

Responses to Questions Submitted in Relation to

REQUEST FOR PROPOSALS FROM FINANCIAL ORGANIZATIONS FOR THE PROVISION OF CUSTODIAN AND TRUSTEE SERVICES FOR THE DEFERRED COMPENSATION PLAN FOR EMPLOYEES OF THE STATE OF NEW YORK AND OTHER PARTICIPATING PUBLIC JURISDICTIONS (“PLAN”)

1. Regarding Exhibit A, Standard Clauses for NYS Contracts, please confirm that the following sections do not apply to the trustee/custody services anticipated under this RFP:
 - a. Section 6. WAGE AND HOURS PROVISIONS – only applies to public works contracts
 - b. Section 18. PROHIBITION ON PURCHASE OF TROPICAL HARDWOODS – the contract/services will not involve the use of wood products

Confirmed

2. Regarding Exhibit A, Section 20 – Omnibus Procurement Act of 1992 – please explain what is required under sub-paragraph (d), which states:

“The Contractor acknowledges notice that the State may seek to obtain offset credits from foreign countries as a result of this contract and agrees to cooperate with the State in these efforts.” Specifically, (i) please explain the meaning of “offset credits from foreign countries” resulting from this contract, and (ii) advise what the Financial Organization’s cooperation with the State would entail in these efforts.

To clarify, this clause notifies any bidders located in foreign countries that the New York State Deferred Compensation Board may assign or otherwise transfer offset credits created by any procurement contract of \$1 million or more to third parties located in New York State and the contractor must agree to cooperate in this effort.

3. Will the trustee/custodian be required to post collateral to secure any cash balances held under the trustee/custodial relationship anticipated under this RFP and/or be subject to the State’s qualified public depository rules concerning deposits of public funds?

No

4. Please confirm that the chosen Financial Organization will be expected to act as a directed trustee/custodian and will not be expected to act in a discretionary capacity in providing the services anticipated under the RFP.

It is expected that the Financial Organization will act as a directed trustee/custodian.

5. Has the Plan been funded with the proceeds of a municipal security offering, specifically, a municipal bond or pension obligation bond?

No

- a. If the answer to the foregoing question is yes:
 1. When were the bond proceeds deposited into the Plan?

2. Are the bond proceeds deemed to be spent for their authorized purposes under the state law upon such contribution?
3. Does the Plan still segregate or track the bond proceeds?
- b. If it is currently known and public information, is the Board planning to issue a bond for the purpose of funding this Plan?

No

6. With regards to benefit payments, is there a requirement for a participant call center? Would the plan be interested in a participant call center and web access?

No, although a real-time portal will be needed for our recordkeeper to access in order to answer benefit payment related questions on the HELPLINE. Also a team from the Financial Organization would be needed to assist our recordkeeper regarding benefit payment questions that cannot be answered through the real-time portal.

7. Please provide a copy of your existing fee proposal outlining the administrative fee for each contract year plus the transactions fees with your current provider?

This information will not be disclosed at this time.

8. Under section E Additional Requirements, please modify the number of clients, or delete the asset base amount of " at least currently providing trust/custody services to five (5) large DC Public Plans and DC Corporate ERISA with assets over \$5 billion each with a daily valued and unitized structure."

The language in the RFP states the Financial Firm should meet this qualification. Please list your firm's largest five (5) DC Public and ERISA plans.

9. With regards to question 7, to provide three (3) 457 Deferred Compensation Plan [Public DC Plans] client references with assets \$5 billion and over. Please delete or modify this requirement to include "3 Public or Corp DC plans".

If the three references include Corporate DC Plans, that would be acceptable.

10. Can you provide an FX transaction report, preferably quarterly, for both custody FX trades and 3rd party FX trades?

FX transaction reports produced by our current provider are proprietary.

11. Does the plan require the custodian to process FX related to trades and asset servicing events?
 - a. If so, please share annual FX volumes (USD\$ Equiv) by market, broken down between custodian flow and third party flow.
 - b. What are the markets of investment?

As part of their fiduciary responsibility, the Plan's investment managers are responsible and have investment discretion in the execution of FX transactions. FX volumes were provided in the RFP document.

12. Please describe your FX process from both an internal and external management perspective including when you trade with the custodian vs. a third party, and the method of execution.

As part of their fiduciary responsibility, the Plan's investment managers are responsible and have investment discretion in the execution of FX transactions.

13. How is the incumbent custodian instructed for FX transactions currently for:
- Trade related FX to settle security trades – standing instruction or swift messaging? Or, third party?
 - Asset Servicing (dividends, income, tax reclaim, corporate actions) – standing instruction or swift messaging?
 - Restricted Markets – standing instructions or swift messaging?

As part of their fiduciary responsibility, the Plan's investment managers are responsible and have investment discretion in the execution of FX transactions.

14. Are there currently any special pricing arrangements or execution processes, e.g. restricted market exceptions, in place with the incumbent custodian? If so, please describe.

No

15. Is a hedging program utilized, either active or passive, to hedge any foreign currency/holding exposures?

No

16. Please confirm if performance analytics is required? If yes, what frequency of performance is required (monthly or daily)?
- Are basic rates of return or more detailed level (sector / country level) required?
 - Are characteristics required, if so at what frequency?
 - What is the breakout of FI and Equity accounts that require these services?

Not required.

17. Please advise who places the trades with the external mutual funds? Recordkeeper, Custodian, other? Describe your current process.

The Plan's Recordkeeper delivers electronic trade file to the trustee/custodian for execution.

18. Section III Scope of Services – Please clarify what is meant by “File accounting with the Board at the end of each year”. NY DC Board may request an additional audit beyond SAS70 (see Section III Scope of Services – page 5). Would you describe the scope of these additional audit requests?

The Board reserves the right to request reports in line with industry reporting standards and with the accounting requirements within GASB.

19. Would it be possible to obtain the RFP, as well as the Fee Schedule Appendix B and Exhibit E (ADM-28), in Microsoft Word? The ADM-28 is available on the web but is a different form than what is included in the RFP.

Word versions are available. If needed, please email Karen McKechnie at mckechnie@callan.com.

20. Concerning the term, is the intention to have the term be seven (7) years PLUS the possibility of up to two, one year extension periods or a five (5) year term plus the possibility of up to two, one year extensions?

This contract is for a 7 year term with the possibility of two 1-year extensions.

21. Are the completed Tax Statement Certifications (ST-220-TD and ST-220-CA) required in the RFP submission or only upon selection?

These are needed at the time the contract is negotiated.

22. Are the evidence of Insurance, Exhibit F, Attachment A, required with the submission of the Vendor,

Yes. Proof of NYS Workers Compensation Insurance is form C105.2 and NYS Disability Insurance is form DB120.1. More information is available on the Workers Compensation Board's Web site: www.wcb.ny.gov.

23. Responsibility Questionnaire or only prior to Contract award?

The Vendor Responsibility Questionnaire is required as part of the RFP response.

24. Is the Equal Employment Opportunity submission required with our RFP response or only prior to Contract award?

The EEOC submission is required as part of the RFP response.

25. Please describe how your current provider distributes statements, reports and other documents to participating plans. Please describe any enhancements you desire in this distribution process.

Monthly reports are delivered via e-mail. Access to a real time portal should be available to all Board staff members.

26. Currently two of your funds, i.e., international equity fund - active and international equity fund - active, can be structured as multi-manager portfolios. Will you ask your future trustee and custodian to maintain a target asset allocation for sub-portfolios, rebalancing to target from time to time? Will you seek dynamic cash flow and on the fly rebalancing from your future provider? Or, will you seek passive cash flow at allocation? And is the longer term strategy to offer participants more or the same number of multi-fund investment options?

At this time, it is only the two multi-manager funds. However, the Board reserves the right to create more multimanager funds in the future should the investment structure change. Rebalancing is only required upon request.

27. Please provide a copy of current statements distributed to participating plans.

The current provider does not distribute statements to participating plans.

28. Is Investment Performance & Analytics as well as Compliance Monitoring in scope for the RFP search? What level of service is desired? (Daily / Monthly)

No

29. Appendix B (Fee Schedule) you note one (1) Wrapper, but pg. 3 references 2 book value wrappers. Did the fee schedule accidentally omit an additional wrapper?

At the time of the RFP, there were two book value wrappers. On 10/1/14, there will be three book value wrappers.