

Ohio Treasurer of State
Global Custody Services Request for Information
Respondent Questions and Treasurer's Office Answers
December 4, 2015

Respondent Question		Treasurer's Office Answer
<i>1 - General</i>		
1	Would TOS consider allowing for the hard copy response to be submitted after the soft copy documents as a result of receiving the actual RFP/RFI documents on Monday November 14, 2015.	The RFI submission is due December 18, 2015 by 3:00 p.m. ET.
2	What is the estimated average cash balance held on your custodian's balance sheet?	Respondents should provide their pricing quotes based on the information available in the Global Custody Services RFI.
3	Pursuant to Section 2.0 (Business Requirements) - #2, "any cash balances in accounts shall be secured with collateral pledged as directed and pledged to the Treasurer's Office. The collateralization level shall be determined by the Treasurer's Office based on the instrument pledged as collateral and the associated credit quality, and shall be no less than 102% of the cash balance(s)." Can you please give us more information on this requirement? Is this required of the global custodian in addition to the domestic custodian? Does the Treasurer intend to hold cash uninvested or will it consider using a cash sweep vehicle for short term investment of cash (STIF fund)? Does this requirement apply to balances held in a custodian STIF fund?	All USD held in the global custodial accounts overnight shall be collateralized. The Beneficial Owner has investment discretion regarding the use of sweep vehicles. Only USD bank account balances (e.g., demand deposit accounts) are required to be collateralized, which generally does not include STIF balances.
4	For the global custodian, may we presume this is for global cash balances only?	Only USD held in the global custodial accounts overnight are required to be collateralized.
5	Page 11 #4 notes that the respondent will actively participate in a reconciliation process in conjunction with Domestic Custodian and Beneficial Owner or its investment managers. What is the nature of the reconciliation with the domestic custodian?	A reconciliation with the Domestic Custodian will be required if any dual custody accounts are held for which the Domestic Custodian reports the account assets to the Beneficial Owner. Additionally, the Domestic Custodian is responsible for monitoring the completion of the Global Custodian reconciliations to the Beneficial Owner or its investment manager.
6	Page 64 #4: Please define or give example of: "personal interest, direct or indirect"	A personal interest is a regard for one's own advantage, either pecuniary or otherwise.
7	"To what extent are you willing to support reasonable Beneficial Owner deviations in SWIFT formatting? If deviations are	SWIFT formatting is at the discretion of each Beneficial Owner.

	<p>required, are you able to partner with the Beneficial Owner to come up with SWIFT messaging deviation solutions mutually acceptable to your organization and the Beneficial Owner? Please provide a detailed response, even if you are unwilling or cannot accommodate, as to why you are unable to support Beneficial Owner SWIFT message deviations.”</p> <p>Can you provide an example of this type of deviation/customization?</p>	
8	With regard to each individual global plan contained in this RFI can you provide the following volume information? (wires out, paydowns, non-depository eligible trades and dividend / income payments)	The revised Beneficial Owner profiles will be sent to all persons who requested the RFI via email.
9	Do you need to record trades on an actual or contractual basis?	The Beneficial Owner determines if trades are recorded on an actual or contractual basis. Typically, trades are recorded on a contractual basis.
10	The holdings and transaction amounts include United States assets. Are these assets in scope for this RFP and should they be included in pricing? Or are these assets custodied with the local custodian?	The United States assets included in the Global Holdings and Transactions by Market table of each revised owner profile are in scope for the RFI.
11	Market value of passively managed assets – are they denominated in USD. If not, what currency?	The base currency for all of the portfolios is USD.
12	You have given the # of separate and commingled fund accounts. Can you further break out the Market values off these accounts by separate and commingled accounts so that we know the value of assets that will truly be held in custody?	Respondents should provide their pricing quotes based on the information available in the revised Beneficial Owner Profiles. The revised Beneficial Owner profiles will be sent to all persons who requested the RFI via email.
13	<p>Number of passively managed funds by type (mutual funds, commingled funds, limited partnerships, hedge funds, etc.)</p> <p><i>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).</i></p>	Respondents should provide their pricing quotes based on the information available in the Global Custody Services RFI. We can provide no additional detail at this time.
14	Are the global private equity account numbers reflective of holding one partnership in each account? (i.e. the total number of limited partnerships for OPERS = 21?)	Respondents should provide their pricing quotes based on the information available in the Global Custody Services RFI.

Respondent Question		Treasurer's Office Answer
2 - Beneficial Owner Specific		
1	The global custody data provided in the OP&F profile information is not clear. The total global market value of \$5.2 billion differs from the detailed market holdings provided below which total \$14.9 billion. Please provide a market by market break down of positions, market value, and trades that ties back to the total market value of \$5.2 billion.	The revised Beneficial Owner profiles will be sent to all persons who requested the RFI via email.
2	Ohio Police and Fire – It appears that this plan receives a daily pricing file from the custodian. Do you require daily valued accounting for this plan or are these “best available” prices?	Best available prices.
3	The global custody data provided in the OPERS profile information is not clear. The total global market value of \$24.4 billion differs from the detailed market holdings provided below which total \$64.9 billion. Please provide a market by market break down of positions, market value, and trades that ties back to the total market value of \$24.4 billion.	The revised Beneficial Owner profiles will be sent to all persons who requested the RFI via email.
4	Ohio Public Employees – This plan sweeps excess cash to a number of different externally (external from the custodian) managed portfolios. What are the time cut-offs under which you are currently operating and how do you notify the custodian of the investment vehicle that will be utilized?	The cut-off times for the external sweeps vary. The custodian is notified of the investment vehicle via a letter of instruction.
5	Appendix 2: Ohio Public Employees – Should we infer from this information that this plan will require full accounting for the assets held by the Global Custodian? a. “Investment Accounting tracked internally and via third-party. Only accounting requirements that need to be accomplished by custodian are for non-DTC/OTC assets that are not tracked via the custodial platform.”	The requirements for depository ineligible assets are outlined in Section 4.14 of the Global Custody Services RFI. Core Accounting is outlined in Section 4.15 of the Global Custody Services RFI.
6	Appendix 3: School Employees Retirement System – Based on the below, will this plan require accounting services or will core transaction and position data be transmitted to the third-party vendor? a. “School Employees Retirement System	In addition to the Beneficial Owner requirements, The Treasurer's Office requires core accounting services.

	of Ohio (SERS) contracts master record keeping services with a third-party vendor. The current master record keeper is BNY Mellon Asset Servicing. SERS will not require additional accounting services nor is SERS currently seeking a master record keeper.”	
--	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--

Respondent Question		Treasurer’s Office Answer
3 - Foreign Exchange		
1	<p>Appendix 1 and 2 – the profile information for OPERS and OP&F include figures for “Custodial Executed FX Value (local)”. Looking at the time period ending June 30th, 2015 we see significant differences between the actual volumes executed through J.P. Morgan custody’s AutoFX platform compared to the numbers referenced in the file from TOS. For example OPERS <i>actual volume</i> for the 12 month period ending June 30th, 2015 is approximately \$3.2 billion. The file from TOS references a total of approximately \$ 9 billion (local). When converting the local amount to USD the volume is approximately \$15 billion.</p> <p>There are different methods of FX execution: (1) custodian executed FX, (2) direct FX execution, (3) third party FX execution.</p> <p>Can you please confirm if the numbers referenced in the “Custodial Executed FX Value (local)” column are meant to reflect, by currency, the local (non USD) volume?</p>	The revised Beneficial Owner profiles will be sent to all persons who requested the RFI via email. The values recorded in the “Custodial Executed FX Value (local)” column are in local currency.
2	Are the numbers referenced in the “Custodial Executed FX Value local” column meant to represent the FX volume executed through the custodian?	Yes
3	Are the numbers referenced in the “Custodial Executed FX Value local” column meant to represent all of the plan (s) FX volume including direct FX and third party FX execution?	The values reflect FX executed by the Global Custodian.
4	If the numbers in this column are meant to reflect custody executed FX volume only can you please run the FX Transaction report in Views Portfolio Reporting under the business category Foreign Exchange to	The revised Beneficial Owner profiles will be sent to all persons who requested the RFI via email.

	ensure the RFP participants are viewing the accurate volumes for custodian executed FX's?	
5	Appendix 3 (Profile for State Teachers Retirement System of Ohio) - the total custodial executed FX value (local) is approx. \$504 billion (sum of H63:H123). Please confirm this number represents the local (non USD) amount for each currency pair?	Local values are presented.
6	Appendix 3 (Profile for State Teachers Retirement System of Ohio) - please confirm if the \$504 billion local value includes custody related FX activity only and does not include FX's executed on a direct or third party basis by STRS?	The values reflect FX executed by the Global Custodian.
7	Appendix 3 (Profile for State Teachers Retirement System of Ohio) - if the \$504 billion includes all of STRS's FX activity (custody FX, direct FX, and third party FX) can TOS please provide a separate report that captures the USD equivalent of STRS's custody related FX volume by currency pair?	Respondents should provide their pricing quotes based on the information available in the Global Custody Services RFI.
8	Appendix 4 (Profile for School Employees Retirement System of Ohio) - the total custodial executed FX value (local) is approx. \$337 billion (sum of H46:H106). Please confirm this number represents the local (non USD) amount for each currency pair?	Local values are presented.
9	Appendix 4 (Profile for School Employees Retirement System of Ohio) - please confirm if the \$337 billion local value includes custody related FX activity only and does not include FX's executed on a direct or third party basis by SERS?	The values reflect FX executed by the Global Custodian.
10	Appendix 4 (Profile for School Employees Retirement System of Ohio) - if the \$337 billion includes all of SERS's FX activity (custody FX, direct FX, and third party FX) can TOS please provide a separate report that captures the USD equivalent of SERS's custody related FX volume by currency pair?	Respondents should provide their pricing quotes based on the information available in the Global Custody Services RFI.
11	Regarding STRS and SERS are there any special FX pricing arrangements in place with the current custodian? If so, please describe.	No special pricing arrangements are in place.
12	Regarding STRS and SERS are there any special execution processes, e.g. restricted market exceptions, in place with the current	Yes, special execution processes are in place for Brazil, Korea, and Taiwan.

	custodian? If so, please describe.	
--	------------------------------------	--

Respondent Question		Treasurer's Office Answer
<i>4 - Alternative Investments, Derivatives, and Non-depository Assets</i>		
1	What is the current end-to-end operating model for the private equity & real estate assets, including cash processing for capital calls/distributions, valuations, and reporting, between Ohio and 3rd parties (fund managers, custodian, consultants, administrators)?	The operating model may be different for each Beneficial Owner, and will be established between the Beneficial Owner, Treasurer's Office and the Domestic Custodian. Please include services included in your product offering.
2	What is the frequency of private equity & real estate new commitments, and do you anticipate growth in this asset class or re-investment of existing assets?	The frequency of new commitments and potential growth in this asset class is not known at this time.
3	Who (Ohio, custodian, consultants, administrators) intends to initiate capital calls/distribution for private equity & real estate transactions via an online module?	The initiating entity for each transaction is dependent on the process in place with each Beneficial Owner. Please note that regardless of the initiating entity, multiple levels of approval may be required across the entities.
4	What is the frequency of private equity & real estate valuation updates to portfolio-wide accounting (daily, monthly) when applicable?	The frequency of the valuation updates will be determined by the Beneficial Owner. Please include services included in your product offering.
5	What is the roll-forward methodology to derive valuations inter-quarter or between private equity & real estate manager provided valuations?	The pricing methodology for the alternative investments will be defined by the Beneficial Owner, Treasurer's Office and the Domestic Custodian. Please include services included in your product offering.
6	The RFP states Performance and/or Accounting in/out of scope by plan entity – specific to private equity & real estate assets, can you clarify: a. Does Ohio require fund-level performance analytics (IRR, vintage year, fund family, strategy, etc.) reporting? b. If above performance IRR is required, how is current since-inception historical cash flows maintained? c. Does Ohio require 'transparency/drilldown' reporting into underlying holdings of fund investments?	Performance analytics would be an ancillary service at the discretion of each Beneficial Owner.
7	In the instance where there is no portfolio-wide Performance and no portfolio-wide Accounting, please confirm you expect the	Respondents are expected to process instructions for capital calls and distributions.

	Custodian to support private equity & real estate capital calls and distributions (cash flows/valuations) cash transactions?	
8	Does Ohio require online document storage for private equity & real estate fund documentation?	Respondents may note their ability to provide online document storage in response to section 4.14.6.
9	Does Ohio require access to an online benchmark universe / forecasting tool of client-agnostic private equity & real estate asset data?	Performance analytics would be an ancillary service at the discretion of each Beneficial Owner.
10	<p>Our understanding of private equity & real estate across all Ohio Global RFI entities portfolios – please confirm (?):</p> <p>Global: Police & Fire Category: PE/RE # of Lines: 0 Market Value: \$0</p> <p>Global: PERS Category: PE # of Lines: 21 Market Value: \$1,058,354,965</p> <p>Global: PERS Category: RE # of Lines: 3 Market Value: \$189,754,666</p> <p>Global: SERS Category: PE/RE # of Lines: 0 Market Value: \$0</p> <p>Global: STRS Category: PE/RE # of Lines: 0 Market Value: \$0</p> <p>Total # of Lines: 24 Total Market Value: \$1,248,109,631</p>	The revised Beneficial Owner profiles will be sent to all persons who requested the RFI via email. If the Beneficial Owner profile has not been revised, then the original profiles provided are accurate.

Respondent Question		Treasurer’s Office Answer
5 - Performance Measurement		
1	Do you require basic performance (total fund rates of return) or a more detailed level (sector, country, security, etc.)?	The revised Beneficial Owner profiles will be sent to all persons who requested the RFI via email. Each Beneficial Owner seeking pricing for this ancillary service has provided this information.

2	At what frequency do you require performance reporting (Daily or Monthly)?	The revised Beneficial Owner profiles will be sent to all persons who requested the RFI via email. Each Beneficial Owner seeking pricing for this ancillary service has provided this information.
3	Please provide the number of composites as well as the number of separate accounts and commingled accounts broken down by equity, fixed income and other.	The revised Beneficial Owner profiles will be sent to all persons who requested the RFI via email. Each Beneficial Owner seeking pricing for this ancillary service has provided this information.
4	Question 4.18, #10 asks the following: Do you offer Board Level reporting? How and through what system/product is this offered? Is this an additional cost? If so, please explain. Can you describe or provide an example of the Board Reporting that Ohio Treasurer or the individual Plan may requires?	Board Level Reporting means high level summary aggregation of the data. Board Level Reporting is specific to each Beneficial Owner.

Respondent Question		Treasurer's Office Answer
6 - Securities Lending		
1	Will you accept Third Party Securities Lending proposals only?	A securities lending offering may be proposed to a Beneficial Owner outside of the RFP.
2	Can you make available an excel file with a list of holdings including security identifier, shares, and value of each holding for each beneficial owner?	The information for the Beneficial Owner(s) requesting pricing will be sent to all persons who requested the RFI via email.
3	In order to provide fee splits please provide the following information by plan: a. Cash collateral/non-cash guidelines b. Current level of indemnification	Each Beneficial Owner seeking pricing for this ancillary service has provided this information on the revised Beneficial Owner profile.
4	In what format would you like the securities lending revenue estimate to be presented?	Each Beneficial Owner seeking pricing for this ancillary service has provided this information on the revised Beneficial Owner profile.
5	Assuming cash collateral is acceptable, what cash collateral guidelines will you follow/ what investment yield should be assumed in the revenue estimate?	Each Beneficial Owner seeking pricing for this ancillary service has provided this information on the revised Beneficial Owner profile.
6	List of program restrictions (i.e., borrowers, percent of assets on loan, etc.)	Each Beneficial Owner seeking pricing for this ancillary service has provided this information on the revised Beneficial Owner profile.
7	Can you provide approximate volumes by plan for any 3 rd party lending arrangements?	Respondents should provide their pricing quotes based on the information available in the Global Custody Services RFI.
8	Based upon the profiles provided for each individual plan, it appears only the Police & Fire Pension Fund global assets are currently loaned by your custodian and all other assets	Respondents are expected to answer the Securities Lending questions as if the respondent is the lending agent for the beneficial owner.

	are loaned by third party lending agents. Should question 22 of the Securities Lending section be answered regarding fee split be answered specific to the Police & Fire Pension global assets only or other assets from the other plans to be considered as part of the securities lending fee split?	
--	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--

Respondent Question		Treasurer's Office Answer
7 - Technical Requirements		
<u>1</u>	<u>Holdings file layout/requirements – Exhibit E</u> #9 references sub-totals by account number, however you include a field for a security identifier (CUSIP & SEDOL). Do you require holdings at the security level or at an account number level? Do you require lot level information? If so, are you set up as Tax Lot vs. Average Cost?	Item #9 references the Holdings Daily Investment Manager Record summary detailed on page 4 of Exhibit E. The requirement is for a settlement date tax lot holdings file with summary records separating each account.
<u>2</u>	<u>Holdings file layout/requirements – Exhibit E</u> There are references to multiple Rating data elements (Moody's & S&P). These are performance data elements and would not be available for custody clients unless they subscribe to that service. Should pricing for this service be included in fees?	Respondents should specify the data fields that will incur additional fees.
<u>3</u>	<u>Transaction file/requirements – Exhibit D:</u> Can you clarify #5? Do you require any adjustments to be back dated to the original settlement date, even if the activity occurs at a future date?	Adjustments to settled transactions need to be reflected in the current transaction file.
<u>4</u>	<u>Transaction file/requirements – Exhibit D:</u> #6 states that all transfers must equal 0. Is that a file requirement or a custody requirement? Would there be a situation in which the transfers did not equal zero?	This is a file requirement, but exceptions may be permitted and will be approved in the file development phase.