of Income and Dividends received per annum - Number of wires - Number of Derivative transactions (Swaps, Options, Futures) - Number of annual vendor checks - Number of Private Placements - Number of Physicals 	<p>1. See Attachment 3 of RFP 2. All trades settled in the US 3. See Attachment 3 of RFP 4. N/A 5. None 6. None 7. None 8. Less than 5</p>

Custodial Banking Services

RFP # 2018-56-INV

Amendment 3

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8	Alternative Investments and Private Equity What level of service do you require? i.e., basic line item reporting, reporting & monitoring, drill down, full outsourcing support, shadow accounting, capital call management, document management, etc.? What is the commitment level, in USD, of your alternatives?	No alternative investments currently under consideration.
9	Cash Management What is your estimated average daily cash balance held in your current custodians sweep vehicle?	Average Daily sweep is \$2,000,000.
10	Feeds / General Ledger Do you require a General Ledger? If so, please supply a file format and data fields needed for your current General Ledger feed.	No General Ledger feed required.
11	Feeds / General Ledger May we request a sample of your general ledger as well as a chart of accounts?	No General Ledger feed required.
12	Feeds / General Ledger What general ledger system do you used?	No General Ledger feed required.
13	Feeds / General Ledger Will files be sent via FTP, or another type of electronic delivery method?	No General Ledger feed required.
14	Feeds / General Ledger Please supply a file format and data fields needed for your current General Ledger feed.	No General Ledger feed required.
15	Feeds/General Ledger May we request a sample of your general ledger as well as a chart of accounts?	No General Ledger feed required.
16	Performance Measurement and related services Based on the RFP we understand there is a need for Performance and related services. Would you be able to provide current performance reports? Do you have a breakdown of the accounts and composites that are required?	NYSIF cannot provide current reports. There are approximately 30 accounts requiring performance (8 fixed income, the rest are equity). There are 8 composites.
17	Performance Measurement and related services Would you be able to define the WCF Fixed Income attribution report mentioned in the RFP?	Standard fixed income attribution for the fixed income portfolio.
18	Performance Measurement and related services There is a mention of NAIC SSAP in relation to performance; would you be able to expand on this requirement? Would this replace any accounting/performance being supported by your statutory accounting platform, Clearwater?	NYSIF currently report based on NAIC SAP. NYSIF may want the option to utilize GAAP reporting in the future. Current performance reporting is based on modified Dietz method returns for each account based on market values. It does not take into account the cost basis."
19	Additional Reporting questions: - Custom Benchmark Performance: If yes, how many custom benchmarks? - Monthly Attribution? - Portfolio and Security Analytics: Monthly or daily? - Universe Comparison (Peer and Manager Universes) - Board Reporting? - Compliance Monitoring: If yes, daily or monthly? Please note, daily monitoring requires subscription to daily analytics, monthly monitoring requires subscription to monthly analytics	1) Yes. 5 custom benchmarks. 2) Yes, required for each account and each composite. 3) Monthly analysis required. Holdings required daily. 4) To be determined. 5) NYSIF's consultant(s) must be able to download raw data from the custodian in order to prepare board reports. Custodian must also generate performance reports independently but those are for the consultant and internal NYSIF staff. 6) Daily
20	Securities Lending Can you please provide your most recent annual gross revenue and what fee split is currently in place? Is the split the same between the different providers? What assets do you lend via your custodian versus your third party lending agent?	70% NYSIF / 30% J.P. Morgan; there is only one lending agent, which is the same party at the custodian, JPM; Gross earnings were approximately \$500K.

Custodial Banking Services

RFP # 2018-56-INV

Amendment 3

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21	Securities Lending Will you please provide your current cash collateral investment guidelines? Are they the same for both providers?	Bank Obligations, Corporate Obligations, Supranational Obligations, Reverse Repurchase Agreements, U.S. registered Money Market Funds.
22	Securities Lending Do you participate in a pooled or a separately managed account for your cash collateral?	Separately managed account.
23	Securities Lending Are you willing to accept non-cash in addition to cash collateral? If so, what forms of non-cash should we assume are acceptable (e.g. US Govt. only, all OECD debt, Equities, etc.)?	Yes - Direct obligations of the United States of America or any agency or instrumentality thereof; or Obligations fully guaranteed by the United States of America.
24	Securities Lending Do you currently have any borrower or loan restrictions or caps on your lending activity? Specifically, are there any tax implications to lending equities, DRD concerns?	Borrower - yes, NYSIF has an approved borrows list. Loans - yes, no lending from ATF. No tax implications or concerns.
25	Securities Lending Are there any limits on securities lending activity such as total outstanding loans, minimum spreads, borrower restrictions/limits, proxy voting, etc.?	Yes - No more than 5% of last reported net assets on loan. No more than 25% of the portfolio may be invested in corporate debt. No more than 10% of portfolio may be invested in CDs, TDs, and CP. Reverse Repos, at time of purchase, are limited to 20% per counterparty. Corporate securities, supras and obligations of Financial Institutions must be any two of three: A-1, P-1 or F1. Money market funds must be AAA rated by either Moody's, S&P or Fitch. Loans may only be made to approved borrower list.
26	Securities Lending Does the securities lending program contain any impaired assets? If so, and if you plan to transition these to your new provider, please provide specific details on each holding (e.g. amortized cost, unrealized loss, etc.).	Yes, the securities lending program contains impaired assets. The second question is not material to this RFP.
27	Securities Lending Do you plan to reimburse any collateral deficiency with your current provider before converting or have a remediation plan in place and intend on transferring assets in-kind (e.g. allocation earnings to reduce any collateral deficiencies)?	Undecided but likely to Transfer in kind.
28	Securities Lending For the purpose of calculating a securities lending estimate, please provide a holdings reporting in excel with the following information: - Date (holdings as of) - Fund Name - Number of Shares - Valid Security Identifiers (CUSIP, Sedol) - Security Name - Market Values	As of 6/30: Equities MV on loan - \$64mm (available - \$2.1b). Fixed Income MV on loan - \$276mm (available - \$14.9b).
29	In addition to the information in the RFP, are there any areas of focus that may be of particular concern for NYSIF, or that have prompted the request for proposal, that would assist us in customizing our RFP response	No.
30	Appendix Z - Fee Schedule Proposal Sections A, B, C It appears all vendors are required to propose a flat fee and then provide justification of the flat fee via pro-forma. Can NYSIF please confirm whether the final form of the agreement will be required to be a flat fee or can be based on the pro-forma (i.e. variable charge based on AUC, transactions, etc.)	It will be a combination of both, as outlined in the Appendix Z.

Custodial Banking Services

RFP # 2018-56-INV

Amendment 3

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31	<p>Section 4 - 4.2 Bid Format</p> <p>Can NYSIF please confirm the our understanding of the submission format:</p> <p>HARD COPIES:</p> <ul style="list-style-type: none"> -1 book including the Custody Services Response (CSR) and the Global Custody Network / Foreign Exchange Response (GCN/FXR) [including the sections outlined on pp. 23-27, as well as the written affirmations following the appendices] -1 book of Appendix T (Vendor Security Survey) with any substantiating documents -1 book of Appendix Z (Fee Schedule Proposal) [sealed separately] -1 book of attachments to CSR and GCN/FXR <p>ELECTRONIC COPIES (CD):</p> <ul style="list-style-type: none"> -1 CD including: <ul style="list-style-type: none"> --the Custody Services Response (CSR) -- the Global Custody Network / Foreign Exchange Response (GCN/FXR) -- Appendix T (Vendor Security Survey) with any substantiating documents [labeled separately] -1 CD of attachments to CSR and GCN/FXR. -1 CD of Appendix Z (Fee Schedule Proposal) in both Excel and PDF format 	<p>The electronic copy should mirror the hard copy of your bid and include all requirements, appendices and supporting documentation. The Electronic CD can be separated however your firm feels appropriate, however all documentation regarding the Fee Proposal should be separated from the rest of the proposal documentation.</p>
32	<p>Section 4, 4.2 Bid Format, Please confirm where the bidder certifications should be included?</p> <p>Following the appendices?</p>	<p>Bidder certification can be included in front of the completed appendices.</p>
33	<p>Exhibit 1: Custody and Related Services/Scope of Services - Organizational Resources, Client Services Team & Client Profile - Question #8</p> <p>Please clarify what is meant by a "communications tracking system"? Does NYSIF require there to be a singular tracking system that monitors all the items outlined in this question? Alternatively, is NYSIF's requirement that the custodian have governance, op models, and systems that support the activities listed?</p>	<p>NYSIF's requirement is that the custodian have governance, op models, and systems that support the activities listed.</p>
34	<p>Exhibit 1: Custody and Related Services/Scope of Services - Core Custodial Services - Question #3</p> <p>Please clarify this requirement. Does NYSIF mean segregated from the custodian's own assets? if not, please explain.</p>	<p>Yes.</p>
35	<p>Exhibit 1: Custody and Related Services/Scope of Services - Core Custodial Services - Question #12</p> <p>With regards to notification, please clarify what the 24-hour period time-table is in relation to (e.g. within 24 hrs. of the custodian receiving this notification?)</p>	<p>Yes, NYSIF should be notified within 24 hours of the custodian receiving the notification.</p>
36	<p>Exhibit 1: Custody and Related Services/Scope of Services - Cash Management - Question #2</p> <p>What is meant by "overnight investment management services"?</p>	<p>A nightly sweep.</p>
37	<p>Exhibit B and Section 2 - General Specifications: Sections 39(f), (x), (y)</p> <p>Technical Specifications: 2.6 Subcontracting</p> <p>For the purposes of the RFP and the ultimate contract, how does NYSIF define the term "subcontractor?"</p>	<p>SUBCONTRACTOR: Any individual or legal entity (including but not limited to sole proprietor, partnership, limited liability company, firm or corporation) who has entered into a contract, express or implied, for the performance of a portion of a Contract with a Contractor</p>

Custodial Banking Services

RFP # 2018-56-INV

Amendment 3

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38	<p>Section 4, Exhibit B and Exhibit C - General Specifications: Priority of terms for contract conflict</p> <p>a. Is the "contract" that is referred to in this section as second in priority intended to be the contract ultimately negotiated and agreed to by all parties, and not the "Contractual Provisions (Exhibit C)?"</p> <p>b. Where, in the priority scheme, if at all, are the terms that are labeled Contractual Provisions (Exhibit C)?</p> <p>c. In the event of a conflict between Contract Provisions (Exhibit C) and negotiated contract terms, which prevails?</p> <p>d. Where in the priority scheme, if at all, are the terms that are labeled "General Information?"</p> <p>e. In the event of a conflict between General Specifications (Exhibit B) and Contract Provisions (Exhibit C), which prevails?</p>	<p>A. Yes, the "contract" is the final negotiated agreement.</p> <p>B. Exhibit C is third in the order of precedence (after Exhibit A and the finalized negotiated Contract Agreement).</p> <p>C. Negotiated contract terms prevails.</p> <p>D. Exhibit B, General Specifications, is fifth in the order of precedence (after Exhibit A, the finalized negotiated Contract Agreement, Exhibit C, and the RFP).</p> <p>E. Exhibit C prevails.</p>
39	<p>Appendix M - Entire form - Will NYSIF exempt the Agreement from the requirements of Executive Order 162, using its discretion within the guidelines?</p>	<p>Per Section 1.10., there are 0% MWBE goals for this procurement, however bidders are required to complete Form 101 and Form 106 and submit them with their bid.</p> <p>Pursuant to Executive Order #162, contractors and subcontractors are also required to report the gross wages paid to each of their employees for the work performed by such employees on the contract on a quarterly basis. This quarterly reported is completed via Form 102.</p>
40	<p>Section 2 - 2.8 Penalties - Can you please provide more clarity as to what the penalties detailed in this section would be?</p>	<p>NYSIF reserves the right to withhold payment, in whole or in part, at NYSIF's discretion, in any case where a question of non-performance arises. NYSIF also reserves the right to terminate the contract if the successful Bidder fails to live up to any or all of the requirements of the contract awarded pursuant to this RFP.</p>
41	<p>Section 4 - In the event the incumbent provider is retained, would NYSIF be open to leveraging the existing contract as the starting point for negotiations?</p>	<p>Any exceptions, caveats or additional information to the Bidder's responses to specifications in this RFP must be listed, cross referenced to the response to which it applies and clearly explained as outlined in Section 4.2.8. of the RFP. Upon award, these items will be addressed and reviewed during contract negotiations.</p>
42	<p>Exhibit 1: Custody and Related Services/Scope of Services - Securities Lending Custodial Lending - #6</p> <p>Please clarify what risk management reporting data is needed and the frequency.</p>	<p>Daily position loan and collateral market values, daily securities on loan, borrowers, and cash reinvestment securities.</p>
43	<p>Section 4 - 4.2.6 (b) (3) - Is NYSIF asking that bidders provide the total dollar value of client contracts? If so, this information is confidential and cannot be shared.</p>	<p>Section 4 - 4.2.6 (b) (3) is hereby revised to state "Type and duration of contract with the client; and". Value of contract has been removed.</p>
44	<p>Exhibit 1: Custody and Related Services/Scope of Services - Technology/Systems Support - #5</p> <p>Do "investment activities" include transactions or is the scope just NYSIF's portfolio holdings? Will year-end holdings records satisfy NYSIF's information retention requirements?</p>	<p>Investment activities include transactions and holdings by account. Monthly holdings records required.</p>
45	<p>Attachment 1 - Custody Services Questionnaire - #46</p> <p>Please clarify what NYSIF means by "pricing" system. Is NYSIF inquiring about standard cut-off times to successfully receive and process trades STP in the custodian's custody systems?</p>	<p>For our investment accounting, custodian needs to provide daily prices file with compatible format via FTP.</p>
46	<p>Section 2 - Technical Specifications - 2.3 (2) - Current Performance Deliverables</p> <p>- Are all of the services below currently provided by a single vendor?</p> <p>- If not, is NYSIF considering consolidating these into one vendor?</p> <p>- Is NYSIF looking for the fee proposal to include all services/deliverables listed in this section?</p>	<p>Yes, single vendor. Some reports are not applicable at the moment (e.g. High Yield) but will be required when those assets are held. NYSIF is looking for the fee proposal to include all deliverables listed.</p>

Custodial Banking Services

RFP # 2018-56-INV

Amendment 3

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47	Section 2 - Technical Specifications - 2.3 (2) - Current Performance Deliverables Is NYSIF proposing changing the accounting and performance deliverable schedules from their current timelines?	No.
48	Attachment 1 - Custody Services Questionnaire #133 Is NYSIF looking for the identification of the portfolio and security characteristics (i.e. duration, P/E ratio) or a listing of all the fields available on all of our performance reports (i.e. One Month Return, YTD Return)?	Standard reporting package requested as a sample. If you include additional fields as supplemental information that is acceptable additional information.
49	Please provide asset holding value and annualized transaction by country of settlement.	All US settlement.
50	The RFP references a total of 21 accounts. Please provide the number of which are actively managed and those that hold line items such as mutual funds or limited partnerships.	All actively managed. Minimal amount of mutual fund holdings.
51	Please provide the annual number of options executed in the portfolio and indicate whether they are OTC or Exchange Traded.	No derivatives.
52	Please provide the number of Bank Loan transactions, if any.	None currently, under consideration.
53	You reference Physical Assets a number of times in the RFP. Please provide the number of positions maintained.	Physical Certificates <5 physical holdings.
54	What is the average cash balance invested in your current providers STIF?	Typically Minimal.
55	Indemnification Language (last paragraph of Section 1.9, on p. 11): Is the bolded language in this paragraph negotiable?	RFP Section 1.9, Insurance Requirements, - the final paragraph is hereby deleted and removed from this RFP.
56	2.1 Mandatory Requirements, Item 3.a (p. 13): The item mentions a written services contract as supplied by NYSIF. Is that Exhibit C? If not, when will the contract be provided?	Contract will be provided upon award.
57	Section 2 – Technical Specifications: Besides Section 2.1 (which is mandatory), are the items listed in Section 2 negotiable?	No.
58	Section 2.8 (p. 18): Will the “failure(s)” mentioned in this item be based or measured off of an agreed upon SLA or KPIs, which would include specified penalties?	NYSIF reserves the right to evoke penalties when a Bidder fails to live up to any or all of the requirements of the contract awarded pursuant to this RFP or in any case where a question of non-performance arises.
59	Exhibit B: Will some/all of these terms be included in the contract resulting from this RFP, even if they are not applicable to a financial services agreement? If so, are the terms negotiable?	Exhibit B will become part of the contract upon execution. Bidders must list and clearly explain any and all exceptions and/or alternatives and/or caveats to any item contained in this RFP in the Comments and Limitations section of their Proposal. These items will be reviewed during contract negotiations.
60	Exhibit B, clause 39: Some of the items in this clause are not requirements, but are legal provisions (e.g., item n). Are these legal provisions negotiable? Additionally, for item o, a custodian by nature acts as an agent of its client, and is not an independent contractor.	Exhibit B will become part of the contract upon execution. Bidders must list and clearly explain any and all exceptions and/or alternatives and/or caveats to any item contained in this RFP in the Comments and Limitations section of their Proposal. These items will be reviewed during contract negotiations.
61	Exhibit C: Will some/all of these terms be included in the contract resulting from this RFP, even if they are not applicable to a financial services agreement? If so, are the terms negotiable?	Exhibit C will become part of the contract upon execution. Bidders must list and clearly explain any and all exceptions and/or alternatives and/or caveats to any item contained in this RFP in the Comments and Limitations section of their Proposal. These items will be reviewed during contract negotiations.
62	Are these assets subject to the Department of Insurance reporting requirements, or do they comply with GASB reporting requirements, or both?	No GASB requirement.
63	Do you maintain multiple cost bases on the underlying assets (GAAP, STAT, TAX, etc.)?	STAT is primary. Option for STAT, GAAP and TAX is needed.
64	Is the performance reporting calculated on a GAAP basis or some other cost basis?	Performance reporting is based on modified Dietz method returns for each account based on market values. It does not take into account the cost basis.

Custodial Banking Services

RFP # 2018-56-INV

Amendment 3

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65	Exhibit 1 (#4): Investment Performance Measurement and Analytics – Which additional vendors will be receiving the raw performance data? What will these vendors be using the raw data for if the custodian is providing the performance reporting across the accounts including the attribution for the portfolios?	Consultant will use data to prepare reports.
66	Exhibit 1 (#9): Investment Performance Measurement and Analytics – Can you please define the daily performance expectation? Is best available performance reporting expected – this would incorporate the changes in pricing, market value, income, etc. from day to day but would only receive the full audited review and locked down reporting on a monthly basis to match the monthly accounting cycle?	Yes, best available for daily is expected. Statement is correct.
67	Please provide sample cash collateral reinvestment guidelines and acceptable non cash collateral for use in the securities lending earnings estimate.	Bank Obligations, Corporate Obligations, Supranational Obligations, Reverse Repurchase Agreements, U.S. registered Money Market Funds for cash reinvestment. For permissible non-cash collateral: direct obligations of the United States of America or any agency or instrumentality thereof; or Obligations fully guaranteed by the United States of America.
68	Does The New York State Insurance Fund hold legacy impaired assets within the securities lending cash collateral fund?	Yes, 2 asset backed securities. Approximately \$964K in Amortized Cost and \$546K in Unrealized Loss.
69	Please identify for us the third party lending agent.	JP Morgan Chase is both the custodian and lending agent.
70	Please list of accounts by type (i.e., separate account, commingled fund, real estate, etc.); If separate accounts, are they fixed, equity, EAFE, or emerging? 21 accounts are mentioned but what kind are they? From page 15	8 accounts are fixed income and actively managed internally. The rest are long only US equity and managed externally.
71	The total equity number and total fixed are given, but is it all US or is some international? Page 117/119	Predominately US. Minimal amount of foreign.
72	Why don't the 3/31/18 total market value on page 117 and 119 match?	Page 117 is actual, page 119 was rounded for calculation purposes.
73	Please provide the Estimated volume of Buys and Sells by country	All security transactions settled in the US.
74	Please provide the Transaction volumes for FX (Custody vs. 3rd Party)	None
75	Please provide the Number of Wires In/Out	Please use one for your basis of the Pro-Forma.
76	Please provide other transaction volumes	Please use one for your basis of the Pro-Forma.
77	Out of the 21 accounts requiring performance, how many are separately managed versus line items?	8 accounts are fixed income and actively managed internally. The rest are long only US equity and managed externally.
78	If blended benchmarks are required, for how many?	Blended benchmarks for 2-4 portfolios. But can grow to 8 portfolios.
79	How many composites are required for performance?	8 composites required for performance.
80	How many composites are required for Universe reporting?	None currently, under consideration.
81	How many accounts require quarterly analytics characteristics? Do any require look through functionality?	All reporting is monthly.
82	How many equity manager require attribution? Do any require look through functionality?	NYSIF requires attribution for each externally managed account (no look through needed). The third party managers can specify their own requirements.
83	For multi factor fixed income attribution, are you open to using a different provider other than Yield Book?	Yes, as long as the report provides the necessary/standard fields.
84	Please provide list of required indices	Equities: Russell 3000 and standard substyle benchmarks are required. Fixed Income: Various BAML and Bloomberg indices (including Bloomberg muni family)