



**Request for Proposals  
For the Services of  
Global Custody and Securities Lending**

**May 2004**

**State of Connecticut  
Office of the Treasurer**

**Deadline: June 14, 2004 4:00 p.m.**



**State of Connecticut - Office of the Treasurer**

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**STATE OF CONNECTICUT  
OFFICE OF THE TREASURER  
Honorable Denise L. Nappier, State Treasurer**

**REQUEST FOR PROPOSALS  
Global Custody and Securities Lending Services**

**May 2004**

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### **SECTION I – INTRODUCTION AND PURPOSE OF THE RFP**

#### **A. Background**

The Office of the Treasurer of the State of Connecticut (“OTT” or the “Office of the Treasurer”) is responsible for the investment of a portfolio of pension and trust fund assets with a market value of approximately \$21 billion. This investment portfolio is referred to as the State of Connecticut Retirement Plans and Trust Funds (“CRPTF”). In addition, the OTT manages the State of Connecticut’s Short-Term Investment Fund (“STIF”), which has a market value of approximately \$4 billion and provides a safe, liquid and effective investment vehicle for the operating cash of the State, municipalities and other Connecticut political subdivisions.

More specifically, CRPTF consists of six defined-benefit plans and eight trust funds. The management of the assets is through the Combined Investment Fund, in which each pension and trust fund has participating shares. Approximately 160,000 active and retired employees and their dependents are members of CRPTF. Under State law, the Treasurer is the principal fiduciary of CRPTF with oversight from the Investment Advisory Council (“IAC”) which is comprised of 10 public members and representatives of employee bargaining units.

The funds comprising CRPTF are separate legally defined funds, which have been created by the Treasurer of the State of Connecticut under the authority of the Connecticut General Statutes (“CGS”) Section 3-31b. The funds of CRPTF are open-end, unitized portfolios consisting of the Cash Reserve Account, Mutual Equity Fund, Mutual Fixed Income Fund, International Stock Fund, Real Estate Fund, Commercial Mortgage Fund and the Private Investment Fund. CRPTF was established to provide a means for investing pension and other trust fund assets entrusted to the Treasurer in a variety of investment classes. The pension and trust funds own the units of the CRPTF. The OTT employs external advisors to invest each of the asset classes within the CRPTF.

STIF is an AAAm rated investment pool of high-quality, short-term money market instruments managed by the Treasurer’s Cash Management Division. Created in 1972, it serves as an investment vehicle for the operating cash of the Connecticut Treasury, Connecticut agencies and authorities, municipalities, and other political subdivisions of the State. STIF’s objective is to provide as high a level of current income as is consistent with (i) the safety of principal and (II) the provision of liquidity to meet participants’ daily cash flow requirements. During the 2003 fiscal year, STIF’s portfolio averaged \$3.7 billion. This represents 1,106 STIF accounts for 60 State agencies and authorities and 255 municipalities and local entities.

Additional information regarding the Office of the Treasurer, CRPTF, and STIF, including the 2003 Annual Report and the current Investment Policy Statement, is available on the Office of the Treasurer’s web site at [www.state.ct.us/ott](http://www.state.ct.us/ott). (Pertinent information is provided in the Exhibits Section as follows: Exhibit 1: CRPTF Investment and Portfolio Management Structure; Exhibit 2: CRPTF Investment Holdings; Exhibit 3: STIF Investment Holdings; and Exhibit 4: STIF Investment Policy.)



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### **B. Purpose**

The primary purpose of this Request for Proposals (“RFP”) is to identify the most qualified firm, or firms, to provide global custody and/or securities lending to CRPTF and custody and transfer agency (shareholder services) to STIF. The OTT may retain one or more firms for the service functions listed in Section II for the period January 1, 2005 through January 1, 2010, with options for renewal. Respondents may submit proposals for the following: (a) all of the service components listed in Section II; or (b) securities lending components alone.

This RFP contains (i) instructions governing the proposals to be submitted and the materials to be included therein, (ii) a description of services to be provided to the Office of the Treasurer, (iii) requirements that must be met to be eligible for consideration, (iv) general evaluation criteria, and (v) other requirements to be met by each respondent.

In response to this RFP, the successful respondent(s) will need to demonstrate expertise in global custody, unitized accounting and reporting, Internet applications, performance measurement & analytics, compliance monitoring, litigation & class action support, securities lending, cash management, and transfer agency services in a manner consistent with the OTT’s investment policies and guidelines and administrative guidelines. In addition, to be considered, each respondent’s proposal must meet the standards and requisites set forth in Section V, Proposal Requirements.

### **C. Minimum Qualifications**

Each respondent must satisfy each of the following minimum qualifications as of December 31, 2003, in order to be considered for the contract award:

1. The respondent must accept and enter into a written investment advisor/personal services contract as supplied by the Office of the Treasurer.
2. The respondent must agree to provide the services as detailed in Section II, as well as agree to all other requirements as stated in this RFP.
3. The respondent must exhibit a proven capability, qualification and responsibility to provide the services set forth in Section II, Scope of Services.
4. The respondent’s key professionals and the organization must not have, nor could they potentially have, a material conflict of interest with the Office of the Treasurer.
5. Respondents must meet the following:
  - a) At least \$1 billion in total market capitalization as of December 31, 2003.
  - b) At least \$500 billion in total tax-exempt assets under trust/custody as of December 31, 2003.
  - c) Minimum of 10 years experience in providing global trust/custody services for institutional tax-exempt investors.
  - d) Availability of Internet Access over the last three years ending December 31, 2003 of all Accounting Data (Holdings, Transactions, Income and Corporate Actions), Performance Measurement & Analytics (Returns, Portfolio Characteristics, Universe Comparison and Attribution), and Investment Guidelines Compliance Monitoring.



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- e) Minimum of 5 years experience in providing complete unitized investment accounting services to tax-exempt clients.
- f) At least \$100 billion in tax-exempt assets that your organization is currently providing unitized investment accounting services.
- g) Minimum of 5 years experience in providing transfer agency services for a total client asset base of at least \$25 billion.
- h) Minimum of 5 years experience in providing securities lending on an agency, principal or blended basis.
- i) At least \$100 billion in securities lending lendable base for each of the last five years ending December 31, 2003.
- j) Will accept responsibility for securities lending program as a fully indemnified program specific to borrower default and operational negligence.

**Respondents proposing a bundled capability of custody, securities lending and transfer agency must qualify with items a to j above.**

**Respondents proposing as a securities lending only proposal, must qualify with items a, h, i, and j above.**





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### **SECTION II – SCOPE OF SERVICES**

To facilitate the requirements of the CRPTF and STIF, the Office of the Treasurer is seeking proposals from qualified providers for custody and/or securities lending services. The service functions required are:

- Safekeeping of U.S. and Non-U.S. Assets;
- Settlement and Trade Processing;
- Income Collection;
- Accounting and Reporting - Unit Value Accounting;
- Cash Management – Cash Sweep;
- Securities Lending Services;
- Performance Measurement and Analytics;
- Support of Private Equity and Real Estate Investments;
- Compliance Monitoring- Risk and Internal Controls Accurate;
- Timely Pricing Internet Access;
- Class Action Litigation Support;
- Transfer Agency for STIF;
- Client Servicing.

Of particular concern to OTT are cost-effective solutions that embrace technology and expert systems, and a disciplined approach in the delivery of custody services. The successful respondent must demonstrate the ability to deploy automated solutions, and its electronic interfaces (web based applications) must be valuable. In addition, the following monthly reports are required from the Custodian in order to prepare Internal Financial Reports: Multi-currency Full Accrual Trade Date Asset and Transaction Statements, Statement of Changes in Net Assets, Unitized Plan Accounting Report, and a Fully Audited Annual Report. Active manager reconciliation impacts accurate reporting and performance measurement.

Performance measurement and analytics capabilities are crucial to the assignment. Full adherence to AIMR and GIPS should be applied when responding to this RFP. Respondent should demonstrate the ability to calculate returns on a gross and net of fee basis; support multiple benchmarks; generate relevant universes for comparative purposes; provide performance attribution, portfolio characteristics, and supplemental risk analysis; provide “look-through” reporting; and support alternative investments programs. Additional required investment capabilities include: the ability to calculate IRRs; perform “look-through” reporting; provide consolidated reports; and process venture capital stock distributions, including (but not limited to) familiarity with Rule 144, ability to complete all required forms, ability to sell shares and ensure proper settlement, and ability to facilitate processing of corporate actions.

The OTT also intends to review the merits of securities lending from a bundled (custody-based) and unbundled (third party-based) approach. The OTT believes that securities lending is conducted to generate incremental revenue. The investment objective to generate optimal incremental income within a high-quality investment program that safeguards the return of principal, maintains adequate daily liquidity, ensures diversification, and tightly controls exposure to fluctuating interest rates. The securities lending process shall be transparent to CRPTF's investment managers.



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The OTT expects client servicing to be the lynchpin in the timely, accurate delivery of services, including problem resolution. A best-in-class, best practice and partnership approach is preferred. The OTT expects the successful respondent to assign a knowledgeable, seasoned and responsive client servicing team to the OTT account.

The OTT also requires the custodian bank to provide transfer agency and dividend disbursing agency services (shareholder services) for STIF with respect to deposits and withdrawals by STIF participants.

The **Scope of Services** listed below represents the best practices for custodial services and functions required by the OTT and the best practices for comparable funds that require custody services. Please state if your firm is able to provide the services listed below by checking the boxes for each applicable item. If for any reason a service is not available, please explain.

**Respondents proposing a bundled custody, securities lending and transfer agency services should respond to Items A to O. Respondents proposing securities lending services (unbundled from custody) should respond to Item R.**

### **A. Safekeeping of U.S. and non-U.S. Assets:**

- ☐ The Custodian acts as the central depository and nominee holder of the assets of the OTT domestically and internationally and as the transaction-clearing agent for those assets.
- ☐ The Custodian is responsible for the safekeeping of the OTT's securities (physically or electronically) in a location and manner satisfactory to the OTT, with adequate controls and an adequate disaster preparedness plan.
- ☐ The Custodian is on-line with domestic depositories (e.g., DTC/PTC, Fed Book Entry System) and basic international depositories (Euroclear, Cedel).
- ☐ The Custodian is on-line with additional significant international depositories.
- ☐ The Custodian performs regular reconciliations with investment managers or provides information electronically to investment managers for reconciliation to ensure records are consistent.
- ☐ The Custodian ensures securities in omnibus accounts are attributed correctly to client accounts.
- ☐ The Custodian has a dedicated staff for foreign tax withholding.
- ☐ The Custodian ensures that accounts are grouped by tax treaty and claims for all clients are processed at the same time.
- ☐ The Custodian monitors outstanding foreign tax withholding claims, collects foreign tax reclaims in those countries where the OTT has investments (including filing of foreign tax reclaim forms), follows-up on a pro-active basis of delinquent reclaims, and offers "relief or exact at source" withholdings in all permissible countries.
- ☐ The Custodian is responsible for the timely notification of all corporate actions and activities including but not limited to tender offers, called bonds, class action suits, proxy statements and solicitations, proxy cards and annual reports. Also, upon request of the OTT, the timely certification of beneficial ownership and supporting documentation for the purposes of annual shareholder meeting attendance.
- ☐ The Custodian has services and support systems necessary for the timely exercise of corporate actions and proxy voting by the OTT, or its investment managers, as directed.



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- ☐ The Custodian offers income accrual in markets where sufficient depository controls and market infrastructure promotes efficient collection. The Custodian clearly identifies the markets in which it offers contractual income accrual.
- ☐ The Custodian identifies and collects on a timely basis all receipts/income that become due and payable on the OTT's assets, and makes timely payment of receipts/income with the income recognized in all developed markets (*e.g.*, MSCI EAFE countries) and many emerging markets on a contractual basis.
- ☐ The Custodian has a staff dedicated to income collection.
- ☐ The Custodian clearly identifies the circumstances under which it will rescind contractual income collections.
- ☐ The Custodian's securities monitoring and control system is fully integrated with its core accounting system, any subcustodians, and any depositories.
- ☐ The Custodian retains in-house expertise to maintain and upgrade the tracking and accounting system.
- ☐ The Custodian's performance measurement system is fully integrated and compatible with the core custody and accounting systems.
- ☐ The Custodian has significant control over performance systems product development and maintenance.

### **B. Settlement Process**

- ☐ The Custodian identifies those markets in which it performs contractual settlement.
- ☐ The Custodian provides contractual settlement in those markets with sufficient depository controls and where market infrastructure promotes efficient settlement.
- ☐ The Custodian maintains clear procedures for contractual settlement. The Custodian identifies the circumstances under which contractual settlement will be suspended.
- ☐ The Custodian has specific remedies for each level where a trade fails.
- ☐ The Custodian has well-defined methods for monitoring and managing failed trades.
- ☐ The Custodian recognizes securities settlement in all developed markets (*e.g.*, MSCI EAFE countries) and many emerging markets on a contractual basis.
- ☐ The Custodian acts as the primary contact for all of the OTT's investment managers for the resolution of trade discrepancies and also is responsible to assure that trades are affirmed by the appropriate manager.
- ☐ The Custodian notifies the OTT in a timely manner of failed trades. The Custodian does not insist that the investment manager is solely responsible for monitoring failed trades.
- ☐ The Custodian maintains and utilizes an independent control function reviewing failed trades over a certain threshold.
- ☐ The Custodian provides an automated exchange of daily investment data between the Custodian the OTT. Specifically, securities transaction clearing and settlement information is available to the OTT on-line, including all necessary notification and coordination with the OTT's investment and accounting staff, outside investment managers, and the OTT's banks that provide services other than custodial services.



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### **C. Accounting/Reporting**

- ☐ The Custodian's custody securities movement and control system and accounting systems are integrated and compatible.
- ☐ The Custodian has sufficient personnel and resources dedicated to technology.
- ☐ If the Custodian's securities tracking and control system was purchased from an outside vendor, the Custodian retains in-house expertise to maintain and upgrade the system.
- ☐ The Custodian has plans for systems enhancements to increase the functionality and capacity of the Custodian's systems.
- ☐ The Custodian backs up data on a daily basis.
- ☐ The Custodian's disaster recovery plan includes off-site back up of data and systems on a different power grid, and the Custodian tests the plan regularly.
- ☐ The Custodian's disaster recovery plan has comprehensive coverage over the areas affecting custody clients.
- ☐ If the Custodian purchased or leased a core accounting system from an outside vendor, the Custodian retains in-house expertise to maintain and upgrade the system. In-house expertise is particularly important if the system has been customized.
- ☐ The Custodian has the source code for those systems that were purchased from an outside vendor. If the Custodian does not have the source code, the Custodian has had the source code placed in an escrow account to which it will have access if there is a problem with the vendor.
- ☐ The Custodian uses an accounting system that is an integrated full accrual, trade date based, multi-currency general ledger accounting and reporting platform.
- ☐ The Custodian's systems are based on trade date and are designed for trade date accounting.
- ☐ The Custodian can accommodate multi-currency accounting (base and local currencies).
- ☐ The Custodian can do unitized accounting, with a proven record of existing accounts that utilizes unitized accounting.
- ☐ The Custodian can do dollar/plan accounting, with a proven record of existing accounts that require dollar/plan accounting.
- ☐ The Custodian's accounting systems can handle a significant number of sub ledger and plan accounts.
- ☐ Entries to the Custodian's accounting and securities tracking and control systems are automated.
- ☐ The Custodian's system captures OTC securities and structured derivatives.
- ☐ The Custodian's system captures the majority of security types.
- ☐ The Custodian's trade date accounting and reporting are appropriate to support the OTT's portfolio. The Accounting Department must have access to the Custodian-maintained accounting and custody data in on-line, real-time mode, and the capability to request ad hoc (as well as standard) system reports, is highly desirable.
- ☐ The Custodian's standard monthly audited report package includes a statement of assets and transactions, accrued income at month end, failed trade report, pending trade report, cash and cash equivalents sorted by fund. The monthly audited statements are available on-line no later than 10<sup>th</sup> business days after month-end. Unaudited statements are available on-line on the first business day after month-end.
- ☐ The Custodian can provide an annual audited report package on-line no later than 10 business days after the OTT closes its fiscal year-end (June 30). Unaudited statements are available on-line on the first business day after year-end.



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- ☐ The Custodian can provide audited plan accounting statements for the CRPTF (or unit holdings for each plan in the fund plus assets held directly) on a monthly basis. The plan accounting statements are available on-line no later than the 10<sup>th</sup> business days after month-end.
- ☐ The Custodian makes reports available on a settlement and trade date basis.
- ☐ The Custodian's Cash Flow Reports show the cash flows as specified by FASB Statements 95, 102, and 115, as applicable.
- ☐ The Custodian provides reporting for all securities as follows:
  - a) Cash transactions, by security, at manager and asset class/fund level for each day's cash transactions.
  - b) Five business day forecasts of cash transactions by security at the manager and fund level for each day of the forecast and a separate fund level report by security for each business day of the forecast. These daily cash reports are to be available by 7:30 A.M. ET daily.
  - c) For bond accounts, both cash receipt and cash forecast reports should list the principal, interest and total amount to be received for each security. Bond reports should be subtotaled by security type. These daily cash reports are to be received by 7:30 A.M. ET daily.
  - d) Monthly reports for domestic equity and fixed income securities must include all trade, income, and corporate action activity as well as all standard holdings information used for domestic equity and fixed income securities at both the manager and the fund level.
  - e) Monthly reports shall provide a summary of failed trades.
  - f) Monthly broker commission report. Detailed summary report of all broker commission activity during the fiscal year. Consolidated monthly statements into annual report.
  - g) A weekly report of month-to-date corporate actions by security for each manager account should be provided on the first business day of each week.
  - h) Monthly analysis of all transactions occurring during that month at both the manager and the fund level, stating month-end market and cost values, and all income, contributions, disbursements, transfers, and month-end accrued earnings adjustments sorted by account.
- ☐ The Custodian provides the following additional reporting for international investments:
  - a) Weekly trade activity reports by manager are available.
  - b) Monthly reports, which contain trade activity detail, income, and corporate action events in both base and local currency amounts, are available for global manager accounts. Detailed holding reports grouped by currency, indicating the number of shares, cost, and market value of equity holdings are in both base and local currency, as well as accounting for futures for currency hedging.
  - c) Monthly reports shall provide a detailed summary of failed trades and tax reclaims.
  - d) Cash journals by currency for each manager which detail all cash transactions are available with the monthly report package for each manager.
- ☐ The Custodian provides the following additional reporting for alternative investments:
  - a) The Custodian must maintain and report daily to CRPTF all information related to cash received and disbursed or distributions of securities by account.
  - b) Monthly reporting of all types of transactions is necessary for securities in this asset group.
- ☐ The Custodian will provide class-action information for securities that CRPTF owned in the relevant time periods, including notice of filing and settlement information as required.
- ☐ The Custodian will provide a summary of monthly securities lending transactions sorted by manager and account, stating gross income, rebates, bank fees, and net securities lending income summarized by account in an electronic format.



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- ☐ The Custodian will provide daily securities lending report detailing failed trades or pending fails because of failure to return lent securities.
- ☐ The Custodian will provide services and support systems necessary for the timely receipt, review, and monitoring of corporate actions and proxy voting according to specifications by the OTT.
- ☐ The Custodian will provide daily pricing for all publicly traded securities on a non-audited basis and end-of-month audited pricing for all securities, including private placements and non-publicly traded securities.
- ☐ The Custodian undertakes automated confirmation of stale pricing and has the appropriate methodology for fair market value pricing for illiquid securities and holdings.
- ☐ The Custodian has the ability to provide a proper valuation for real estate and private equity holdings using, at a minimum, a quarter lag cash flow adjusted roll forward valuation methodology.
- ☐ The Custodian has ability to provide “shadow accounting” of real estate and private equity asset classes.
- ☐ The Custodian participates and cooperates with scheduled audits and inventory of securities conducted by independent audit firms designated by the OTT.
- ☐ The Custodian maintains on-line accounting data on a prior-day basis and standard monthly accounting production reports.
- ☐ The Custodian processes on a daily basis all cash and non-cash (e.g., corporate actions) accounting transactions affecting assets held in custody.
- ☐ The Custodian has the ability to provide information to prepare GASB accounting reports.

### **D. Unit Value Accounting**

- ☐ The Custodian can unitize CRPTF, utilizing equitable share accounting (unit and dollar basis).
- ☐ The Custodian has experience unitizing accounts at least on a monthly basis.
- ☐ The Custodian can accrue fees in NAV calculations on a daily basis.
- ☐ The Custodian reviews corporate actions, unrealized gains and losses, and foreign exchange in striking NAVs.
- ☐ The Custodian has experience with unit pricing for all asset classes (Domestic Equity, Fixed Income, International Equity, Mortgages, Real Estate and Private Equity)
- ☐ The Custodian can collect NAVs and do unit pricing in a daily environment and provide for an audited unit value at the fund level at least monthly.
- ☐ The Custodian is able to strike a NAV for illiquid asset classes at least monthly.
- ☐ The Custodian has daily on-line access to NAVs.
- ☐ The Custodian shall provide for a clear and detailed policy on Materiality Thresholds and Error Resolutions.
- ☐ The Custodian has clear procedures for researching NAV errors, communicating problems to the client, reprocessing NAVs, and making clients whole in the event of a loss due to calculation errors.
- ☐ The Custodian can provide audited monthly unit values for CRPTF as follows:
  - a) The Custodian can provide accounting resources for unitized accounting in electronic format.
  - b) The Custodian should have an experience with unit value pricing and should be able to calculate NAVs in a daily environment.





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- c) The Custodian will need to communicate relevant monthly NAV information electronically to the OTT.
- d) The Custodian should make available audited NAV calculations no later than the 10<sup>th</sup> business day after month-end.

### **E. Accurate and Timely Pricing**

- ☐ The Custodian uses independent pricing sources.
- ☐ The Custodian provides daily pricing.
- ☐ The Custodian has a rigorous, independent methodology to price illiquid and highly structured securities.
- ☐ For liquid securities, the Custodian checks prices against additional pricing sources.
- ☐ The Custodian uses automatic price feeds.
- ☐ The Custodian flags price differences that exceed a custody-established threshold of variance.
- ☐ The Custodian has an established methodology for working out price differences with investment managers.
- ☐ The Custodian has access to independent sources that are used as the final price for problem securities. The Custodian does not have to rely on the investment manager for independent prices.
- ☐ The Custodian has a mechanism for notifying clients of problematic price differentials.
- ☐ The Custodian has an up-front check on the quality of pricing data coming in from vendors.
- ☐ The Custodian has a methodology for assessing whether asset identifiers are consistent between the Custodian's accounts and the vendor's price feed.
- ☐ The Custodian maintains control mechanisms for manual overrides on pricing illiquid or highly structured securities.
- ☐ The Custodian has an appropriate level of review of pricing problems.
- ☐ The Custodian works actively with pricing vendors to resolve EMU problems.

### **F. Risk Analysis System/Internal Controls**

- ☐ The Custodian runs an automated exception process.
- ☐ The Custodian has front-end edits to verify the integrity of trade data.
- ☐ The Custodian has specific guidelines for dealing with exceptions and problems at each level.
- ☐ The Custodian has a specific sign-off process for exceptions.
- ☐ The Custodian has specific materiality standards for re-processing client activity.
- ☐ The Custodian has a process for reconciling and following up with investment managers.
- ☐ The Custodian has completed a SAS 70 analysis prepared by an independent third party audit at least once a year.

### **G. Internet Accessibility**

- a) The Custodian has, at minimum, a fully functional Internet based on-line access system for reporting to clients and investment managers.
- b) The Custodian's on-line reports allow the client to establish regular automatic report run schedules.
- c) The Custodian has standard reports available on-line.



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- d) The Custodian has a browser-based on-line workstation that provides access to accounting data, security level information, corporate actions, income collection, cash movement and custody data.
- e) Clients can communicate with their client service team via the Custodian's on-line system.
- f) The Custodian's on-line system allows users to download data into standard desktop spreadsheet applications.
- g) The Custodian's on-line system allows clients to see pending trades, cash management information, general account statements, specific asset holdings, performance, and portfolio analysis.
- h) The Custodian's on-line systems allow flexible report formatting.
- i) A significant number of clients use the Custodian's on-line systems.
- j) A significant number of investment managers use the Custodian's on-line systems.
- k) The Custodian has on-line help available for a significant part of the day.
- l) The client can retrieve intra-period data easily from the Custodian's on-line system.
- m) The Custodian's daily reports include information from the prior business day.
- n) The Custodian offers comprehensive client training.
- o) The Custodian's on-line systems support capable of accommodating current and anticipated OTT service needs, including but not limited to:
  - p) Multi-terminal on-line or Internet access to the Custodian's securities movement and control and accounting systems.
  - q) On-line access 6:00 a.m. to 10:00 p.m. ET Monday through Friday.
  - r) Ability to create ad hoc reports on sales, purchases, income, holdings at manager level, multiple managers, and total fund level. Ability to provide these reports by alpha sort, industry sort, CUSIP sort, and ticker sort.
  - s) Access to 18 months of historical accounting reports and custody transactions on-line.
  - t) Daily actual and traded cash positions (on-line real-time).
  - u) Multi-level database security controls.
  - v) On-line trade entry.
  - w) The ability to provide formatted data to the OTT and external sources designated by the OTT (e.g., to third-party performance measurement vendor).
  - x) Transmitting to an off-site emergency processing center established by the OTT.

### **H. Cash Management (CRPTF)**

- ☐ The Custodian's global cash management function has regional centralization.
- ☐ Clients can choose among global cash management options that will earn interest for the CRPTF.
- ☐ The Custodian has a clear schedule of charges for overdraft problems.
- ☐ The Custodian has overnight cash sweeps, including overnight multi-currency cash sweeps.
- ☐ The Custodian has cash management vehicles available for each investment risk tolerance.
- ☐ The Custodian fees are disclosed and are competitive.
- ☐ The Custodian will work with third-party cash managers.
- ☐ The Custodian allows clients to maintain separate accounts versus investing short term funds through a pool of assets.
- ☐ The Custodian makes contributions available for investment same-day.
- ☐ The Custodian can accommodate a one day notification prior to cash disbursements.
- ☐ The Custodian can work with third parties (investment managers, transfer agents or participants) to facilitate collections and withdrawals in a daily environment.





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- ☐ The Custodian has a clear float management policy.
- ☐ The Custodian ensures that accounts are compensated for any and all uncredited income.
- ☐ The Custodian's cash management services and cash movement operations can facilitate the daily investment of all available cash in domestic and international accounts. The Custodian maintains CRPTF's "cash management account" with excess funds invested daily in a short term investment fund or vehicle, including completion of a monthly reconciliation and a statement of interest earned in the short term investment fund or money market fund.

### **I. Foreign Exchange**

- ☐ The Custodian automatically flags off-market transactions (off-market is considered to be 10% or greater variance).
- ☐ The Custodian ensures that an independent controller reviews all off-market transactions and indicates the reasons for the price.
- ☐ The Custodian discloses to clients any conflicts of interest.
- ☐ The Custodian ensures that an independent controller reviews failed foreign exchange transactions.
- ☐ The Custodian has a desk of foreign exchange traders that can execute transactions in the inter-bank market.
- ☐ The Custodian gives clients 24-hour access to foreign exchange markets.
- ☐ The Custodian can execute a significant number of foreign exchange trades directly in the market.
- ☐ The Custodian does not have to rely on a local broker.
- ☐ The Custodian provides additional research and references to clients on a regular basis.

### **J. Safekeeping for Derivatives and Non-Dollar Bonds**

- ☐ The Custodian must have relationships with exchanges on which derivatives are traded because they are held on the exchanges where purchased.
- ☐ For non-dollar bonds, depositories such as CLEARSTREAM or EUROCLEAR are used by the Custodian. However, the Custodian must have a relationship with a local sub-custodian when CLEARSTREAM or EUROCLEAR is not available.
- ☐ The Custodian has a clear understanding of FASB 133.
- ☐ The Custodian must be able to properly record and monitor securities movements for proper accounting of derivatives and non-dollar assets.

### **K. Securities Lending Services**

- ☐ The Custodian has an automated account allocation system for lending of client accounts.
- ☐ The Custodian offers a wide range of lending programs.
- ☐ The Custodian offers a range of collateral reinvestment programs with varying levels of risk.
- ☐ The Custodian offers varying levels of indemnification.
- ☐ The Custodian shall have a clear marking to market policy and actively monitors collateralization levels for all securities and currencies.
- ☐ The Custodian keeps track of all open and term loans.
- ☐ The Custodian can provide a breakdown of securities lending returns between lending income and reinvestment income.



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- ☐ The Custodian does not allow senders to override the account allocation system without generating an exception report.
- ☐ The Custodian requires independent controllers to follow up on exceptions generated from manually overriding account allocations.
- ☐ The Custodian requires that lenders and reinvestment managers be physically separated and operate on different incentive goals.
- ☐ The Custodian requires that international securities lenders understand how to perfect collateral in all the markets in which they lend.
- ☐ The Custodian has a clear methodology for determining acceptable borrowers within the securities lending program.
- ☐ The Custodian has a written policy on how it reviews lending limits.
- ☐ The Custodian requires an independent counterparty credit review performed by the credit area.
- ☐ The Custodian requires that the independent credit area actively monitor loans outstanding.
- ☐ The Custodian requires an independent review of collateral reinvestment activities to ensure client/investment account guidelines are met.
- ☐ The Custodian actively monitors the gap (interest rate sensitivity) and duration mismatch of the collateral reinvestment relative to the loan.
- ☐ The Custodian has a methodology for reviewing returns and risks taken in its securities lending program.
- ☐ The Custodian, at the minimum, has a clear understanding of ERISA Guidelines related to securities lending.
- ☐ The Custodian's securities lending program has passed an independent audit for SAS 70 purposes.
- ☐ The Custodian is able to meet all the GASB reporting requirements specific to securities lending activities.

### **L. Performance Measurements/Analysis**

- ☐ The Custodian has a dedicated performance measurement client service team.
- ☐ The Custodian's performance measurement system is fully integrated and compatible with the Custodian's core custody and accounting systems.
- ☐ The Custodian has significant control over performance systems product development and maintenance.
- ☐ The Custodian's performance and analytics information is accessible on-line.
- ☐ The Custodian makes performance reports available by the 5<sup>th</sup> business day after books are closed.
- ☐ The Custodian's performance measurement reports are "user-friendly."
- ☐ The Custodian provides a wide array of domestic and global indexes for benchmarking and building customized benchmarks.
- ☐ The Custodian reconciles performance and holdings to investment managers.
- ☐ The Custodian provides unaudited flash performance reports monthly.
- ☐ The Custodian provides audited performance reports monthly.
- ☐ The Custodian calculates performance in compliance with GIPS/AIMR.
- ☐ The Custodian can calculate IRRs (dollar weighted) for real estate and private equity.
- ☐ The Custodian has the ability to calculate performance returns at the manager level and roll-up at the fund level.
- ☐ The Custodian provides client access to run customized performance reports on-line.



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- ☐ The Custodian offers hard copy performance report customization options.
- ☐ The Custodian provides third-party access to performance data on-line.
- ☐ The Custodian offers a universe comparison service at the asset class and fund level utilizing TUCS and/or relevant universes.
- ☐ The Custodian offers performance attribution analysis at the asset class, country, industry, and security level for domestic securities.
- ☐ The Custodian is able to generate portfolio characteristics at the equity (*i.e.*, price to book, earnings, etc.) and fixed income (convexity, duration, etc.) levels.
- ☐ The Custodian can provide a full array of risk adjusted performance statistics (such as Sharpe Ratio, Information Ratio, Treynor Ratio, Jensen's Alpha, and Downside Risk Measures).
- ☐ The Custodian offers style analysis.
- ☐ The Custodian provides AIMR compliant monthly, quarterly, and annual performance measurements according to industry standards for all portfolios. The OTT specifically requires rates of return for each plan, for the combined fund overall, and for each investment manager mandate. Monthly performance measurement services are required for all investment accounts, including the maintenance of historical returns, annualized and cumulative, of each fund option and investment manager mandate. The OTT also would need access to benchmark and index comparisons, including customized/blended benchmark reporting, and monthly/quarterly portfolio characteristics/analytics.

### **M. Compliance Monitoring**

- ☐ The Custodian offers investment manager compliance reporting.
- ☐ The Custodian offers post-trade pre-settlement compliance reporting on a monthly basis.
- ☐ The Custodian offers compliance reporting through its on-line reporting product.
- ☐ The Custodian's compliance reporting product allows screening by CUSIP, sector, and country.
- ☐ The Custodian offers compliance reporting at the portfolio manager level for domestic and global separate accounts.
- ☐ The Custodian notifies client of breaches of investment guidelines by a phone call from the regular client service team.
- ☐ The Custodian provides on-line investment and securities lending guideline compliance reporting for all investment and securities lending transactions for the OTT according to its guidelines as follows:
  - a) The screening of all investment and securities lending transactions in separately managed accounts for any exceptions to established guidelines as close to the time of trade/loan as possible. Investment and securities lending compliance testing should include all transactions for long and short term fixed income, domestic, international, and global equity investments, and alternative investments.
  - b) The reporting of any exceptions (pre-settlement) to established investment and securities lending guidelines to the OTT on a daily basis. The Custodian is not required to stop any transactions that are identified as out of compliance.
  - c) Monthly summary reporting of violations in both hard copy and electronic formats.

### **N. Corporate Governance and Litigation Support**

- ☐ The Custodian should be able to support active monitoring of proxy notification, voting and corporate governance policies of the OTT.



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- ☐ The Custodian must be able to block a specified number of shares of any holdings or securities to effect a proxy vote or class action filing.
- ☐ The Custodian has a client-accessible system for monitoring class action litigation and bankruptcy proceedings affecting portfolio securities held by client.
- ☐ The Custodian has a system of filing claim notices and other documents in connection with such proceedings.
- ☐ The Custodian has a system to track history of portfolio securities held during any periods that are the subject of such proceedings.
- ☐ The Custodian has a system to advise client and client's investment managers of significant dates and deadlines in respect of such proceedings, including but not limited to opt-out elections in class action litigation, deadlines for filing claims, deadlines for filing bankruptcy notices or claims.

### **O. Client Service**

- ☐ The Custodian shall assign a day-to-day administrator to act as one point of contact for the OTT.
- ☐ The Custodian shall assemble a team that has the requisite experience, tenure and knowledge in the delivery of the main functions that the OTT contracts with the Custodian.
- ☐ The Custodian shall maintain a Procedures Manual Handbook for CRPTF and STIF.
- ☐ The Custodian shall provide an education and training seminar at least once a year to ensure that the OTT is aware of new industry initiatives relative to custody, trade processing and related best practices.
- ☐ The Custodian shall develop a service level agreement with the OTT and review actual delivery results against benchmarks on a quarterly basis. Benchmarks are to include at least the following:
  - Respond to telephone inquiries within 24-hours.
  - For issues with a longer time to resolution, provide estimated time to resolve and weekly status reports for all outstanding issues.
  - Audited report delivery dates.
  - Confirmation of reconciliation of investment manager data to Custodian's books.

### **P. Others**

- ☐ The Custodian shall provide monthly evaluation of trade execution, including trading costs and brokerage commissions, of CRPTF's investment managers.
- ☐ The Custodian shall provide a fund structure and work flow analysis of the CRPTF Pension Fund Management Division and the STIF Cash Management Division to evaluate efficiencies and best practice standards.
- ☐ The Custodian shall provide such other services required by the CRPTF and normally performed by a master Custodian for a major pension fund that is deemed beneficial to the OTT.

### **Q. Transfer Agency and STIF Support Requirements**

- ☐ The Custodian shall provide the requisite safekeeping, trade processing and accounting requirements for STIF.



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- ☐ The Custodian shall act as the transfer agent and dividend disbursing agent for STIF with respect to deposits ("Deposits") and withdrawals ("Withdrawals") by STIF participants as follows:
  - a) Receive Deposits for acceptance.
  - b) Pursuant to deposit orders, issue the appropriate number of shares and log such shares in the appropriate Participant account.
  - c) Receive for acceptance withdrawal requests and withdrawal directions.
  - d) Pay over or cause to be paid over in the appropriate manner such monies as instructed by the withdrawing Participant.
  - e) Prepare and transmit interest payments and distributions paid by STIF.
  - f) Maintain records of account for and advise STIF and its Participants as to the foregoing.
  - g) Generate weekly/monthly position shareholder reports either online or hardcopy.
  - h) Generate weekly/monthly position reports aggregated by type of account – state agencies and/or local governments.
- ☐ The Custodian shall provide the following required services Participant Account Services, Customer Services, Client Administration, Interest/Dividend Processing, Shareholder Mailings, Reconciliation/ Control Services, Record Retention, and Conversion.
  - ☐ Participant Account Services
    - a) Establish accounts.
    - b) Maintain accounts.
    - c) Process deposits by wire, ACH or check.
    - d) Process redemptions by wire, ACH or check.
    - e) Wire or ACH redemption proceeds only to bank accounts previously authorized by at least two officials from the OTT or participant.
    - f) Provide systematic deposit and withdrawal plans.
    - g) Process automatic dividend/interest payments to another STIF account.
    - h) Process transfers between accounts.
    - i) Allow participants to initiate deposits and/or withdrawals via email or through an on-line system (optional).
    - j) Allow participants to verify participant initiated account activity and account balances via email confirmation or an online system (optional).
  - ☐ Customer Services
    - a) Provide a dedicated 800 telephone number answered by a customer service representative during regular business hours.
    - b) Record all customer service telephone calls.
    - c) Provide a dedicated 800 telephone number for a 24 hour automated voice response service that would provide yields, account balances, request for duplicate statements, and ACH transactions.
    - d) Process and respond to participant correspondence as required to support other services.
    - e) Provide an automated quality control program to ensure client expectations are followed accurately.
  - ☐ Client Administration
    - a) Provide daily cash calls.
    - b) Support on-request reporting needs as required.
  - ☐ Interest/Dividend Processing
    - a) Calculate, accrue and pay interest/dividends on a monthly basis, according to policies of the STIF.



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- ☐ Shareholder Mailings
  - a) Produce and mail confirmations of daily transactions.
  - b) Produce and mail monthly account statements.
  - c) Produce disbursement checks as requested.
- ☐ Reconciliation/Control Services
  - a) Reconcile the deposit, withdrawal and interest/dividend payment control accounts daily.
  - b) Execute money moves to and from the control accounts.
  - c) Balance all account accruals.
  - d) Balance master security holder files and sub-files.
- ☐ Record Retention
  - a) Maintain records of all shareholder source documents for five years.
  - b) Provide, on request, shareholder history statements for current and previous STIF fiscal year.
  - c) Provide historical transcripts for prior fiscal year.
- ☐ Conversion
  - a) Convert master file and non-history sub-files.
- ☐ STIF Programs
  - a) Honor instructions from Paying Agents designated by the OTT in terms of withdrawals.
  - b) Support STIF programs that allow participants to have debt service payments withdrawn from their STIF accounts according to pre-established schedules & sent to Paying Agents.
  - c) Process deposits to individual accounts based on instructions and aggregated transfers from the OTT.
- ☐ The Custodian shall support the operational requirements as specified in the STIF Investment Policy (Exhibit 4).
- ☐ The Custodian has a program to cover overdrafts.
- ☐ The Custodian has cash management vehicles available for each investment risk tolerance.
- ☐ The Custodian fees are disclosed and are competitive.
- ☐ The Custodian will work with in-house cash manager.
- ☐ The Custodian allows clients to maintain separate accounts versus investing short term funds through a pool of assets.
- ☐ The Custodian has a late day investment vehicle for the OTT.
- ☐ The Custodian ensures that contributions are available for investment same-day and withdrawals are available same day.
- ☐ The Custodian can work with third parties (investment managers, transfer agents or participants) to facilitate collections and withdrawals in a daily environment.
- ☐ The Custodian has a clear float management policy.
- ☐ The Custodian ensures that accounts are compensated for uncredited income.
- ☐ The Custodian can provide STIF Support (optional):
  - a) Ability to interface with Bloomberg to maintain an automated link to trade tickets and transaction activities within the STIF initiated by the investment officer (optional).
  - b) Generate weekly reports to complete Standard & Poor's Aggregate Portfolio Information Sheets.
  - c) Ability to support compliance requirements of the STIF.
  - d) On-line access to custody and accounting information of securities within the STIF.
  - e) Performance Measurement and Benchmark Comparison.





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### **R. Securities Lending (Unbundled from Custody)**

- ☐ The Lending Agent/Principal has an automated account allocation system for lending of client accounts.
- ☐ The Lending Agent/Principal offers a wide range of lending programs.
- ☐ The Lending Agent/Principal offers a range of collateral reinvestment programs with varying levels of risk.
- ☐ The Lending Agent/Principal offers varying levels of indemnification.
- ☐ The Lending Agent/Principal shall have a clear marking to market policy and actively monitors collateralization levels for all securities and currencies.
- ☐ The Lending Agent/Principal keeps track of all open and term loans.
- ☐ The Lending Agent/Principal can provide a breakdown of securities lending returns between lending income and reinvestment income.
- ☐ The Lending Agent/Principal cannot override the account allocation system without generating an exception report.
- ☐ The Lending Agent/Principal requires that independent controllers follow up on exceptions generated from manually overriding account allocations.
- ☐ The Lending Agent/Principal requires that lenders and reinvestment managers be physically separated and operate on different incentive goals.
- ☐ The Lending Agent/Principal requires that international securities lenders understand how to perfect collateral in all the markets in which they lend.
- ☐ The Lending Agent/Principal has a clear methodology for determining acceptable borrowers within the securities lending program.
- ☐ The Lending Agent/Principal has a written policy on how it reviews lending limits.
- ☐ The Lending Agent/Principal that there is an independent counterparty credit review performed by the credit area.
- ☐ The Lending Agent/Principal requires that the independent credit area actively monitors loans outstanding.
- ☐ The Lending Agent/Principal requires an independent review of collateral reinvestment activities to ensure client/investment account guidelines are met.
- ☐ The Lending Agent/Principal actively monitors the gap (interest rate sensitivity) and duration mismatch of the collateral reinvestment relative to the loan.
- ☐ The Lending Agent/Principal has a methodology for reviewing returns and risks taken in its securities lending program.
- ☐ The Lending Agent/Principal, at the minimum, has a clear understanding of ERISA Guidelines related to securities lending.
- ☐ The Lending Agent/Principal's securities lending program has passed an independent audit for SAS 70 purposes.
- ☐ The Lending Agent/Principal is able to meet all the GASB reporting requirements specific to securities lending activities.
- ☐ The Lending Agent/Principal performs daily reconciliations with the custodian or provides information electronically to investment managers for reconciliation to ensure records are consistent.
- ☐ The Lending Agent/Principal has significant control over the lending and reinvestment systems.
- ☐ The Lending Agent/Principal can provide a summary of the month's securities lending transactions sorted by manager and account, stating gross income, rebates, bank fees, and net securities lending income summarized by account in an electronic format.



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- ☐ The Lending Agent/Principal has a fully functional Internet based on-line access system for reporting.
- ☐ The Lending Agent/Principal allows clients to maintain separate or short term investment funds for the management of the collateral reinvestment.
- ☐ The Lending Agent/Principal is aware of the Proxy Voting and Corporate Governance requirements of the OTT.

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### **SECTION III – EVALUATION CRITERIA**

Respondents will be evaluated on the basis of their written responses to this RFP, additional written information as requested and oral interviews, if any, against the following criteria:

- Respondents for bundled custody, securities lending and transfer agency will be evaluated based on items 1 to 16 below.
- Respondents for securities lending only will be evaluated based on items 7 to 16 below.
  1. Respondent's overall ability to provide the scope of services required by CRPTF and STIF.
  2. Respondent's experience with tax-exempt clients and the depth of its custody products and services deliverables, and the availability of its key professionals, including the client servicing team to be assigned to serve the OTT relationship.
  3. Respondent's custody and core accounting platform used to meet the OTT's unitized environment and respondent's ability to support both liquid and illiquid asset classes.
  4. Respondent's system and technology infrastructure used in the delivery of required services, specifically in the area of Internet based on-line access to accounting, transactions, corporate actions, and other pertinent information required by the OTT.
  5. Respondent's performance measurement and analytic capabilities for both liquid and illiquid asset classes and investment guideline and compliance monitoring services.
  6. Respondent's ability to provide transfer agency and dividend/interest disbursement services required by the STIF.
  7. Respondent's securities lending capability, with a focus on risk management, and its ability to manage a program that would generate incremental revenue to CRPTF.
  8. Respondent's financial condition.
  9. Potential or actual material conflicts between respondent or respondent's key professionals and the Office of the Treasurer.
  10. The overall quality of respondent's written proposal and oral presentation, if any.
  11. Submitted samples of respondent's written materials presented to other institutional clients.
  12. Respondent's fee proposal.
  13. Respondent's equal employment opportunity record as evidenced by the composition of respondent's personnel and its affirmative action and equal employment opportunity policies and practices.
  14. Respondent's commitment to the State of Connecticut.
  15. Respondent's proven commitment to corporate citizenship.
  16. Respondent's ability to comply with CRPTF compliance reporting obligations.



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In addition, fees and compensation will be important factors in the evaluation process. The Treasurer, however, will not be required to select the lowest-cost respondent.

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### **SECTION IV – REQUIRED INFORMATION**

The purpose of this section is to identify the information that should be submitted in response to this RFP and the order in which it should appear in the proposal.

#### **A. Cover Letter**

The proposal shall contain a cover letter identifying the respondent's name, address, and the name, telephone number and email address of the person (or persons) authorized to represent the respondent regarding all matters related to the proposal. The letter also shall affirm the following:

1. The respondent has the current capability to provide the proposed services.
2. The respondent has reviewed the minimum qualifications and meets the eligibility criteria set forth in Section I, subsection C of this RFP. If a respondent does not meet the minimum qualifications, it must identify those qualifications it does not meet and make a detailed case as to why the Treasurer should consider that respondent.
3. The respondent has thoroughly reviewed the RFP.
4. The respondent acknowledges and accepts all terms and conditions included in the RFP.

In addition, a person authorized to bind the respondent to all commitments made in its proposal must sign the letter.

#### **B. General Information**

Each proposal shall include the following:

1. A description of the respondent's experience in providing the services identified in Section II, Scope of Services, to institutional investment clientele. The respondent should include references of such institutional clientele and examples of the products the respondent has provided to such clients.
2. The name, title, address and telephone number of three (3) client references the Office of the Treasurer may contact in connection with the respondent's proposal.
3. An executed copy of the CHRO Contract Compliance Regulations Notification to Respondents, attached hereto as Attachment A. Please furnish such information about your firm as is necessary for the Treasurer to make the required consideration.
4. The respondent's employment data on the federal EEO-1 Form or the Employment Information Form attached hereto as Attachment B. Please provide this data for the years ended September 30, 2001, 2002 and 2003.
5. Employment Practices: In addition to completing and submitting Attachments A and B (CHRO-Contract Compliance Regulations Notification to Respondents and Employer Information Report), please provide the Office of the Treasurer with the following information regarding your firm's employment practices:
  - a. A list of the titles and years of employment of women and minority key managers and/or senior officers.



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- b. Documentation of any changes in the number of women and minority professional or managerial staff over the past five (5) years.
  - c. Documentation of any promotions among minority professional or managerial staff over the past five (5) years.
  - d. A detailed description of your firm's equal opportunity and affirmative action policy and its overall performance.
  - e. A summary of your firm's goals and strategies regarding future recruitment and promotions.
  - f. A brief description of any recruiting initiatives used by your firm.
  - g. A description of any additional programs maintained by your firm that are geared towards expanding diversity in the workplace at the firm, including any apprenticeship programs.
  - h. An explanation of aspects of your firm's demographic representation that are in need of improvement.
6. A complete Disclosure of Third Party Fees form, attached hereto as Attachment C.
7. In addition to completing and submitting Attachment C, Disclosure of Third Party Fees, please describe in detail any circumstances under which the respondent or any individual in respondent's organization received or paid, or agreed to receive or pay, any compensation, finder's fees, or any other benefit from or to any third party in connection with this RFP or in procuring a contract with the OTT pursuant to this RFP.
8. A certified statement that none of the following have made a contribution to or solicited contributions on behalf of an exploratory committee or candidate committee established by a candidate for nomination or election to the Office of Connecticut State Treasurer in the 2002 campaign season:
  - a) Director of or person having an ownership interest in the respondent's entity greater than 5%;
  - b) The President, Treasurer, or Executive or Senior Vice President (or similar positions) of the respondent's entity;
  - c) An employee of the respondent's entity having managerial or discretionary responsibilities with respect to services provided to the OTT;
  - d) The spouse or dependent child of any individuals described in this sub-section; or
  - e) A political committee or political action committee established by the respondent's firm or on behalf of an individual identified in this sub-section.
9. A completed and executed Treasury Vendor Integrity Affidavit, attached hereto as Attachment D.
10. Campaign Contributions: Section 9-333n(f) of the Connecticut General Statutes (the "Elections Laws") prohibits contributions to or solicitations on behalf of a candidate for the Treasurer of the State of Connecticut from firms providing or seeking to provide investment services. The Office of the Treasurer requests that each respondent affirm that it has complied with the provisions of the Elections Laws, and that neither a political



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committee established by such respondent or any of its directors, officers, owners, managers (or the respective spouse or a dependent child of an individual described above), or a political committee established by or on behalf of an individual described above has made a contribution to or solicited contributions on behalf of a candidate for the Office of the Treasurer during the term of office of such Treasurer who pays compensation, expenses or fees or issues a contract to such Contractor.

Has the respondent or any of its directors, officers, owners or managers (or the respective spouse or dependent child of an individual described above) made or solicited any campaign contributions to or on behalf of a candidate for the Office of the Treasurer during the last election cycle? Please explain using the form provided as Attachment E, Campaign Contribution Disclosure Form.

11. A completed statement on Corporate Citizenship attached hereto as Attachment F.
12. Boycott Participation: All vendors doing business with the OTT must covenant that they will not make any investments in, or do business with, as applicable, any company that is domiciled in any country that is, at the time of such transaction, known to be under an embargo enforced by the United States Treasury Department's Office of Foreign Assets Control.

Does your firm have established procedures in place in order to prevent the violation of such embargoes? If yes, please describe.

13. Notice of Certain Legal Proceedings:
  - a. Each respondent shall disclose any and all known or threatened material lawsuits, legal or administrative proceedings or governmental investigations, criminal actions or law enforcement activities (including those by federal, state or local authorities, or self-regulatory organizations) or non-routine Securities and Exchange Commission inquiries or investigations relating to respondent or any of respondent's affiliate, including any proceedings to which respondent, its affiliates, or any of their respective officers, directors or employees, is a named party or of which any of such has been the focus. Is respondent aware of any activities of its firm, its affiliates, or their respective officers, directors or employees, that are likely to result in any of the above investigations or proceedings?
  - b. Please list and describe any such proceedings or actions that have occurred in the last five (5) years, including whether respondent or any of its affiliates, or their respective officers, directors or employees has been censured by any regulatory body.
  - c. In the last five (5) years, has respondent, its principals or any of respondent's affiliates submitted a claim for errors & omissions, fiduciary liability and/or fidelity bond insurance coverage? If yes, please explain and provide details.
  - d. Does respondent have a procedure by which it may undertake internal investigations of its employees, officers and directors? Please describe. Please disclose any and all ongoing internal investigations of any of respondent's officers, directors or employees. Please give specific attention to those persons who would be closely responsible for the products or services sought by the Office of the Treasurer.



## **State of Connecticut - Office of the Treasurer**

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- e. Please list any possible, known or potential conflicts of interests with the Office of the Treasurer the respondent may have.

### **14. Anti-Terrorism; Global Security Risk Assessment**

#### **a. Foreign Assets Control Regulations; Anti-Terrorism Order**

1. Is respondent included on the Specially Designated Nationals and Blocked Persons List of the United States Treasury Department's Office of Foreign Assets Control?
2. To the best of its knowledge, by agreeing to provide, and in providing, the services pursuant to this RFP, will respondent be in violation of the International Money Laundering Abatement and Anti-Terrorism Financing Act of 2001 (as it may be amended from time to time) and any regulations promulgated thereunder?
3. To the best of its knowledge, is respondent a party with which the Treasurer is prohibited from dealing under the laws of the United States?

- b. Foreign Corrupt Practices Act. Each firm doing business with the OTT must attest that it will not knowingly violate the United States Foreign Corrupt Practices Act, as amended from time to time, or similar acts or laws of certain other countries.

Does your firm have established procedures in place to prevent it from, directly or indirectly, knowingly making any payments to any government official or government employee, or others acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, unless such payment would be expressly permitted under the written laws of the jurisdiction where your firm resides and of such official's jurisdiction of residence? If so, please describe.

- c. Global Security Risk Assessment. Each firm doing business with the OTT must attest that it will not knowingly compromise the national security interests of the United States.

Does your firm undertake ongoing global security risk assessments of those companies with which it does business that have financial ties or business activities in federally designated terrorist-sponsoring countries, as defined under United States policy?

Does the respondent undertake such ongoing assessments? If yes, please explain.

Do any companies with which the respondent does business or with whom it has financial ties is operating in any manner that would compromise the national security interests of the United States?

- 15. **Investor Protection Principles:** Every financial organization that provides investment banking services and is retained or engaged by the Office of the Treasurer shall be required to have adopted the reforms set forth in the global settlement agreement between various investment banking firms and the Securities and Exchange Commission (the "SEC"), the NASD, the New York Stock Exchange, the Office of the New York Attorney General, and the North American Securities Administrators Association entered into on April 28, 2003 (the "Global Settlement Agreement"). These reforms are referred to as "the Investment Protection Principles."

If respondent provides investment-banking services, has respondent undertaken procedures or written policies to implement the principles set forth in the Global Settlement Agreement? If yes, please explain these procedures.



## **State of Connecticut - Office of the Treasurer**

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If respondent's firm has not adopted any such procedures or written policies, please explain why not.

### **C. Summary of Proposed Services**

Generally describe the respondent's approach and plans for accomplishing the work it is bidding on as outlined in Section II, Scope of Services. The description should be provided in sufficient detail to permit the Office of the Treasurer to evaluate proposals fairly without the possibility of misinterpretation. The respondent should indicate any additional tasks that are necessary and/or advisable that it recommends

Summarize your firm's plan for working with OTT personnel in an effective, mutually agreeable contractor-client relationship. Respondents should provide a detailed description of the information and assistance the respondent will require from OTT staff in the provision of the services required to satisfy Section II, Scope of Services.

Respondents are encouraged to suggest alternative or innovative approaches to meeting the Office of the Treasurer's service requirements that are set forth in Section II, Scope of Services. Such alternatives should be described clearly and priced separately.

Depending on which services respondent is interested in providing, this section shall contain a general overview and a response to each required service item related to the services proposed. The detailed portion shall clearly and precisely follow the format of Section II, Scope of Services.

### **D. Questionnaire and Securities Revenue Lending Worksheet**

All respondents shall complete and submit the questionnaire attached hereto as Appendix I. All those respondents interested in providing securities lending services shall complete the Securities Lending Revenue Estimate Worksheet attached hereto as Appendix II.

### **E. Price**

All firms must respond to Appendix III in order to be considered.

1. Complete Appendix III, Custody Fee Worksheet, in order for the OTT to determine the fees and costs for the required services detailed in Section II: Scope of Services on which the respondent is bidding. In addition, present any potential revision to the fees presented in Appendix III, Custody Fee Worksheet, in the case where discounts to the fees presented are available if more than one service is to be provided by the respondent, if applicable (e.g., bundled fees). Describe the respondent's fee schedule in both narrative form and by means of an example calculation.
2. Provide estimates of any other expenses that would be charged exclusive of proposed fee schedules.

**Note:** The Office of the Treasurer intends to enter into a contract or contracts with those respondents that are selected. Final fee calculations and the basis thereof will be determined during contract review and negotiation.



## **State of Connecticut - Office of the Treasurer**

### **SECTION V – PROPOSAL REQUIREMENTS**

The purpose of this section is to indicate the terms and conditions that will govern the submission and review of proposals made in response to the RFP. Firms selected to provide custody and/or securities lending services as part of this RFP process will be required to enter into a Personal Services Agreement with the Office of the Treasurer, the basic form of which is attached hereto as Exhibit 5, and may be amended from time to time, at the Treasurer's sole discretion.

#### **A. Instructions for Completion**

Firms responding to the RFP shall:

1. Prepare their proposals according to the requested format as set forth herein.
2. Respond directly to each question posed herein.
3. Provide such relevant attachments as appropriate.
4. Submit their proposed fee calculation.

#### **B. Bid Due Date**

To be considered, each respondent must submit and deliver eight (8) printed proposals and eight (8) CD-ROMs to the Office of the Treasurer no later than **4:00 p.m., June 14, 2004**.

The envelope should be clearly labeled "**RFP Global Custody and Securities Lending Response-State of Connecticut.**"

Copies of each respondent's proposal (and CD-ROM) should be delivered to the following address:

(7 copies and 7 CD-ROM)  
Ms. Susan B. Sweeney  
Chief Investment Officer  
State of Connecticut, Office of the Treasurer  
55 Elm Street-6<sup>th</sup> floor  
Hartford, CT 06106

(1 copy and 1 CD-ROM)  
Mr. Bo Abesamis  
Senior Vice President and Manager  
Callan Associates Inc.  
101 California Street, Suite 3500  
San Francisco, CA 94111

It is each respondent's responsibility to deliver its response to the exact location specified above by the time indicated. Respondents mailing proposals should be certain to allow for sufficient mail-delivery time to ensure timely receipt of their proposals. Receipt after the time and date specified above or at another location will result in disqualification.





## **State of Connecticut - Office of the Treasurer**

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### **C. Cost Liability**

Neither the State of Connecticut nor the Office of the Treasurer shall be liable or responsible for any costs incurred by any respondents responding to this RFP or prior to the issuance of a contract. All costs incurred by the selected respondent after the issuance of the contract shall be paid in accordance with the applicable compensation schedule as may be agreed upon by the Office of the Treasurer. Expenses and costs incurred outside the scope of the applicable compensation schedule will not be paid by the State of Connecticut or the Office of the Treasurer.

### **D. Additional Information**

Questions regarding this RFP or requests for additional information should be directed to:

Bo Abesamis  
Senior Vice President and Manager  
Callan Associates Inc.  
101 California Street, Suite 3500  
San Francisco, CA 94111  
Telephone: (415) 274-3074  
Fax: (415) 291-4016  
Email: abesamis@callan.com

Interested firms should not contact any other employee of the Office of the Treasurer and the Office of the Attorney General concerning this RFP.

All correspondence, inquiry, and communications regarding the RFP should be directed to Bo Abesamis. Questions will be taken through June 4, 2004. Copies of all questions and answers will be provided to all potential respondents. No inquiries should be directed to any other entity or party regarding this RFP.

The Office of the Treasurer does not guarantee the validity or reliability of information obtained from other sources. If it becomes necessary to revise any part of this RFP, an addendum will be provided to all respondents that received the initial form of the RFP.

### **E. Respondent's Responsibility**

Each firm should familiarize itself with the service specifications and the work to be performed before submitting a response. All proposals are to remain valid for at least six (6) months from the date of submission.

### **F. Oral Presentation**

Respondents that submit a proposal in response to this RFP may be required to give oral presentation(s) of their proposals to the Office of the Treasurer and/or the Investment Advisory Council. This will give each respondent an opportunity to clarify or elaborate on its proposal, but in no way will change the respondent's original written submission. The Office of the Treasurer will determine the date, time and location of such presentations.



## **State of Connecticut - Office of the Treasurer**

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### **G. Disclosure of Proposal Contents**

All materials submitted by respondents shall become the property of the State of Connecticut and may be returned only at the State's option. Proposals submitted may be reviewed and evaluated by any person designated by the State, in its sole discretion. During the selection process, proposals shall not be revealed or discussed with competing respondents. Upon the execution of a contract with the successful respondent, the proposals will be available to the public to the extent required by law.

### **H. Economy of Presentation**

To be considered for selection, respondents must submit a complete response to this RFP. Proposals should be prepared simply and economically, providing a straightforward, concise description of the respondent's capabilities and approach in meeting the requirements set forth in this RFP. The emphasis should be on each proposal's completeness and clarity of content.

### **I. Rejection of Proposals**

**The Office of the Treasurer will be the sole judge of the respondent's responsiveness to the RFP and reserves the right to reject any or all responses, with or without cause, without incurring any liability whatsoever.**

### **J. Contract Execution**

After final firm selection, the OTT may enter into contract negotiations with the selected respondent to finalize terms, fees and conditions. This RFP and the selected respondent's proposal, or any part thereof, may be included in and made a part of the final contract. The resulting contract and all attachments shall be a public document.

If, in the sole opinion of the Office of the Treasurer, an acceptable contract with the selected respondent cannot be reached, the Treasurer reserves the right to disqualify such respondent and to negotiate with the next-preferred respondent.

### **K. Contract Term**

The Treasurer proposes to hire a custodian provider for the period from January 1, 2005 through December 31, 2010, with options for renewal. The contract shall include a 180-day out-clause. Specific to securities lending, the contract shall include a 30-day out clause.

### **L. Collusion**

By responding, the respondent represents that the proposal is not made in connection with any competing respondent submitting a separate response to the RFP, and is in all respects fair and without collusion or fraud. It is further represented that the respondent did not directly or indirectly induce any firm to submit a false or sham proposal or to refrain from proposing. In addition, the respondent represents that it did not participate in the RFP development process, had no knowledge of the specific contents of the RFP prior to its issuance, and that no employee of the agency participated directly or indirectly in the respondent's proposal preparation.



## **State of Connecticut - Office of the Treasurer**

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### **M. Further Instructions and Conditions**

1. Conformance with Instructions – All responses to this RFP must conform to these instructions. Failure to conform may be considered appropriate cause for rejection of the response.
2. Inclusion of Taxes in Prices – The Office of the Treasurer is exempt from the payment of excise, transportation, and sales and use taxes imposed by the Federal Government or any state or local government. Such taxes must not be included in prices.
3. Terms and Conditions of RFP – Submission of a proposal indicates the respondent's acceptance of the conditions contained in this RFP, unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the Office of the Treasurer and the firm selected.
4. Conformance with Statutes - Any contract awarded as a result of this RFP must be in full conformance with statutory requirements of the State of Connecticut and the U.S. Government.
5. Timing and Sequence – The timing and sequence of events resulting from this RFP will ultimately be determined solely by the Office of the Treasurer.
6. Stability of Proposed Prices - Price offerings from respondents must be valid for a period of 180 days from the due date of proposals.
7. Oral Agreements - Any alleged oral agreement or arrangement made by a respondent with any agency or employee shall be superseded by the written contract between the OTT and such a respondent.
8. Amending or Canceling Requests - The Treasurer reserves the right to amend or cancel this RFP, prior to the due date and time, at its sole discretion.
9. Rejection for Default or Misrepresentation - The Treasurer reserves the right to reject the proposal of any respondent that is in default of any prior contract, for misrepresentation or otherwise, as may be determined by the Office of the Treasurer.
10. State's Clerical Errors in Awards - The Office of the Treasurer reserves the right to correct inaccurate awards resulting from its clerical errors.
11. Rejection of Qualified Proposals - Proposals are subject to rejection in whole or in part if they limit or modify any of the terms and conditions and/or specification of the RFP.
12. Respondent's Presentation of Supporting Evidence - A respondent, if requested, must be prepared to present evidence of experience, ability, service facilities, and financial standing necessary to satisfactorily meet the requirements set forth or implied in its proposal.
13. Changes to Proposal - No additions or changes to a respondent's original proposal shall be allowed after submittal, except where corrections of errors or omissions may serve the best interests of the CRPTF. Clarification at the request of the agency may be required at the respondent's expense.
14. Right to Award, Reject or Waive – The Treasurer reserves the right to award in part, to reject any and all proposals in whole or in part, to waive technical defects, irregularities and omissions if, in its judgment, the best interests of the CRPTF will be served.



## **State of Connecticut - Office of the Treasurer**

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### **ATTACHMENT A**

#### **CHRO - CONTRACT COMPLIANCE REGULATIONS** **NOTIFICATION TO RESPONDENTS**

*Please refer to Section IV, B, item 3, in the Request for Proposals.*

The contract to be awarded is subject to compliance requirements mandated by Sections 4a-60 and 4A-60a of the Connecticut General Statutes; and, when the awarding agency is the State, Sections 45A-71(d) and 46a-81i(d) of the Connecticut General Statutes. There are Contract Compliance Regulations codified at Section 46A-68J-21 through 43 of the Regulations of Connecticut State Agencies which establish a procedure for the awarding of all contracts covered by Sections 4A-60 and 46a-71(d) of the Connecticut General Statutes.

According to Section 46a-68j-30(9) of the Contract Compliance Regulations, every agency awarding a contract subject to the contract compliance requirements has an obligation to "aggressively solicit the participation of legitimate minority business enterprises as respondents, contractors, subcontractors and suppliers of materials." "Minority business enterprise" is defined in Section 4a-60 of the Connecticut General Statutes as a business wherein fifty-one percent or more of the capital stock, or assets belong to a person or persons: "(1) Who are active in daily affairs of the enterprise; (2) who have the power to direct the management and policies of the enterprise; and (3) who are members of a minority, as such term is defined in subsection (a) of Section 32-9n." "Minority" group are defined in Section 32-9n of the Connecticut General Statutes as "(1) Black Americans ... (2) Hispanic Americans ... (3) persons who have origins in the Iberian Peninsula ... (4) Women ... (5) Asian Pacific Americans and Pacific Islander; (6) American Indians ... " An individual with disability is also a minority business enterprise as provided by Section 32-9e of the Connecticut General Statutes. The above definitions apply to the contract compliance requirements by virtue of Section 46a-68j-21(11) of the Contract Compliance Regulations.

The awarding agency will consider the following factors when reviewing the respondent's qualifications under the contract compliance requirements:

- a) the respondent's success in implementing an affirmative action plan;
- b) the respondent's success in developing an apprenticeship program complying with Sections 46a-68-1 to 46a-68-17 of the Regulations of Connecticut State Agencies, inclusive;
- c) the respondent's submission of EEO-1 data indicating that the composition of its workforce is at or near parity when compared to the racial and sexual composition of the workforce in the relevant labor market area; and
- d) the respondent's promise to set aside a portion of the contract for legitimate minority business enterprise. See Section 46a-68j-30(10) (E) of the Contract Compliance Regulations.

**\*INSTRUCTION:** Respondent must sign acknowledgment below, and return acknowledgment to Awarding Agency along with bid proposal.

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## **State of Connecticut - Office of the Treasurer**

The undersigned acknowledges receiving and reading a copy of the "Notification to Respondent's" form.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

On behalf of:

PROJECT NO.

\_\_\_\_\_  
\_\_\_\_\_



# State of Connecticut - Office of the Treasurer

## ATTACHMENT B

Please refer to Section IV, B, item 4 in the Request for Proposals.

EMPLOYMENT  
INFORMATION  
FORM

### STATE OF CONNECTICUT CONNECTICUT RETIREMENT PLANS & TRUST FUNDS WORKPLACE ANALYSIS AFFIRMATIVE ACTION REPORT FOR THE YEAR ENDING September 30, 2003

Company Name: _____ Street Address: _____ City: _____ State: _____							Phone Number: _____				
Job Categories	TOTALS	MALE					FEMALE				
		White (not of Hispanic Origin)	Black (not of Hispanic Origin)	Hispanic	Asian / Pacific Islander	American Indian or Alaskan Native	White (not of Hispanic Origin)	Black (not of Hispanic Origin)	Hispanic	Asian / Pacific Islander	American Indian or Alaskan Native
Please enter the number of employees in the blue shaded boxes.											
Senior Managers/Portfolio Managers	-	-	-	-	-	-	-	-	-	-	-
	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
Investment Professionals	-	-	-	-	-	-	-	-	-	-	
	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
Other Professionals	-	-	-	-	-	-	-	-	-	-	
	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
Sales & Marketing	-	-	-	-	-	-	-	-	-	-	
	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
Office and Clerical	-	-	-	-	-	-	-	-	-	-	
	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
TOTAL	-	-	-	-	-	-	-	-	-	-	
	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
Do you use minority businesses as subcontractors or suppliers? Yes <input type="checkbox"/> No <input type="checkbox"/>											
Do you use an Affirmative Action Plan? Yes <input type="checkbox"/> No <input type="checkbox"/>											
Describe your recruitment, hiring, training, promotion and anti-discrimination practices.											



**State of Connecticut - Office of the Treasurer**

The undersigned, on behalf of the company identified above, hereby certifies that the information set forth herein is true and accurate to the best of his/her knowledge and belief under penalty of perjury.

Type Name and Title

Signature

Telephone

Certifying Official:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 200\_\_\_\_.

\_\_\_\_\_  
Notary Public/Commissioner of the Superior Court



## State of Connecticut - Office of the Treasurer

### ATTACHMENT C

#### DISCLOSURE OF THIRD PARTY FEES<sup>1</sup>

*Please refer to Section IV, B, item 6 in the Request for Proposals.*

Submitted to DENISE L. NAPPIER, TREASURER OF THE STATE OF CONNECTICUT

State of \_\_\_\_\_ )  
County of \_\_\_\_\_ ) SS:

The undersigned, a duly authorized officer and/or representative of \_\_\_\_\_, a person or entity seeking to enter into a contract for investment services<sup>2</sup> with the Office of the Treasurer of the State of Connecticut, being duly sworn, hereby deposes and says that all third party fees<sup>3</sup> and/or agreements to pay third party fees attributable to any such contract for investment services are as follows:

NAME OF PAYEE	DOLLAR AMOUNT PAID OR VALUE OF NON-CASH COMPENSATION AND DATE	FEE ARRANGEMENT	SPECIFIC SERVICES PERFORMED BY PAYEE <sup>4</sup>

*(Attach additional copies of this page as necessary.)*

<sup>1</sup> For purposes of this disclosure, the term "third party fees" includes, but is not limited to, management fees, placement agent fees, solicitation fees, referral fees, promotion fees, introduction or matchmaker fees, and due diligence fees paid to any person or entity in connection with any transaction or ongoing arrangements related to procuring or doing business with the Office of the State Treasurer.

<sup>2</sup> "Investment services" means legal services, investment banking services, investment advisory services, underwriting services, financial advisory services or brokerage firm services.

<sup>3</sup> "Third party fees" includes, but is not limited to, management fees, placement agent fees, solicitation fees, referral fees, promotion fees, introduction or matchmaker fees, and due diligence fees.

<sup>4</sup> Where a provider of investment services describes in its affidavit the specific services performed by a third party payee, the provider of investment services shall disclose any and all contracts evidencing the terms of the fee arrangement and services.





**State of Connecticut - Office of the Treasurer**

The undersigned, on behalf of the company identified above, hereby certifies that the information set forth herein is true and accurate to the best of his/her knowledge and belief under penalty of perjury.

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 200\_\_\_\_.

\_\_\_\_\_  
Notary Public/Commissioner of the Superior Court

Rev. 6/19/00



## State of Connecticut - Office of the Treasurer

### ATTACHMENT D

#### Treasury Vendor Integrity Affidavit

*Please refer to Section IV, B, item 9 in the Request for Proposals.*

I, \_\_\_\_\_, have caused to be conducted, an inquiry into the gift giving practices, with respect to gifts as defined below ("Gifts"), of each official, employee or agent of \_\_\_\_\_ ("Company") who has authority to seek or secure a contract or lease with Office of the Connecticut State Treasurer (the "OTT") (each "Representative"), which inquiry included: (i) a query of each Representative<sup>5</sup> and (ii) an investigation of all Company records in existence and available that relate to the giving of Gifts<sup>6</sup>, and, based on and subject solely to the findings of the above-described inquiry, I hereby swear that, during the ten years preceding the date of this affidavit, neither I nor any Representative has provided or caused to be provided Gifts, as defined in Conn. Gen. Stat. §1-79(e), except as otherwise set forth below, including a gift for the celebration of a major life event as described in Conn. Gen. Stat. §1-79(e)(12), to an official or employee of the OTT who had a substantial role in selecting Company as a vendor to the OTT ("Responsible Official"). Further, I am not aware of any employee or agent of Company who is not also a Representative having given any Gifts to a Responsible Official. I hereby represent that I have the authority and ability to instigate and authorize the above-described inquiry. The following is a list naming all Responsible Officials:

Name of recipient of the gift	Description of gift and value	Date of gift
1. _____		
2. _____		
3. _____		
4. _____		

Sworn as true to the best of my knowledge and belief, false statement punishable under law:

\_\_\_\_\_  
Print name:

\_\_\_\_\_  
Date

Sworn and subscribed before me on this \_\_\_\_\_ day of \_\_\_\_\_, 200\_\_\_,

\_\_\_\_\_  
Commissioner of the Superior Court/Notary Public

<sup>5</sup>The query might consist of an email to all Representatives in a form similar to:

"During the past ten years, to the best of your knowledge and recollection, have you given or caused to be given, any gift to any of the following employees or officials of the Connecticut State Treasury [\_\_\_\_\_]. Only affirmative responses that indicate (a) the giver of the gift, (b) the receiver of the gift, (c) the value of the gift and (d) the date of the gift was given are required."

<sup>6</sup>To the extent such records exist and are reasonably and readily accessible.



**State of Connecticut - Office of the Treasurer**

**ATTACHMENT E**

**Campaign Contribution Disclosure Form**

*Please refer to Section IV, B, item 10 in the Request for Proposals.*

Please list any campaign contributions to, or solicitations on behalf of, a candidate for the Office of the Treasurer of the State of Connecticut during the last election cycle made by respondent or any of its directors, officers, owners, managers (or the respective spouse or a dependent child of an individual described above), or a political committee established by or on behalf of an individual described above.<sup>7</sup>

Name of Respondent: \_\_\_\_\_

<b>Name of Contributor (individual or organization)</b>	<b>Name of Recipient (individual or organization)</b>	<b>Date of Contribution</b>

<sup>7</sup> If additional space is required, please attach



## **State of Connecticut - Office of the Treasurer**

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### **ATTACHMENT F**

#### **Corporate Citizenship**

*Please refer to Section IV, B, item 11 in the Request for Proposals.*

Please provide the Office of the Treasurer with the following information regarding any of the respondent's policies/practices that demonstrates respondent's positive commitment to the communities in which it does business:

1. A summary of respondent's charitable giving activities including matching charitable contributions of employees and an outline of respondent's strategy for charitable giving activities.
2. A representative list of organizations that respondent supports or events that respondent has sponsored; indicate any Connecticut-based groups.
3. A list of names and addresses of women-owned, minority-owned, and emerging businesses with which respondent does business.
4. A brief description of any internship programs respondent offers and the applicable percentage of minority and women recipients.
5. A brief description of any scholarships respondent provides to students and the applicable percentage of minority and women recipients.
6. A detailed description of any written policies maintained by respondent that foster good corporate citizenship, and those that encourage respondent's employees to volunteer time or make charitable contributions. Particular focus should be given to efforts to promote good corporate citizenship in Connecticut.
7. A description of any written procurement policies or programs used by respondent to foster business relationships with women-owned, minority-owned and/or emerging businesses.
8. Any other information not covered above that would help give the Treasurer a better understanding of respondent's views on corporate citizenship.



## **State of Connecticut - Office of the Treasurer**

### **APPENDIX I**

#### **QUESTIONNAIRE**

*Please refer to Section IV, D, in the Request for Proposals.*

For a bundled Custody and Securities lending bids, kindly answer Sections A through V.

For Securities Lending Only Bids from Third Party providers, whether agent or principal, kindly answer Section N through V only.

#### **A. Experience**

1. Please give a brief overview of your firm, including the year founded, location of your headquarters and branch offices, ownership structure, significant recent (i.e., 3 years) organizational developments (e.g., changes in ownership, reorganization), anticipated changes in firm structure between the date of this document and the next 24 months and the number of years your firm has provided custody services for tax-exempt clients. Provide details of the financial condition of your firm.
2. Describe your firm's commitment to the State of Connecticut.
3. How many offices and employees does your firm have located within Connecticut?
4. Does your firm have a significant business presence in the State of Connecticut? Please describe this presence and its impact.
5. Describe your firm's procurement of goods and services from individuals or firms in the State of Connecticut.
6. Do you have national charter to provide trust and custody services? Is your firm registered under the Investment Advisory Act of 1940? If yes, please submit a copy of Form ADV with your response. If not, please explain the basis for the firm's registration exemption.
7. Please list each of your firm's lines of business and the approximate contribution of each such business to your organization's total revenue. If your firm is an affiliate or subsidiary of an organization, what percentage of the parent firm's total revenue does your subsidiary or affiliate generate?
8. What percentage of total revenues is a result of trust/custody services to institutional clients? What other services or products are offered?
9. List the office location (primary and secondary) from which the work is to be delivered.
10. Do you have tax-exempt clients within the State of Connecticut? Kindly provide the number of tax-exempt clients and the aggregate market value as of March 31, 2004.
11. Please provide a current list of your five (5) largest custody clients including name, contact, telephone number, asset values, and number of years the client has retained your firm and product or service the client uses. Please include three (3) public funds, one with total assets of approximately \$20 billion, if available. The Office of the Treasurer may contact any of these clients as references. If your firm requires advance notice of the Office of the Treasurer's intention to make inquiries, please indicate such requirement.



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12. Provide the number of your organization's clients as categorized in the following matrix. Report aggregate values of their total assets under custody in US \$ millions for periods specified.

### Total Tax Exempt Trust and Custody Clients Only

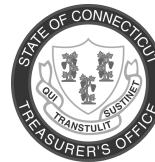
	Total Number of Clients	Asset Value (US\$ millions)
1999		
2000		
2001		
2002		
2003		

13. Provide the number of your organization's clients as categorized in the following matrix. Report aggregate values of their total assets under custody in US\$ millions for periods specified.

### Public Fund Custody Clients Only

	Total Number of Clients	Asset Value (US\$ millions)
1999		
2000		
2001		
2002		
2003		

14. Provide the number of **tax-exempt trust and custody accounts**, including global custody clients, gained and/or lost for the periods listed in the following matrix. Report corresponding market values in US\$ millions as of initiation date for clients gained and termination date for clients lost.



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### Total Trust and Custody Clients Only

	Clients Gained (Number)	Clients Gained (US\$ millions)	Clients Lost (Number)	Clients Lost (US\$ millions)
1999				
2000				
2001				
2002				
2003				

### Public Fund Custody Clients Only

	Clients Gained (Number)	Clients Gained (US\$ millions)	Clients Lost (Number)	Clients Lost (US\$ millions)
1999				
2000				
2001				
2002				
2003				

15. Provide your organization's client distribution as specified in the following table. Report aggregate market values of total assets under custody in US\$ million as of December 31, 2003.

### Tax-Exempt Client Asset Size Distribution

Distribution	Number of Clients	Number of Plans	Aggregate Market Value (US\$ millions)
<i>Taft Hartley-Union</i>			
Below \$500 million			
\$500+ million to \$1 billion			
\$1+ billion to \$5 billion			
\$5+ billion and Up			
<i>Corporate</i>			
Below \$500 million			
\$500+ million to \$1 billion			
\$1+ billion to \$5 billion			
\$5+ billion and Up			
<i>Public Fund</i>			
Below \$500 million			
\$500+ million to \$1 billion			
\$1+ billion to \$5 billion			



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Distribution	Number of Clients	Number of Plans	Aggregate Market Value (US\$ millions)
<b>\$5+ billion and Up</b>			
<i>Endowments &amp; Foundations, etc.</i>			
<b>Below \$500 million</b>			
<b>\$500+ million to \$1 billion</b>			
<b>\$1+ billion to \$5 billion</b>			
<b>\$5+ billion and Up</b>			
<b>TOTAL</b>			

### B. Risk and Insurance

1. Please enumerate substantive issues raised by independent auditors in your SAS 70 and issues published in your Form 10-Q. Provide a copy of the most recent annual report, Form 10-Q and SAS 70. Kindly label this packet.
2. Provide the following data and explain its implication.

#### **Capital Base December 31, 2003**

Capital Requirements	Current Ratios	Current Requirements
<i>Tier 1 Capital Ratio</i>		
<i>Total Capital Ratio</i>		
<i>Leverage Ratio</i>		

3. Provide your organization's current short term and long term credit rating. Any recent downgrades to your firm's short- and long-term credit rating?
4. Please describe the levels of coverage for errors and omissions insurance and any other fiduciary or professional liability insurance your firm carries. List the insurance carriers supplying the coverage. (A copy of your insurance policy may be required at a later date). Each description should include:
  - Risk Coverage
  - Carriers
  - Levels
  - Limits
  - Deductibles
  - Expiration
5. Is there any pending or threatened litigation against your firm, or has your firm been involved in any litigation or administrative action in the last five (5) years? Has your firm had a judgment rendered against it, or has your firm settled any litigation or disciplinary action for which the firm continues to make payments? If yes, provide a detailed explanation.
6. Is there any current investigation, administrative action and/or inquiry by regulatory agencies (*i.e.*, SEC, DoJ, DoL, Federal Reserve, etc.) in which your firm is involved? If yes, provide a detailed explanation.





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7. Describe in detail any potential for conflict of interest, which would be created by your firm's representation of the Office of the Treasurer. Please include any activities of affiliated or parent organizations, as well as other client relationships, which may inhibit services provided to the Office of the Treasurer.
8. Does your organization subcontract any of the services required by the OTT? Kindly state each contract vendor name and for which service functions or deliverables such vendor is used.
9. Please describe your business continuity and disaster recovery plans. When was the most recent test done? Indicate the date and results of the last testing of such emergency plan(s) and immediately report to the OTT the results of any subsequent test.
10. What will be the recovery time(s) and service level for critical custodial services in the case of a major disaster?
11. After September 11, 2001, what did you learn about your business continuity and disaster recovery plans? What actions have you taken to enhance and improve your preparedness and overall response?
12. Does the insurance clause cover "terrorism" and other related "September 11, 2001" disasters?

### **C. Client Servicing and Personnel**

1. What is your approach to client servicing? What would be the most distinct element of your client servicing approach that the OTT would benefit from and considered exceptional relative to the custody industry?
2. How is a servicing team structured around clients? What is the typical client load of your client servicing/relationship manager?
3. Please provide three (3) client references that converted to your organization in the last year for trust and custody services.
4. Please provide three (3) client references that departed your organization over the last year.
5. How do you propose to staff for the services required in this RFP both from a client servicing and actual daily service deliverables?
6. Will your organization assign a day-to-day administrator to act as the point of contact for the OTT?
7. What is the turnover over the last three years of the client servicing staff to be assigned to the OTT?
8. Please provide the names and bios of the client servicing team members as follows and as specified in the table below:
  - Client Servicing (including Conversion Team)
  - Custody Accountants and Valuation
  - Cash Management for Sweeps
  - Technology and Systems
  - Transfer Agency



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- Performance Measurement & Analytics
- Securities Lending (Lending and Collateral Management)

Name	Responsibility	Location	Number of Client Relationships	Years with Bank	Years Experience and Credentials

- How do you manage the client service team turnover and how does this process minimize the impact on your clients?
- Does the team handle other public fund clients, with the same unitized configuration as that of the CRPTF? Please enumerate other clients handled by the team.
- Do you have a dedicated unit for Public Funds? Please describe your structure.
- Do the client servicing personnel (*i.e.*, relationship manager and accountants) maintain a **procedures manual** for each client? What is the typical content of such a manual?
- Do you employ a formal client feedback survey to measure how well you are delivering the requirements of a client?
- Do you incorporate a “sundown” rule for problem resolution and follow-up within the survey?
- Please discuss opportunities that your financial institution offers to clients for training and continuing education, and whether those educational opportunities would be available to staff of the OTT.
- Are you able to provide different levels of training and education to OTT – at a minimum of 40 hours a year?
- Please provide tangible examples of “working partnership with clients” to develop best in class service. How do you develop best in class, best practice initiatives for clients?
- Indicate how customer satisfaction is monitored, and whether clients are provided with the ability to participate in the annual evaluations of their support group as well as overall service performances. If available, the custodian must provide the results of its most recent customer evaluation (name of customers may be deleted).
- Is your institution willing to establish a service-level agreement with performance standards in addition to the custody contract/agreement? Do you have other clients with which a service agreement has been instituted? If yes, please provide a recent service-level agreement with an actual client (name of customer may be deleted).

### D. Systems, R&D and Technology

- What are the Technology, R&D and Systems budgets (in actual US\$ terms) specific to trust and custody services over the next three years? What has been spent in the last three years?



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2. Do other areas of the bank share custody systems? Are there any time or resource constraints applicable to any shared systemic usage?
3. Provide a brief description of the information delivery system or workstation for client interface. Describe the levels of service, if any.
4. Is the above information delivery system subcontracted or in-house? If subcontracted, please specify the vendor name and release number, including the description of the relationship and how access to the source code is defined.
5. What data is available in your organization's on-line delivery system (*i.e.*, assets, transactions, corporate actions, pending trades, receivables, accruals, compliance checking, cash positions & management and forecasting, performance, analytics, etc.)?
6. Is training provided during the initial stages of conversion and ongoing? Please provide a structure for the OTT.
7. What technical support and client service resources will be dedicated to the OTT account for the purposes of installing, upgrading, supporting, troubleshooting, and maintaining your on-line client information delivery products?
8. Is the main on-line delivery in Windows 2000, NT, XP, and/or Internet delivery? Since when?
9. What is the operational functionality of both web based (Internet) on-line access and non-web based (Internet) applications?

Functionality	Available in Web Based (Yes or No)	<u>Date Introduced, Beta Test or Not Available</u>	Available in Non-Web Based (Yes or No)	<u>Date Introduced, Beta Test or Not Available</u>
Investment/Plan (Unitized) Accounting				
Assets & Transactions (Trade date, full accrual) Reports				
Security Level Information				
Cash Positions				
Net Asset Value				
Daily Pricing				
Failed Trades				
Income Tracking Report				
Corporate Actions				
Proxy Notification & Reminders, including Reporting				
Class Actions				
Trading Cost Analysis				



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Functionality	Available in Web Based (Yes or No)	Date Introduced, Beta Test or Not Available	Available in Non-Web Based (Yes or No)	Date Introduced, Beta Test or Not Available
Performance Measurement				
Compliance Monitoring				
Securities Lending				
Market Information				
Custom Reporting				
Scheduler				
Others: (Specify)				

10. Is information access done “real time on-line” or nightly batch download for the on-line systems (both web and non-web based platforms)?
11. Can we access your Internet deliverable (web based) and test-drive the application? If yes, please provide the site name and appropriate password.
12. How current is your available on-line information and how frequently is it updated (*i.e.*, real time – 5 to 20 minute delay, intraday (twice daily), end of day, or nightly batch load for next day morning access)? How many hours per day and days per year is it available?
13. What is your vision over the next five years in terms of your technology and processing capabilities that will ensure your competitiveness and existence?
14. Describe in full, your T+1 and Straight Through Processing (STP) initiatives, including project timelines and enhancements to your current processing environment.

### **E. Custody, Settlement & Trade Processing**

1. Are you able to meet the following functions?
  - Accept daily instructions from the investment managers.
  - Advise investment managers of daily changes in cash equivalent balances.
  - Immediately advise investment managers of additions or withdrawals from account.
  - Notify investment managers of tenders, rights, fractional shares of other dispositions of holdings.
  - Resolve any problems that investment managers may have relating to custodial account.
  - Safekeeping of securities.
  - Interest and dividend collection.
  - Daily cash sweep of the idle cash balance.
  - Process all investment manager transactions.
  - Collect proceeds from maturing securities.
  - Disburse all income or principal cash balances as directed.
  - Provide monthly statements by investment manager account and consolidated statement of all assets on both a plan and total trust levels.



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2. What is distinct about your custodial capabilities that we should know about for both domestic and international securities?
3. Are custody and accounting systems operating on an exception based processing environment?
4. Briefly describe the method and frequency of reconciling the custodian's positions with its depositories and subcustodians.
5. What securities have been misplaced or lost during the last three years? If any have been misplaced, describe the circumstance(s) and what was done to correct the problem.
6. Briefly describe the procedures used to ensure that physical securities are properly registered, transferred and in general, held, delivered and/or received in good deliverable form. Include any second party banks in the clearing of such securities.
7. State the value of assets held (as of December 31, 2003) at Depository Trust Company and Federal Reserve and the length of the direct participant relationship with the custodians.
8. State the value of assets for basic international depositories, such Euroclear and Cedel, as of December 31, 2003.
9. What was the trade volume (number and market value size) that you processed for the year ending December 31, 2003 and failed trades for US securities?

Trades	Volume (Number)	Total Market Value in US\$ millions	Fail Rate (%)
Purchases			
Sales			

10. What was the trade volume (number and market value size) that you processed for the year ending December 31, 2003 and failed trades for non-US securities?

Trades	Volume (Number)	Total Market Value in US\$ millions	Fail Rate (%)
Purchases			
Sales			

11. In the format below, please provide the purchases and sales fail rate for each of the last three years ending December 31, 2003 for the following securities.

Securities	Purchase Fails for the last Three Years Ending December 31, 2003 (%)	Sale Fails for the Last Three Years Ending December 31, 2003 (%)
Domestic Equity		
Domestic Bonds		
Mortgage Backed Securities/Structured		



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<b>Notes/Derivatives</b>		
<b>Int'l Equity EAFE</b>		
<b>Int'l Equity Non-EAFE</b>		
<b>Int'l Fixed Income</b>		
<b>Int'l FI Emerging Bond</b>		

12. Briefly describe the custodian's policy and procedures on failed trades for both domestic and foreign securities and the steps that will be taken to minimize trade failures.
13. Describe the custodian's "DK" procedures. How much time elapses until client notification? Describe the custodian's policy regarding restitution of lost interest for the OTT on a failed trade.
14. Do you offer remedies for each level of failed trades? Please describe.
15. Does your organization employ actual or contractual settlement date? Describe which methodology will be provided to OTT for all asset classes and the reasons behind such a policy.
16. It is the requirement of the OTT to have a contractual settlement. Is this requirement acceptable?
17. Country, specify the percentage, as it relates to contractual settlement of trades, and when trades actually settle after contract date for the four quarters ending December 31, 2003. List all countries in which a subcustody network. (The percentages per country should total to 100%.) Specify answers in the following format only.

<b>Country</b>	<b>Contractual S/D</b>	<b>Contractual S/D +5days</b>	<b>Contractual S/D +10 days</b>	<b>Contractual S/D + 30 days</b>	<b>Contractual S/D &gt; 30 days</b>
ex. Japan	10%	30%	50%	10%	

18. Do you subcontract global custody to another provider? Please describe. How many countries do you provide a subcustody network?
19. List all depositories, agents, and sub-custodian banks used in each country, including the U.S., on behalf of clients in the format described in the following chart. Identify those, which are affiliated with your company. For each country, indicate whether you use a central depository or physical delivery.

<b>Country</b>	<b>Subcustodian Bank</b>	<b>Hired or Established</b>	<b>Ownership 100%</b>	<b>Ownership &gt;50%</b>	<b>Ownership &lt;50%</b>	<b>Ownership 0%</b>	<b>Depository /Clearing Agent</b>	<b>Average Annual Fail Rate Sales + Purchases</b>
ex. Japan	Bank of Tokyo	1987				0%	N/A	<5%



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\*Specify the ownership participation of your organization with respect to each subcustodian listed using the following guide: 100% = 100% ownership; >50% = your organization owns between 50% and 100% of the subcustodian; <50% = your organization owns more than 0% but less than 50% of the subcustodian bank; and 0% = your organization has no ownership participation.

20. Do you employ 17f-5 and 17f-7 in the review and contracting arrangements with your subcustody network? Please explain.
21. Are you electronically linked with your sub-custody network and depositories? Please describe the core platform.
22. How are you addressing the requirements of STP Processing with your sub-custody and depository networks?

### F. Income Collection

1. Describe the custodian's standard policies on cash crediting and debiting, including cut-off deadlines for all securities both domestic and international.
2. Describe your procedures for ensuring that interest and dividends (domestic and international) are paid.
3. Will payments be credited in same day funds or clearinghouse funds for domestic and international securities?
4. When and in what instances do you rescind contractual income collections? What is/are your policy(s) for both domestic and international markets?
5. Does your organization have an auto credit program? If yes, describe the reason behind such a program? If no, why? Is there a fee associated with this service?
6. Do you track late collections of income? Can you produce a tracking report detailing outstanding claims? Do you notify clients of failures to collect or late collections of income?
7. Please describe your tax reclaim procedures for ADRs and international securities. Are you able to guarantee 100% relief?
8. What is tax relief at source and specify countries that you have such an arrangement?
9. What percentage of tax reclaims for the last three years ending December 31, 2003 was your organization able to get back?

International	Total Tax Available for Reclaim for the 3 Years Ending December 31, 2003 (US\$ amount)	Actual Reclaim less Outstanding for the 3 Years Ending December 31, 2003 (US\$ amount)
<b>EAFE Countries</b>		
<b>Non EAFE Countries</b>		



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### **G. Corporate Actions, Proxy, Class Action & Litigation Support**

1. Do you have a dedicated unit for corporate actions, proxy and class action? Please describe.
2. Briefly describe the custodian's corporate action procedures for domestic and foreign securities, including providing proxies, monitoring, etc. Include a list of the various sources the custodian uses for corporate action announcements.
3. In the even the custodian, or its sub-custodian or its depository, makes a mistake on a corporate action for which it received information and proper instructions that results in a loss to a client, describe the custodian's procedures for reimbursing the client.
4. What is distinct about your proxy notification and proxy voting service, whether in-house or subcontracted to a third-party?
5. What is distinct about your class action capabilities that would be beneficial to the OTT? Please describe in detail.
6. Is class action monitoring and filing of claims performed in-house or subcontracted?
7. Can the OTT access all proxy notification or voting matters through your on-line or internet system?
8. For domestic and foreign securities, describe the custodian's procedures for notification and processing of "blocked" shares during proxy voting periods. Do you offer segregated accounts to facilitate proxy voting in any markets?
9. How does the custodian handle class action suits (*e.g.*, NASDAQ Class Action)? Is there an additional charge for this service?
10. Does your organization handle filing of claim notices and other documents in connection with such proceedings?
11. Do you have a client accessible system of monitoring class action litigation and bankruptcy proceedings affecting the portfolio of securities of CRPTF?
12. Is your system able to handle and track history of securities held during the periods that are subject to proceedings?
13. Is your system able to advice clients and the client's investment managers of significant dates and deadlines in respect of such proceedings including but not limited to opt-up elections in class actions litigation, deadlines for filing claims and deadlines for filing bankruptcy notices or claims?
14. Please enumerate all class action, both pending and settled, that your organization assisted custody clients through the filing process. Kindly delineate both domestic and international filings.

### **H. Accounting and Reporting**

1. What is your investment manager reconciliation policy and procedure before audited statements are sent to clients? Is this proactive, reactive, or the onus is with the investment manager to reconcile to your information?





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2. Do you have built-in interfaces with CRPTF's investment managers? Please specify for each manager.

Manager	Phone/Fax	On-line/Internet	STP-SWIFT/ISO
TCW Cowen			
AXA Rosenberg			
TIMCO			
Bardays Global Investor			
Brown Capital			
State Street Global Advisors			
Loomis Sayles			
State Street Global Advisors			
Western Asset Management			
Wellington Mgmt. Company			
Phoenix Duff & Phelps			
Oaktree			
W.R. Huff			
Blackrock			
Morgan Stanley			
GMO			
State Street Global Advisors			
Schroders			
Clay Finlay			
Emerging Markets Mgmt			
Fidelity Investments			
INVESCO			
Merrill Lynch Inv. Mgmt.			
MFS Institutional			
Putnam Investments			
Bank of NY (Currency Overlay)			
Bridgewater (Currency Overlay)			



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3. Describe your organization's trust and plan accounting capability (include system name and year developed).
4. Is the system maintained in house or subcontracted or service bureau arrangement with a third party?
5. If subcontracted, please specify the vendor name and release number, including the description of the relationship and how access to the source code is defined.
6. Does your organization have a **general ledger accounting system in a full accrual trade date multi-currency basis**?
7. Enumerate a complete description of the general ledger system and the accounting fields (asset and transaction buckets, debit and credit tables, etc.) available.
8. The OTT considers the fund accounting provider as the "book of record" for assets and transactions. Do you accept this responsibility? Please describe.
9. What are the future or planned enhancements to your current accounting and reporting system? If planned changes or enhancements are envisioned, what are the advantages to clients?
10. Enumerate all data vendors utilized by your institution for pricing, fixed-income (*i.e.*, swaps) and mortgage factors, corporate actions, etc. Specify primary, secondary and tertiary sources.

Pricing Sources	For what type of Securities, Instruments or Asset Class	Specify if Primary or Secondary	Daily Feeds (Yes or No)

11. What types of reports are available to clients? List both standard and non-standard reports. Please provide samples.
12. Does your organization provide training in the interpretation and generation of accounting reports during the initial stages of conversion and on an on-going basis?
13. How many business days following the end of a reporting period are fully audited reports delivered in hard copy? Via electronic delivery (*i.e.*, on-line, PC download, CD, multimedia, etc.)?



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<b>Report Type</b> <i>Sample Only</i>	<b># of Days Audited (Hardcopy)</b>	<b># of Days Audited (On-line)</b>	<b># of Days Unaudited (Hardcopy)</b>	<b># of Days Unaudited (On-line)</b>
Asset Statement				
Transactions				
Corp. Actions				
Pending Trades				
Income				
Securities Lending				
etc.				

14. Can the OTT be assured that audited statements will be available on the 10<sup>th</sup> business day after month end? Please explain.
15. Describe the basis for monthly audited reports. Are the asset holdings and transactions based on settlement date accounting, settlement date accounting with pending trade adjustments, or trade date accounting?
16. Do you have the capability to generate trade cost analysis reports? Is this a standard service? Are additional fees required to gain access to trade cost analysis?
17. Is the processing of derivative instruments such as futures, swaps, and options done within the main accounting system? Is there a separate module or system dedicated to handling such securities?
18. How does your organization handle collateralized mortgage obligations, options/futures, derivatives, short sales and hedge fund accounting? Include the method used to calculate realized and unrealized gains and losses for each and the corresponding FASB (and or appropriate GASB equivalent) utilized to guide methodologies.
19. How do you handle security/cash transfers between accounts, specifically between custodied accounts and non-custodied accounts such as commingled funds? How does the client know that the cash balances and positions are in sync?
20. Describe special procedures for the processing, valuing and reporting of held elsewhere assets such as real estate, alternative investments, private equity, venture capital, and non-traditional assets.
21. The valuation of real estate and alternative investments is a key issue with the OTT. Kindly describe in full detail all valuation methodology that your clients utilize.
22. Given that CRPTF requires to cut a monthly NAV for the different Funds, what valuation methodology do you recommend for real estate and private equity?
23. Do you have the capability to handle real estate beyond line item reporting? If a client has actual property investments, in addition to commingled funds, are you set-up to provide trust and custody services? Please describe the extent and limits of your custody capabilities specific to real estate investments.
24. Specific to alternative investments, do you have capabilities to drill down to company (security) or partnership level in terms of monitoring? Kindly enumerate and delineate by



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types of alternative investments such as hedge funds, distressed, private equity, venture capital, real estate, absolute strategies, convertibles, etc.

25. Specific to commingled funds and limited partnerships, do you have the ability to capture CRPTF's pro-rata share of holdings for use in terms of monitoring and analytics?
26. Are outside vendors or software employed to handle real estate and alternative investments? If not, how did your organization achieve the in-house expertise?

### I. Unitization

1. Does your accounting system able to handle dollar allocation, unitization and/or mutual fund accounting requirements?
2. Describe your investment accounting capability (include system name and year developed) for unitized monthly or daily valued plans.
3. Please describe your dollar allocation, unitization and mutual fund accounting methodologies.
4. Do you have experience in unitizing retirement and trust funds for public plans? Please describe.
5. How did you develop this unitization capabilities? Please describe three (3) client relationships that support your unitization capabilities.
6. Provide the number of your organization's tax-exempt Defined Benefit clients (both corporate and public, excluding mutual fund companies) that utilizes a unitized pooling of assets from multiple participating plans or funds as categorized in the following matrix. Report aggregate values of their total assets in US \$ millions for periods specified.

#### **Unitized Plan Custody Clients Only**

	Total Number of Clients	Asset Value (US\$ millions)
<b>1999</b>		
<b>2000</b>		
<b>2001</b>		
<b>2002</b>		
<b>2003</b>		

7. List the information requested in the following matrix, in descending order by Total Asset Value, for the 10 largest **defined benefit clients with a unitized structure** relationships (actual assets that you provide fund accounting) of your organization as of December 31, 2003.



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### Ten Largest DB Unitized Plan Accounting

Name	Total Asset Value (US\$ million)	Total # of Plans	Start Date	Client Officer Relationship Names	Servicing and Manager

8. Please specify the formula or calculation methodology of your monthly NAV. Is this generated through equitable share (dollar) accounting or unitized accounting? What system is used (*i.e.*, InvestOne, internal, etc.)?
9. Why should we have confidence in your monthly NAV and your ability to deliver the NAV as of the 10<sup>th</sup> business day after month end?
10. What is your current policy on materiality or threshold limits on NAV errors on a daily basis?
11. What is your error resolution policy given a break in the materiality threshold at both the participant and fund level?
12. Variances in prices and fund NAV's are independently verified and reviewed by the client, custodian/fund accountant, and managers. Variances greater than the acceptable tolerance level will be researched. Please explain how errors beyond the acceptable tolerances are corrected. Will you indemnify or make the plan whole for such errors?
13. Calculation of NAV Process:  
Can you perform the following - yes or no and explain or describe?
  - Custodian/Fund Accountant should be willing to calculate net asset value (NAV) for each investment fund of the plan. The Custodian/Fund Accountant calculated NAV is referred to as "participant-traded unit value" or "unit value."
  - The NAV will incorporate investment fund performance as well as accruing plan expenses, if applicable.
  - The Custodian Bank/Fund Accountant receive prices for separate accounts and commingled funds directly from the investment manager" fund accountant.



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- The Custodian/Fund Accountant will accrue a daily expense factor when calculating the NAV's, if this is a plan provision. The amount to be accrued will be discussed with the OTT.
- Custodian/Fund Accountant performs several levels of review on the change in a fund's NAV for reasonability.
- Parameters are set in consultation with the OTT for an acceptable variance level for the change in both the price of securities in the account and the fund's NAV.
- The daily change in a fund's NAV is compared to the day's condition in that fund's particular market. Custodian/Fund Accountant should consult with the OTT on the applicable daily priced indices to be used for this comparison.
- Variances in prices and fund NAV's are independently verified and reviewed by the Custodian/Fund Accountant, Staff and Investment Managers. Variances greater than the acceptable tolerance level will be researched and the error resolution policy will be applied accordingly.

### **J. Cash Sweep/Short Term and FX Capabilities**

1. What investment vehicles are available for short-term investments (*i.e.*, Treasury Funds, Liquid Reserve, Regular Short Term Fund, Active Cash, Extended Maturity, etc.) applicable to CRPTF? Please identify and describe investment policies and guidelines, including each of the following for each fund or investment vehicle.
  - a) Investment Philosophy/Investment Advisor
  - b) Objectives and Guidelines
    - OCC Reg 9 or SEC Rule 2a-7
    - Liquidity
    - Exposure Limits
    - Credit Quality
    - Duration
    - Maturity
    - Derivatives Policy
    - Floating Rate Note Policy
  - c) Quarterly Investment Performance Net of Fees - for the last five years
  - d) Total expense ratio for these services
2. Given an average balance of \$1.8 billion in the Cash Reserve Account of CRPTF and the opportunity to manage the cash reserves, what is the total asset management fee (expense ratio) that you are able to provide on a relationship pricing basis if CRPTF elects to utilize a current cash management fund managed by your organization?
3. Which of your investment or cash management fund vehicle would be consistent with the Investment Policy and Guidelines as provided in Exhibit 4?
4. For each of the short term investment funds or vehicles available, what are the current market values as of December 31, 2003? For each of the funds, what is the market value holding percentage controlled by the three biggest participants in the funds?
5. Do you charge daily transaction costs for cash sweeps or 12-b1 fees?
6. Are you able to create a separate account for the \$1.8 billion cash/short term investment of CRPTF and what would be the asset management fee? Can the separate account be



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managed consistent with Exhibit 4 and/or OCC Reg 9 Guidelines? Please describe the following in your discussion.

- Liquidity
  - Exposure Limits
  - Credit Quality
  - Duration
  - Maturity
  - Derivatives Policy
  - Floating Rate Note Policy
7. Kindly provide the complete biographies and responsibilities of the Cash Management Team that would manage the short term assets of CRPTF?
  8. Prove three (3) client references that you provide short term asset/cash management of the same size or magnitude as that of CRPTF.
  9. What is your daily overdraft policy? What is your schedule of charges for overdraft positions?
  10. Overdrafts can occur for various reasons (*e.g.*, the failure of the custodian to deliver the requisite foreign currency to settle a trade, differing settlement standards, sub-custodian is in error, inability to recall securities that are out on loan, errors in trade processing and cash position monitoring,). Do you automatically apply overdraft charges regardless of the party in error? Please describe your policy. If custody related overdrafts occur, do the funds have the right to receive reimbursement equal to what your overdraft charges would be on a daily basis that the overdraft position is open or unresolved?
  11. What is the cut-off time for cash contributions received during the day and invested same day? What is the latest cut-off and what sweep vehicle or fund would that be?
  12. Do you require a one to two-day maximum notification prior to cash disbursements?
  13. Do you have the capability to provide a cash availability projection report? How many days is the cash projection (*i.e.*, 5 days, 10 days, 30 days, 60 days or 90 days)?
  14. Please describe your Foreign Currency management capabilities.
  15. Do you charge a penalty or administrative cost for currencies executed by a third-party other than the custodian bank? If so, what is the cost?
  16. How do you flag off-market transactions (off market is considered to be 10% or greater variance) in your foreign exchange execution service?
  17. How do you monitor failed foreign exchange transactions?

### **K. Performance Measurement and Analytics**

1. Do you have a dedicated performance and analytics group? Please describe.
2. Can your organization provide monthly, quarterly, calendar and fiscal year-to-date, annual, one (1) year, three (3) year, five (5) year, ten (10) year, and since inception performance?
3. Can performance, gross and net of fees, be calculated for each period?



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4. Can you backload historical returns?
5. Describe the process to assure GIPS/AIMR compliance.
6. What are the types of analytics and performance measurement currently available to clients for the asset classes enumerated below? (For example, BARRA Analytics, Vestek, global attribution, style analysis, portfolio characteristics, universe comparisons, TUCS, optimizations, CMS BondEdge, Salomon Yield Book, Venture Economics, Private I, trading cost analysis, etc.) Include a description of how the external provider's system will be integrated with the your records and the controls you will institute to ensure and validate the completeness, accuracy and integrity of the data and information generated by the system.
  - Domestic Equity Analytics
  - Bond Analytics
  - International Analytics
  - Overlay (Currency, Equity and Fixed) Analytics
  - Derivatives
  - Commodities
  - Real Estate
  - Alternative Investment and Private Equity
  - Commingled Funds and Mutual Funds
7. Are all of the performance measurement and analytic services described in the question above available on-line? If not, enumerate and specify the planned date of introduction for each.
8. Are there different levels of performance measurement and analytics services? If there are different service levels, describe whether they reside in one performance measurement module/system or multiple modules/systems.
9. What are your key strengths in the area of performance measurement and analytics? Any specific asset classes in which you excel?
10. What are relative weaknesses or capabilities that needs enhancement in your performance measurement and analytics?
11. What is different about your performance measurement and analytics capabilities in the areas of fixed-income, real estate and private equity that we should know about?
12. For private equity, can you provide continuously updated access to valuation and historic performance data, permitting it to be easily aggregated and disaggregated according to portfolio fund, company, investment strategy, industry, geography, manager and vintage year, and desktop access to this data via a nationally recognized software product designed specifically for the tracking of private equity investments? Please describe.
13. If you are subscribing to a private equity tracking software, will the Bank provide administrative and technical support for the use of the software? Will you be responsible for loading historic cash flows and performance data into the software product, as well as for providing, in electronic form, detailed summaries of all portfolio partnerships' documents and terms as well as the documents themselves in digital form?
14. Do you provide Board Ready or Executive Reporting to clients both on-line and hardcopy?





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15. Is the performance measurement system integrated with your accounting platform?
16. Do you have drill down capabilities for commingled funds?
17. With reference to on-line delivery, does the OTT need to subscribe to third party vendors and separate on-line systems?
18. What benchmarks and universes are available? Are they available on-line? How far back do you carry historical returns?
19. Provide sample reports of performance measurement and attribution services.
20. How many business days after month end are the performance reports available via hardcopy and on-line?

### **L. Investment Guideline Compliance and Monitoring**

1. Is there a separate risk and control system, as well as a dedicated group, for derivatives and transaction risk management? When did you introduce the system?
2. What makes the system valuable to the client?
3. Does the system integrate guideline compliance into the automated trading process and actively monitor transactions and portfolio composition?
4. What are the different levels of compliance monitoring (*i.e.*, basic, intermediate or advanced) that you provide? Are there different costs or fees for each level for your compliance monitoring services?
5. Is this compliance monitoring performed for all asset classes? Is it performed daily? Is it on a Post-Trade, Pre-Settlement basis? Is it available on-line?
6. How are clients and investment managers notified of a violation or breach in the investment policy and guidelines?
7. Describe the ability of the risk measurement system to explore hypothetical scenarios through sensitivity analysis, stress testing, etc.
8. Describe the ability to produce position reports and analysis on value at risk and other related risk measurement tools.
9. Clearly describe and explain all limitations and shortcomings of the risk measurement system and investment compliance monitoring service.
10. Relative to the above risk measurement and investment compliance monitoring system, can it incorporate basic guidelines and restrictions (as specified below) to varying degrees, by manager and for the asset pools as a whole? Please indicate your capabilities for each of the following items:
  - Duration bands or maturity limits
  - Restricted security types (*i.e.*, derivatives)
  - Approved List compliance
  - Percentage sector limits
  - Credit quality and diversification limits
  - Non-dollar allocation limits
  - Unhedged currency exposure and basket hedge



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- Subsector diversification limits (*i.e.*, percent limits per SIC code)
- Cash flow variability standards for selected products (*i.e.*, CMOs)
- Regulatory compliance (*i.e.*, ERISA, state regulations, etc.)
- Monitor leveraged transactions
- Stress testing for potential changes in market prices and interest rates
- Gap analysis and duration reviews
- Collateralization (relative to unhedged exposures)
- Monitor unhedged positions
- Calculate value at risk
- Segregate underlying positions for covered calls
- Monitor unhedged call exposures
- FASB 133 reporting

11. Are derivatives monitoring, risk control and compliance check services provided to any clients? Furnish three (3) client references currently using this service.

### M. Transfer Agency/Income Paying Agent and STIF Support

1. Provide a general description of your transfer agency services, history, milestones and overall capability.
2. Describe in detail how you are able to meet the scope of services for transfer agency enumerated in Section II of this RFP. Kindly delineate by Participant Account Services, Customer Services, Client Administration, Interest/Dividend Processing, Shareholder Mailings, Reconciliation/Control Services, Record Retention, and Conversion Issues.
3. Provide the number of clients that you provide transfer agency services as categorized in the following matrix. Report aggregate values of their total assets under custody in US\$ millions for periods specified.

#### **Total Transfer Agency Clients**

#### **(Corporate, Public, Insurance Mutual Funds, Investment Cos., and Tax-exempt Plans**

	Total Number of Clients	Asset Value (US\$ millions)
<b>1999</b>		
<b>2000</b>		
<b>2001</b>		
<b>2002</b>		
<b>2003</b>		



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### Public Fund Clients that you provide Transfer Agency Services

	Total Number of Clients	Asset Value (US\$ millions)
1999		
2000		
2001		
2002		
2003		

4. Describe the typical client interface model and on-line/and electronic interfaces that support transfer agency client requirements.
5. Describe the processing workflows and controls associated with new account set-up and maintenance and financial transactions. Please describe the account number assignment process.
6. Explain the dividend/interest and capital gain (if required) distribution processing and control functions. Please describe the checks, balances and controls used for the pre-runs of dividends/interests.
7. Explain the process for dividend/interest payment on a closeout. For same day dividend /interest transactions, describe how the system handles closeouts.
8. Describe the processes for correcting pricing/dividend errors, including audit trail.
9. Describe the system's reconciliation audit trail and procedures for monitoring and following up on failed financial transactions.
10. Describe your aged reconciliation process and reporting schedule.
11. Describe the process for interacting with custody, fund accounting, fund administration and other third parties.
12. Describe your statement production capabilities.
13. Describe the system capabilities to support electronic transmission of account statements via fax, Internet, etc.
14. Describe all aspects and capabilities of your shareholder reporting.
15. Summarize your voice response system capabilities.
16. Describe the monthly client report packages and accessibility (paper, on-line, etc.).
17. Describe in detail how you are able to meet the scope of services for STIF Support enumerated in Section II of this RFP.



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### N. Securities Lending

OTT will consider your response to the RFP as one of the factors on how a securities lending program would be structured. OTT may decide (1) to award a contract to the custodian bank for securities lending on the entire portfolio or designated portfolios on an agency basis, (2) to award one or more contracts to third-party lenders for lending on the entire portfolio (or a portion thereof) on an agency or principal basis, or (3) to structure a lending program which includes a combination of both the custodian bank performing lending on an agency-basis for a portion of the portfolio and third-party lenders performing lending on a principal or agency basis for the remainder of the portfolio.

Securities Lending will be utilized primarily to generate incremental return. OTT has a very risk-adverse posture. For both agency and principal basis lending programs, OTT requires a fully indemnified program specific to operational risk and borrower default. Additional levels of indemnification beyond operational risk and borrower default are also welcome. Lastly, daily reporting is necessary. This includes internet access to information about its securities lending program, including security level loans outstanding, shares on loan, days out on loan, term and open trades, borrowers for each block of securities lent, collateralization levels, earnings (top 25 securities sorted by earnings), and other weekly and monthly reporting requirements at the security and aggregate levels.

The following questions should be answered in full whether as a securities lending agent, principal or both. Kindly tailor your response for each item, specifically the areas of risk and return, relative to your proposed approach either as an agent or principal.

#### **Agent/Principal Lending**

1. Do you propose an agent, principal or both types of securities lending?
2. Do you intend to lend the whole portfolio or specific fund portfolios based on your core competency? Describe your strengths in domestic equity lending, domestic fixed-income and/or international lending (as applicable).
3. Please describe briefly the program strategy(s) or structure(s) that you would employ either as an agent or principal specific to CRPTF.
4. What are the risks associated with your proposal and how do you manage each level of risk(s) and the requisite indemnification that will be provided to CRPTF.
5. Kindly provide a sample securities lending agreement either as an agent and/or principal basis.

#### **Organization and Personnel**

6. Please provide the following:  
Name of Organization \_\_\_\_\_  
Business Address \_\_\_\_\_  
Primary Contact \_\_\_\_\_  
Address \_\_\_\_\_  
Phone, Fax, Email \_\_\_\_\_



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7. Type of Firm  
Bank \_\_\_\_\_  
Trust Company \_\_\_\_\_  
Bank Affiliate \_\_\_\_\_  
Investment Manager \_\_\_\_\_  
Investment Manager Affiliate \_\_\_\_\_  
Broker/Dealer \_\_\_\_\_  
Broker/Dealer Affiliate \_\_\_\_\_  
Others: (Please Specify) \_\_\_\_\_
8. What is the primary form of lending that you offer - agent, principal, or both? Please describe. What is the percentage breakdown between agent and principal lending from a total client basis.
9. Is the above lending function on a third party basis only or inclusive of custody or both?
10. Is your firm an NASD member, a primary reporting dealer or a bank? Is your securities lending operation registered as an investment adviser (*i.e.*, Securities and Exchange Commission (SEC), IMRO, etc.)?
11. Has your organization been under any litigation or investigation by any regulatory authority or contingent liabilities the company, its officers or principals have been involved in within the last three years relative to securities lending services? Please explain.
12. Please provide a brief history of your organization with regards to securities lending.
13. How many years has your firm been providing securities lending services to tax-exempt organizations either as an agent, principal, or both?
14. Please provide names, brief profiles and biographies of individuals who are responsible for the lending function and the cash collateral reinvestment function? If your program can be truncated by asset class (*e.g.*, equity, fixed-income, international, etc.), please delineate the professional staff as on the basis of asset class.

<u>Name</u>	<u>Title/Responsibility</u>	<u>Location</u>	<u>Yrs w/Firm</u>	<u>Years Experience</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

15. How are the key professionals dedicated to providing securities lending services compensated? (check all that apply.)
- \_\_\_\_\_ Base Salary  
\_\_\_\_\_ Performance Bonus (Cash, Stock, Cash + Stock, etc.)  
\_\_\_\_\_ Commission Only  
\_\_\_\_\_ Profit Sharing Arrangement  
\_\_\_\_\_ Other: \_\_\_\_\_



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16. Submit a breakdown of persons dedicated to providing securities lending services for each of the following categories: (Do not double-count)

Operations/Administration	_____
Credit Analysis	_____
Risk Mgmt/Compliance/Legal	_____
Asset/Liability	_____
Lending/Trading	_____
Non-Cash Collateral Management	_____
Cash Reinvestment	_____
Tax Specialist	_____
Currency Management	_____
Marketing/Client Servicing	_____
Others	_____
TOTAL	_____

17. Please provide a five-year turnover for the following categories.

<b>Additions</b>	2003	2002	2001	2000	1999
Operations/Administration	___	___	___	___	___
Credit Analysis	___	___	___	___	___
Risk Mgmt/Compliance/Legal	___	___	___	___	___
Asset/Liability	___	___	___	___	___
Lending/Trading	___	___	___	___	___
Non-Cash Collateral Management	___	___	___	___	___
Cash Reinvestment	___	___	___	___	___
Tax Specialists	___	___	___	___	___
Currency Management	___	___	___	___	___
Marketing/Client Servicing	___	___	___	___	___
Others	___	___	___	___	___
TOTAL	___	___	___	___	___

<b>Departures/Terminations</b>	2003	2002	2001	2000	1999
Operations/Administration	___	___	___	___	___
Credit Analysis	___	___	___	___	___
Risk Mgmt/Compliance/Legal	___	___	___	___	___
Asset/Liability	___	___	___	___	___
Lending/Trading	___	___	___	___	___
Non-Cash Collateral Management	___	___	___	___	___
Cash Reinvestment	___	___	___	___	___
Tax Specialists	___	___	___	___	___
Currency Management	___	___	___	___	___
Marketing/Client Servicing	___	___	___	___	___
Others	___	___	___	___	___
TOTAL	___	___	___	___	___

18. Describe the securities lending unit and the relationship between trading, investment management, compliance and operations. Who has responsibility for oversight of the securities lending program?



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19. Have any past or present employees been indicted for SEC or other regulatory violations, convictions or offenses in the past three years?
20. Does your organization carry insurance coverage? If yes, please provide the following:
  - \_\_\_\_\_ Risk Coverage
  - \_\_\_\_\_ Carriers
  - \_\_\_\_\_ Levels (*i.e.*, cash held, securities held, negligent acts, non-negligent acts, etc.)
  - \_\_\_\_\_ Limits
  - \_\_\_\_\_ Deductibles
21. What is the total capitalization (US\$ terms) of your organization as of March 31, 2004? Please identify if this capitalization is at the subsidiary level and/or the parent level?
22. Please provide a copy of your most recent annual report, 10-Q, and attach Form ADV, Parts I and II, or explain the nature of your organization's exemption from registration with the SEC.

### Lending Program Profile

23. Briefly describe the history of your institution's securities lending program, milestones, and important differentiating factors relative to the competition.
24. Have any losses been experienced due to operational negligence, collateral reinvestment and/or security specific reinvestments, and/or broker default since the inception of your organization's securities lending program?
25. How does your organization monitor the risk of the securities lending program both qualitatively and quantitatively?
26. Is securities lending a leverage transaction? If yes, why? If no, why not?
27. What is the general philosophy or program strategy of your securities lending program either as an agent or principal?
28. How do you add value as an agent or principal?
29. How do you manage risk either as an agent or principal?
30. Does your organization employ arbitrage and non-traditional transactions for your securities lending agent program?
31. With your organization's principal type lending program, what are the specific strategies that you employ and are available to clients? Briefly enumerate and corresponding descriptions (*i.e.*, tax arbitrage, swaps, hedge funds, financing, etc.).
32. Do you have any capacity limitations? What determines the limit on the deals, transactions and lending activities that you engage in either as agent or principal?
33. How many clients or aggregate asset size can you effectively handle? Why?
34. How does your securities lending staff avoid infringing on an investment managers' responsibilities, specifically recall of securities?
35. How do you manage the coordination of trade settlements, corporate actions, dividend collection, etc. with the custodian bank? Do you provide guarantees?



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36. Do you have enough of a lendable base to employ the technique called "substitution"? If you do not have the requisite lendable base of assets, how will you mitigate trade settlement failure and inability to exercise proxy vote? Do you provide guarantees?
37. Is your securities lending program T+1 and STP processing ready or in compliance with industry standards? Please explain.
38. How do you measure the intrinsic value of any securities that are loaned out? Please provide actual examples for each of the following types: Large Cap Equity, Small Cap Equity, Governments (Specials and General), and International Equity.
39. Do you have an Internet based AUCTION LENDING capability? If so, please describe – including inception, extent of applications, competitive bidding process, etc.

### Lending Pool

40. Please describe your current client base. How many clients participate in your lending program? Without disclosing client names, please enumerate as follows as of March 31, 2004.

Plan Sponsor Type	No. of Clients (Agent Relationship)	Lendable Base (Agent Relationship)	No. of Clients (Principal Relationship)	Lendable Base (Principal Relationship)
<i>Corporates</i>				
<i>Public</i>				
<i>Endowment and Foundations</i>				
<i>Taft-Hartley, Union</i>				
<i>Mutual Funds, Investment Manager's Commingled Funds</i>				
<i>Insurance Companies</i>				
<i>Others</i>				
<b>TOTAL</b>				

41. Provide the number clients gained and/or lost for the periods listed. Report corresponding market values in US\$ millions as of initiation date for accounts gained and termination date for accounts lost in terms of aggregate lendable assets. Follow the specified format.





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### Client Turnover for Agent Type Lending

	Clients Gained (Number)	Clients Gained (US\$ millions)	Clients Lost (Number)	Clients Lost (US\$ millions)
2000				
2001				
2002				
2003				
2004 YTD				

### Client Turnover for Principal Type Lending

	Clients Gained (Number)	Clients Gained (US\$ millions)	Clients Lost (Number)	Clients Lost (US\$ millions)
2000				
2001				
2002				
2003				
2004 YTD				

42. Identify the firm's five (5) largest securities lending clients and the size of the lendable assets. If the client does not allow the use of their name, please provide the type of organization. Provide names and phone numbers of the largest clients who would allow to be used as references.
43. What was the daily average dollar volume of securities loans outstanding for the last 12 months for each of the last four years ending December 31, 2001, December 31, 2002, December 31, 2003 and for the three months ending March 31, 2004 for the following securities? Specify in US\$ millions.

### For the 12 months ending December 31, 2001

Asset Classes	Daily Avg. Lendable Base (US\$ millions)	Daily Avg. Out on Loan (US\$ millions)	Avg. Rebate Rate/Fees (bp)	Avg. Daily Spreads Net of Rebate (bp)
US Equities Large Cap				
US Equities Small Cap				
US Corporate Bonds				
US Government Bonds				
Non-US Equity				
Non-US Fixed Income				



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**For the 12 months ending December 31, 2002**

Asset Classes	Daily Avg. Lendable Base (US\$ millions)	Daily Avg. Out on Loan (US\$ millions)	Avg. Rebate Rate/Fees (bp)	Avg. Daily Spreads Net of Rebate (bp)
US Equities Large Cap				
US Equities Small Cap				
US Corporate Bonds				
US Government Bonds				
Non-US Equity				
Non-US Fixed Income				

**For the 12 months ending December 31, 2003**

Asset Classes	Daily Avg. Lendable Base (US\$ millions)	Daily Avg. Out on Loan (US\$ millions)	Avg. Rebate Rate/Fees (bp)	Avg. Daily Spreads Net of Rebate (bp)
US Equities Large Cap				
US Equities Small Cap				
US Corporate Bonds				
US Government Bonds				
Non-US Equity				
Non-US Fixed Income				

**For the 3 months ending March 31, 2004**

Asset Classes	Daily Avg. Lendable Base (US\$ millions)	Daily Avg. Out on Loan (US\$ millions)	Avg. Rebate Rate/Fees (bp)	Avg. Daily Spreads Net of Rebate (bp)
US Equities Large Cap				
US Equities Small Cap				
US Corporate Bonds				
US Government Bonds				
Non-US Equity				
Non-US Fixed Income				

44. Do you have an internal limit on how much of a client's portfolio of lendable assets can be lent at any given day? Please describe your policy.
45. Related to the question above, do you also have an internal limit on how much of a client's lendable assets can be lent to a single borrower at any given day? What is the exposure limit? Is it possible that a single client can be exposed to a single borrower at any given time?
46. Please describe your allocation or queuing process and relevant entitlement methodology. Please show calculations.



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47. How many lending pools do you have? Please describe how client assets are assigned to the lending pools.
48. Is the lending pool truncated by the following? Please describe.
- |                                       |       |
|---------------------------------------|-------|
| Collateral type                       | _____ |
| Plan Sponsor type                     | _____ |
| Asset Class (Equity, Bonds, US, etc.) | _____ |

### Systems and Technology

49. What system do you utilize for lending securities? What version? Who updates the program? What is distinct with your current system? Is the system only for lending? How about the reinvesting?
50. Is there a separate audit of the system performed by an outside party? By whom?
51. Do you have a disaster recovery plan?
52. Please check if your securities lending system has the following.

#### *Portfolio Management*

- ☐ input and query on clients' portfolios
- ☐ availability of stock inquiry
- ☐ input of lending prohibitions
- ☐ input of client acceptable collateral

#### *Lending Management*

- ☐ automated allocation of loans in a fair manner using a parameter controlled allocation formula
- ☐ flexible loan amendment
- ☐ future dated input
- ☐ loan confirmation
- ☐ allocation of loan-to-cost centers
- ☐ price feed
- ☐ daily mark to market
- ☐ loan revaluation

#### *Risk Management*

- ☐ risk and exposure reporting
  1. What exposures exist?
  2. Client credit exposure
  3. Exposure to foreign exchange risk
  4. Market exposure
  5. Position/issue exposure
  6. Collateral exposure
  7. Total risk or exposure to the market?
- ☐ stress testing
- ☐ gap analysis
- ☐ price feed on a real time basis
- ☐ exchange rate feeds, including cross currency, on a real time basis



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### *Trading Requirements*

- ☐ Input
  1. Trade input
  2. Trade amendments (price, rate, etc.)
- ☐ Client Information
  3. Client Trade history
  4. Status (outstanding positions, risk exposure, credit allocated)
  5. Credit Utilization
- ☐ Inventory
  6. Security availability
  7. Firm's net long/short requirements
  8. Trading desk's net short/long requirements
- ☐ History database
  9. Historic information on lenders, borrowers, rates and securities, etc.
- ☐ Collateral Management
  10. Maximizing cash/non-cash spreads
  11. Maximizing non-cash collateral utilization
  12. Cash collateral reinvestment programs
- ☐ Multi-currency
  13. Will the system cope with trades that are in several different currencies?
  14. Is risk measured in base or security currency?
  15. Is fee or rebate income swapped into base or left in underlying?
  16. Are exchange rate exposures on income left in underlying?
- ☐ Cross Currency
  17. Monitors fee/rebate to be paid in security or collateral currency

### *Back Office*

- ☐ Trade maintenance
  1. Rate changes
  2. Margin Control
  3. Clearance
  4. Automated feeds
  5. Settlement
  6. Fail Management
  7. Client confirmations
- ☐ Corporate Actions, dividends, and coupon maintenance
- ☐ Cash and collateral management
- ☐ Rebate and fee maintenance

### *Hard Copy Reports*

- ☐ Exposure reports
- ☐ Outstanding borrowers/loans
- ☐ Profit and loss
- ☐ Inventory availability
- ☐ Cash and non-cash collateral reports
- ☐ Reinvestment positioning
- ☐ Gap Analysis
- ☐ Stress Testing for market and interest rate moves



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### Reporting

53. What types of reports are available for securities lending and are the reports available on-line via the Internet? Are the reports updated daily or monthly on-line or through the Internet?
54. Please describe your firm's income source attribution analysis reporting capability.
55. Are you able to provide internet access to information about your securities lending program, including loans outstanding, shares on loan, days out on loan, term or open trades, borrowers for each block of securities lent, collateralization levels, earnings (top 25 securities sorted by earnings), and other weekly and monthly reporting requirements. If yes, please provide samples.

### Risks and Indemnification

56. How do you manage the following and are you able to provide indemnification for each of the risk enumerated below?
  - \_\_\_\_\_ Borrower/Counterparty Risk and Default
  - \_\_\_\_\_ Collateral Investment Risk
  - \_\_\_\_\_ Interest Rate Risk
  - \_\_\_\_\_ Trade Settlement Risk
  - \_\_\_\_\_ Operational Negligence
  - \_\_\_\_\_ Sovereign Risk
  - \_\_\_\_\_ Currency Fluctuation Risk
57. Have you experienced any losses due to operational negligence, collateral reinvestment and/or security specific reinvestments, and/or broker default since the inception of your securities lending program? What was the recourse provided to clients and the level of dialogue to explain (resolve) the issues?
58. Describe exactly what types of indemnification (*e.g.*, broker default, collateral, negligence, etc.) are available to clients.
59. What are the specific limitations of your indemnification on an agent and principal arrangement?
60. Does a specific person or group perform both lending and cash reinvesting functions?
61. Do you have a risk and compliance manager monitoring the securities lending program? How does the manager accomplish his/her mandate objectively?
62. What percentage of your lending volume are open and term loans?
63. How do you go about asset/liability (gap) analysis, specifically the duration of the loan and cash investments?
64. Do you stress test your securities lending program? Please describe the methodology and procedures utilized for stress testing, including the frequency of testing?



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65. Please specify the weighted average duration mismatched between lending and reinvesting for the following quarters? (Kindly provide separate answers for each lending pool or separate accounts that you offer in your program.)

Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
2000				
2001				
2002				
2003				
2004 YTD				

66. How fast (# of days) can you shorten the duration or gap between investments and liabilities (loans) as requested by the client for whatever reason?
67. CRPTF requires full operational and borrower default indemnification within the securities lending program. Are you able to comply with this requirement? Please describe your full operational and borrower default indemnification policy.
68. Does the borrower default indemnification include or cover the following items?
- Borrower files for bankruptcy for whatever reason.
  - Failure to recall securities before settlement date.
  - Failure to secure additional collateral and margin requirements.
  - Failure to receive dividends, distributions, and all economic benefits of ownership.
  - Immediate use of Non-Cash Collateral in lieu of Borrower Bankruptcy.
69. Do you provide additional types of indemnification beyond broker default (*i.e.*, collateral, negligence, trade settlement, etc.)? If so, can you provide CRPTF with these additional levels of indemnification? Please describe.
70. Describe your recall procedures and how substitution is utilized.
71. What is your firm's sell/fail history for the following asset types – U.S. Government, international equities, international fixed income, U.S. equities and corporate bonds – for the following periods of time: calendar years 2000, 2001, 2002, and 2003?
72. Does your firm guarantee proceeds? Please explain.
73. Describe your firm's procedure for determining the viability of international markets prior to lending securities. How does your firm conduct risk assessment before lending in a country?
74. Please describe the loan termination process and the safeguards in place to protect the client in the event of a broker default or termination for other reasons.
75. Can your program ensure the protection of voting rights by consistently recalling the stock prior to proxy record date? If so, describe the process.
76. Does your program accommodate a dividend reinvestment plan for stocks? Please explain.
77. What additional safeguards do your firm offer its lending participants?
78. If a client wished to withdraw from your firm's securities lending program, what notice period is required to ensure 100% on the dollar payoff?



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79. How does your organization propose to address issues related to prohibited transactions based on DOL ERISA guidelines specific to lending to non-US registered borrowers and the acceptance of non-US\$ collateral within the context of CRPTF?
80. Given that CRPTF is a Public Fund, does your organization lend to non-US registered borrowers (broker/dealers) and accept non-US\$ collateral? What is the current standard or policy?
81. Are you willing to accept securities lending as a fiduciary function? If not, please describe.
82. If you plan to use tri party repurchase agreements, and tri party custodians for custody of the repo collateral, please provide an explanation of the risk indemnification and collateral guarantee provided to CRPTF.

### **Borrower Consideration**

83. What are your procedures for selecting and monitoring brokers?
84. Please describe how credit analysis is performed? What frequency?
85. How do you risk adjust credit limits based on securities borrowed?
86. Is credit analysis a subgroup within securities lending or a separate entity within your organization or an independent party outside your organization?
87. How are dealer lending limits determined and who makes this decision?
88. What is the maximum value of assets that can be lent to a single approved borrower?
89. Please describe the process for approving borrowers? Who is responsible for the credit review of borrowers and how often it is done?
90. Please provide a list of your current borrowers? Please identify the top ten borrowers and the percentage these borrowers represent of the total program.
91. Identify the advantages your firm has in dealing with broker/dealers and how this benefits your clients.
92. Kindly furnish a copy of your standard Borrower's Agreement specific to Securities Lending done on an agency or principal basis.

### **Collateralization**

93. What percentage collateralization is required for each of the security types (Domestic Equities, Fixed-Income, and International)? What value (market value only, including accrued interest, etc.) is the basis for this percentage?
94. Is the 2% or 5% margin maintained only on the initiation of the loan or daily?
95. How frequently do you mark to market? When is additional collateral requested (same day, next day)?
96. Discuss the collateral for securities loans, including what percentage of collateral for those loans were cash, securities, and letters of credit? Complete the following table for the year ending March 31, 2004.



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Asset Classes	Daily Avg. (%) Cash Collateral	Daily Avg. (%) Irrevocable Letters of Credit	Daily Avg. (%) U.S. Governments	Daily Avg. (%) Others, including foreign cash and securities
US Equities Large Cap				
US Equities Small Cap				
US Corporate Bonds				
US Government Bonds				
Non-US Equity				
Non-US Fixed Income				

### Revenue Management (Splits and Costs)

97. Describe all sources of income from securities lending operations and provide a percentage breakdown of each source's contribution to total income. Please provide such information for the years ending December 31, 2000, 2001, 2002, 2003, and 2004 YTD. Please discuss causes for changes of the relative contribution of each source over the time frame.
98. Please explain your methodology for calculating a client's income and splitting methodology. Please show calculations.
99. Do you guarantee income? If yes, in what circumstances?
100. What is your organization's proposal for the revenue sharing arrangement (principal) and/or the split of security lending income (agent)? Is the split also applicable to negative income if it occurs?
101. For collateral reinvestment, do you offer separate accounts, commingled accounts, or both?
102. Provide a brief description of cash collateral reinvestment vehicles (STIF, commingled, customized, separate, etc.) utilized in the reinvestment of cash collateral applicable to CRPTF. Kindly furnish, as a separate attachment, the Investment Policies and Guidelines for all funds available for the reinvestment of cash collateral.
103. Who will be responsible for the management of CRPTF's collateral portfolio? Please provide biographies for these individuals.
104. Who is responsible for credit research at your firm? How are credits monitored and what actions are taken after credit downgrades?
105. Describe any risk management tools used in the collateral management process.
106. Are the collateral reinvestment pools delineated between term and open loans?
107. Do you charge a management fee (bp) plus expense ratios for each type of collateral reinvestment fund, separate accounts or collateral reinvestment fund? If so, specify the fee and if fees are deducted before or after the split.
108. Are derivatives or structured notes employed in the cash reinvestment program? If yes, specify types and usage.
109. Do all available cash reinvestment options utilize OCC Reg 9 and SEC Rule 2a-7? Explain your organization's policies.





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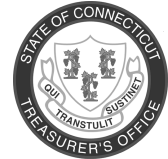
110. Furnish a revenue estimate of the securities lending income for CRPTF for one (1) year ending March 31, 2004 utilizing the holdings in Exhibit 2. (Please note that the estimate is backward looking and not forward looking into the future. Thus for the one-year estimate ending March 31, 2004, utilize the holdings provided and assume that the holdings are in a buy and hold strategy from April 1, 2003 to March 31, 2004.) Assume that collateral is reinvested in your standard pool or separate account for public funds. Provide calculations and estimates using Appendix II, Securities Lending Revenue Estimate Worksheet.
111. Are you willing to guarantee a minimum level of income? If so, what is the minimum US\$ guaranteed income?
112. If your organization is going to provide a principal bid and/or blended (principal and agency), please provide the net revenue to CRPTF for the one-year period ending December 31, 2003, as follows.
- 113.

Asset Classes	Principal	Agency	Total Principal + Agency Net Revenue to CRPTF
US Equities Large Cap			
US Eq. Mid/Small Cap			
US Corporate Bonds			
US Government Bonds			
Non-US Equity			
<b>TOTAL NET Revenue</b>			

### Securities Lending Split With Operational and Broker Default Indemnification for Agency-Basis

#### Lending

114. If this option is selected by CRPTF, for which of the asset types would you like to serve as the exclusive securities lending agent? Rank as follows: 1 = first choice (most desired common fund pool to lend), 2 = second choice, and 3 = third choice (least desired asset class to lend).
- \_\_\_\_ Mutual Equity Fund  
 \_\_\_\_ Mutual Fixed Income Fund  
 \_\_\_\_ International Stock Fund
115. If lending on an agency basis is allowed for all asset classes (you are the exclusive securities lending agent), please provide your proposed securities lending income split:
- CRPTF \_\_\_\_ %    Lending Institution \_\_\_\_ %
116. If lending on an agency basis is allowed for only the one asset class selected as your first choice above, please provide your proposed securities lending income split:
- First Choice -                      CRPTF \_\_\_\_ %    Lending Institution \_\_\_\_ %  
 Second Choice -                    CRPTF \_\_\_\_ %    Lending Institution \_\_\_\_ %



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Third Choice - CRPTF \_\_\_\_ % Lending Institution \_\_\_\_ %

117. If you are proposing additional indemnification beyond operational and broker default for agency-basis lending, kindly specify.

\_\_\_\_ Borrower/Counterparty Risk and Default (Inability to Recall, Failure to deliver Income, Failure to post adequate margins, etc.)  
\_\_\_\_ Collateral Investment Risk  
\_\_\_\_ Interest Rate Risk  
\_\_\_\_ Trade Settlement Risk  
\_\_\_\_ Operational Negligence  
\_\_\_\_ Currency and Sovereign Risk

118. There are costs associated with supporting a third-party agency lending program that a custodian would typically charge the lender. Are you willing to assist CRPTF pay for such costs?

(Please check **all** options that you may consider and offer to CRPTF.)

- ☐ Are you willing to pay the additional operational costs associated with supporting a third-party securities lending program?
- ☐ Historically, CRPTF has a bundled custody and securities lending program that substantially minimized the custodial costs. Are you willing to pay the total custody cost of CRPTF's custodian?
- ☐ Are you willing to allow another entity to manage the cash collateral (i.e., custodian, short term cash manager)?
- ☐ For example, the securities lending split is 80 client/20 third party lender, are you willing to utilize earnings from your 20% split to pay the total custody costs?
- ☐ For example, are you willing to accommodate an 80 client/15 third party lender/5 custodian bank revenue split methodology to help CRPTF from the burden of paying custody fees?
- ☐ What other fee sharing arrangement that you can provide to CRPTF to pay the custody costs? Please describe.

### Securities Lending Revenue on a Principal Basis

119. If this option is selected by CRPTF, which of the asset classes would you like to have as the exclusive securities lending on a third-party principal basis? Rank as follows: 1 = first choice (most desired common fund pool to lend), 2 = second choice, and 3 = third choice (least desired asset class to lend).

\_\_\_\_ Mutual Equity Fund  
\_\_\_\_ Mutual Fixed Income Fund  
\_\_\_\_ International Stock Fund

120. If lending on a third-party principal basis is allowed for all asset types (you are the exclusive principal lender), please provide your guaranteed minimum revenue to CRPTF:

CRPTF Net Revenue US\$ \_\_\_\_\_ per year



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121. If lending on a third-party principal basis is allowed for only one asset type, please provide your guaranteed minimum revenue to CRPTF:

Mutual Equity Fund – CRPTF	US\$_____ per year
Mutual Fixed Income – CRPTF	US\$_____ per year
International Stock – CRPTF	US\$_____ per year

122. After you have paid the minimum guaranteed revenue, please provide the calculations and mechanics of the revenue sharing arrangement for the additional revenue that needs to be properly allocated to CRPTF. Please describe in full the revenue sharing arrangement.

123. The inherent risk of a principal program is of major concern to CRPTF. Do you propose to fully indemnify CRPTF for all the risks associated with securities lending on a principal basis? Does the indemnification cover the following (please check all applicable):

- \_\_\_\_\_ Borrower/Counterparty Risk and Default (Inability to Recall, Failure to deliver Income, Failure to post adequate margins, etc.)
- \_\_\_\_\_ Collateral Investment Risk
- \_\_\_\_\_ Interest Rate Risk
- \_\_\_\_\_ Trade Settlement Risk
- \_\_\_\_\_ Operational Negligence
- \_\_\_\_\_ Currency and Sovereign Risk

124. There are costs associated with supporting a third-party principal lending program that a custodian would typically charge the lender. Are you willing to pay for such custody related costs?

(Please check **all** options that you may consider and offer to CRPTF.)

- ☐ Are you willing to pay the additional operational costs associated with supporting a third-party securities lending program?
- ☐ Historically, CRPTF has a bundled custody and securities lending program that substantially minimized the custodial costs. Are you willing to pay the total custody cost of CRPTF's custodian?
- ☐ Are you willing to allow another entity to manage the cash collateral (*i.e.*, custodian, short term cash manager)?
- ☐ For example, the securities lending split is 80 client/20 third party lender, are you willing to utilize earnings from your 20% split to pay the total custody costs?
- ☐ For example, are you willing to accommodate an 80 client/15 third party lender/5 custodian bank revenue split methodology to help CRPTF from the burden of paying custody fees?
- ☐ What other fee sharing arrangement that you can provide to CRPTF to pay the custody costs? Please describe.



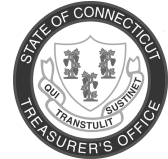
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### Securities Lending Revenue Estimate Worksheet

*Please refer to Section IV, D in the Request for Proposals.*

Asset Class	Lendable Assets (US\$)	Percent on Loan (using a 12 month rolling average)	Assets on Loan (US\$)	Rebate Rate in bps (using a 12 month rolling average)	Re-invest Rate (bps)	Avg. Daily Spreads Net Rebate and Fees (bps)	Gross Income (US\$) [Specify Range – Low and High]	CRPTF Share of Revenue w/ Borrower Default Indemnification (Percent)	Net CRPTF Securities Lending Income (US\$ millions) [Specify Range Low and High]
Open Loans:									
US Eq. Large Cap									
US Eq. Mid/Small									
U.S. Corporate Bonds									
U.S. Government Bonds									
Non-US Equities									
TOTAL									
Term Loans:									
US Eq. Large Cap									
US Eq. Mid/Small									
U.S. Corporate Bonds									
U.S. Government Bonds									
Non-US Equities									
TOTAL									

For example: \$100 million loan outstanding for one year with a 0.20% net spread and a split of 80/20 is equal to \$160,000 ( $\$100,000,000 \times 0.002 \times 0.80$ ).



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### APPENDIX III

#### CUSTODY FEE WORKSHEET

Kindly utilized the following fee worksheet for your firms custody fee proposal. Pertinent information necessary to answer the fee worksheet is provided in the RFP, Attachments and Exhibits.

- A. Please provide an annual flat fee for trust/custody services required by the OTT for both the CRPTF and the STIF. The flat fee should be quoted utilizing a flat dollar (in US dollars) basis.

#### Monthly Valued and Unitized CRPTF

If the function of securities lending is allowed in the CRPTF and the cash management of \$1.8 billion in assets of the CRPTF is allowed: (Please note that the OTT is asking "if your organization is given the mandate" to manage the \$1.8 billion cash component of CRPTF and is given the mandate to lend securities. Do not net the revenue stream generated from securities lending to the flat dollar fee.)

CRPTF	Flat Dollar Fee
1 <sup>st</sup> Year	
2 <sup>nd</sup> Year	
3 <sup>rd</sup> Year	
4 <sup>th</sup> Year	
5 <sup>th</sup> Year	

If the function of securities lending is not allowed in the CRPTF but the cash management of \$1.8 billion in assets of the CRPTF is allowed: (Please note that OTT is asking "if your organization is not given the mandate" to lend securities.)

CRPTF	Flat Dollar Fee
1 <sup>st</sup> Year	
2 <sup>nd</sup> Year	
3 <sup>rd</sup> Year	
4 <sup>th</sup> Year	
5 <sup>th</sup> Year	

If the function of securities lending is allowed in the CRPTF but the cash management of \$1.8 billion in assets of the CRPTF is not allowed: (Please note that OTT is asking "if your organization is given the mandate" to lend securities but is not given the mandate to manage the cash component of the CRPTF.)

CRPTF	Flat Dollar Fee
1 <sup>st</sup> Year	
2 <sup>nd</sup> Year	
3 <sup>rd</sup> Year	
4 <sup>th</sup> Year	
5 <sup>th</sup> Year	



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If the function of securities lending is not allowed in the CRPTF and the cash management of \$1.8 billion in assets of the CRPTF is not allowed: (Please note that the OTT is asking “if your organization is not given the mandate” to lend securities and is not given the mandate to manage the cash component of the CRPTF.)

CRPTF	Flat Dollar Fee
1 <sup>st</sup> Year	
2 <sup>nd</sup> Year	
3 <sup>rd</sup> Year	
4 <sup>th</sup> Year	
5 <sup>th</sup> Year	

### Custody and Transfer Agency/Payment Services for STIF (Securities Lending is Not Allowed)

STIF	Flat Dollar Fee
1 <sup>st</sup> Year	
2 <sup>nd</sup> Year	
3 <sup>rd</sup> Year	
4 <sup>th</sup> Year	
5 <sup>th</sup> Year	

**B. Securities lending split with broker default indemnification:**

CRPTF \_\_\_\_ % Bank \_\_\_\_ %

If you are proposing additional indemnification beyond broker default, kindly specify: \_\_\_\_

**C. What are the short term investment vehicles, commingled or separately managed, you propose as applicable to CRPTF for the sweep of idle cash with an estimated market value of \$1.8 billion? What is the total expense ratio, including management fees?**

**D. What are the overdraft charges?**

**E. Identify the services included in the flat fee stated in Item A.:**

a) Full Global Custody Services for all Asset Types (i.e., domestic and int'l.)? **yes** \_\_\_\_ **no** \_\_\_\_

If **no**, what are the charges?

Safekeeping	\$_____ charge or fee
Asset Servicing	\$_____ charge or fee
Transaction Processing	\$_____ charge or fee

b) Multicurrency Full Accrual Trade Date Accounting and Reporting? **yes** \_\_\_\_ **no** \_\_\_\_

If **no**, what are the charges?

Manager Reconciliation	\$_____ charge or fee
Standard reports	\$_____ charge or fee
Securities Lending Reports	\$_____ charge or fee
Customized reporting	\$_____ charge or fee



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c) Accounting – Monthly Valued Unitized Structure? **yes** \_\_\_ **no** \_\_\_

If **no**, what are the charges?

Per portfolio/account	\$_____ charge or fee
Per Asset Level, Fund or Composite	\$_____ charge or fee

d) Daily On-line/Internet services? **yes** \_\_\_ **no** \_\_\_

If **no**, what are the charges?

Unaudited Daily NAVs	\$_____ charge or fee
Daily Asset Values	\$_____ charge or fee
Daily Transactions	\$_____ charge or fee
Daily Cash	\$_____ charge or fee
Standard reports	\$_____ charge or fee
Customized reporting	\$_____ charge or fee
Executive and Board reporting	\$_____ charge or fee
Securities lending	\$_____ charge or fee
Income Inquiry Reports	\$_____ charge or fee
Corporate Actions Reporting	\$_____ charge or fee
Rate of Return Calculations	\$_____ charge or fee
Performance Analytics	\$_____ charge or fee
Trading cost analysis	\$_____ charge or fee
Terminal charge	\$_____ charge or fee
Communication software	\$_____ charge or fee
CPU connect time	\$_____ charge or fee
Others: (specify)	\$_____ charge or fee

e) Performance measurement and analytics? **yes** \_\_\_ **no** \_\_\_

If **no**, what is the flat fee for each service level?

Basic return calculation	\$_____
Historical data download	\$_____
Executive Board Reports	\$_____
Monthly Flash Reports	\$_____
Drill Down Commingled funds	\$_____
Customized benchmarks/universes	\$_____
Equity Analytics	\$_____
Bond Analytics	\$_____
Intl Equity Analytics	\$_____
Full Attribution	\$_____
Trading cost analysis	\$_____
Universe Comparisons	\$_____
Portfolio Characteristics	\$_____
Style Analyzer	\$_____
Others: (specify)	\$_____

f) Real Estate and Alternative Investments – Private Equity? **yes** \_\_\_ **no** \_\_\_

If **no**, what is the flat fee for each service level?

Basic return calculation	\$_____
Historical data download	\$_____
Executive Board Reports	\$_____
Monthly Flash Reports	\$_____



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- Drill Down Commingled funds \$ \_\_\_\_\_  
Customized benchmarks/universes \$ \_\_\_\_\_  
Analytics (see below) \$ \_\_\_\_\_  
Such as: Private I from the Burgiss Group, Venture Economics, & Data Maintenance.  
Others: (specify) \$ \_\_\_\_\_
- g) Contractual Settlement and Auto Credit program for income collection/tax reclaims?  
**yes** \_\_\_\_ **no** \_\_\_\_  
If **no**, what are the charges?  
Domestic \$ \_\_\_\_\_ charge or fee  
International \$ \_\_\_\_\_ charge or fee  
ADR's \$ \_\_\_\_\_ charge or fee
- h) Transition, conversion, and reregistration costs? **yes** \_\_\_\_ **no** \_\_\_\_  
If **no**, what are the charges?  
\$ \_\_\_\_\_ charge or fee  
\$ \_\_\_\_\_ charge or fee  
\$ \_\_\_\_\_ charge or fee
- i) Penalty costs? **yes** \_\_\_\_ **no** \_\_\_\_  
If **no**, what are the costs?  
Third-party FX trades \_\_\_\_\_ per trade  
Third-party Securities Lending \_\_\_\_\_ per trade
- j) Out-of-pocket expenses? **yes** \_\_\_\_ **no** \_\_\_\_  
If **no**, what are the charges?  
Wire transfer \$ \_\_\_\_\_ charge or fee  
Courier service \$ \_\_\_\_\_ charge or fee  
Telex charges \$ \_\_\_\_\_ charge or fee  
Computer processing \$ \_\_\_\_\_ charge or fee  
Staff training \$ \_\_\_\_\_ charge or fee  
Stamp duty \$ \_\_\_\_\_ charge or fee  
Registration \$ \_\_\_\_\_ charge or fee  
Others: (specify) \$ \_\_\_\_\_ charge or fee
- k) Investment Compliance checking, and Risk Measurement? **yes** \_\_\_\_ **no** \_\_\_\_  
If **no**, list the service and associated charge.  
Basic Compliance \$ \_\_\_\_\_ charge or fee  
Intermediate Compliance \$ \_\_\_\_\_ charge or fee  
Advanced Level (i.e., VAR) \$ \_\_\_\_\_ charge or fee  
Others: (specify) \$ \_\_\_\_\_ charge or fee
- l) Proxy Notification? **yes** \_\_\_\_ **no** \_\_\_\_  
If **no**, what are the charges?  
Reporting: \$ \_\_\_\_\_ charge or fee  
On-line Access: \$ \_\_\_\_\_ charge or fee  
Others: \_\_\_\_\_ \$ \_\_\_\_\_ charge or fee





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m) Class Action? **yes** \_\_\_ **no** \_\_\_

If **no**, what are the charges?

Reporting:	\$_____ charge or fee
On-line Access:	\$_____ charge or fee
Legal Filings	\$_____ charge or fee
Others: _____	\$_____ charge or fee

n) The OTT requires a minimum of 40 hours for training and continuing education annually for keeping clients abreast of new developments within your organization and the trust/custody industry?

**yes** \_\_\_ **no** \_\_\_

If **no**, what are the fees or charges?

\$_____ charge or fee
\$_____ charge or fee
\$_____ charge or fee

o) Custody and Transfer Agency Requirements of STIF? **yes** \_\_\_ **no** \_\_\_

If **no**, what are the charges?

Custody	\$_____ charge or fee
Trade Processing	\$_____ charge or fee
Accounting	\$_____ charge or fee
Reporting	\$_____ charge or fee
Performance	\$_____ charge or fee
Shareholder Services	\$_____ charge or fee
Participant Account Services	\$_____ charge or fee
Month End Reporting	\$_____ charge or fee
Customer Services	\$_____ charge or fee
Client Administration	\$_____ charge or fee
Interest/Dividend Processing	\$_____ charge or fee
Shareholder Mailings	\$_____ charge or fee
Recon/Control Services	\$_____ charge or fee
Record Retention	\$_____ charge or fee
Conversion	\$_____ charge or fee
Historical Upload	\$_____ charge or fee
On-line Access	\$_____ charge or fee
Others: _____	\$_____ charge or fee

p) Specify other charges and fees not included in the proposed FLAT FEE that would impact the Scope of Services specified in Section II. If a charge or fee is in direct response to a particular RFP question, identify both section and question.

_____	\$_____ charge or fee
_____	\$_____ charge or fee
_____	\$_____ charge or fee
_____	\$_____ charge or fee
_____	\$_____ charge or fee



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**G. You are required to provide the following information. Provide an estimate of fees/costs that the CRPTF and STIF will incur annually. Utilize your organization's schedule or methodology, namely: traditional asset based, account based and transaction charges. State assumptions. Enumerate all charges, including charges for performance measurement, reporting, back-office support, on-line, risk and compliance, etc.**

### CRPTF

#### Custody Services

Account Fees	# of Accounts	Fees	Pro-Forma Cost
Plan & Trusts Accounts	15 accounts		
Unitized Investment Pools + CRA	7 accounts		
Domestic Separately Managed	14 accounts (current) 2 accounts (TBD – Inflation Linked Bond)		
International Separately Managed	13 accounts (current) 4 accounts (TBD – Emerging Market Debt)		
Real Estate Fund	5 line item (current) 5 line item (TBD) 11 sub line item		
Private Equity Fund	6 line item 45 sub line item		
Commercial Mortgage Fund	2 line item 13 sub line item		
Cash Inventory and Transition Accounts	16 accounts		
Currency Overlay Account	2 accounts (Hired not funded)		

Custody Fees	Market Values as of 2/29/04	Fees	Pro-Forma Cost
Mutual Equity Fund	\$7,848,575,774		
Mutual Fixed Income Fund	\$6,429,975,949		
International Stock Fund (refer to Exhibit 2 for Intl Holdings)	\$4,035,433,633		
Real Estate Fund	\$398,213,730		
Commercial Mtg. Fund	\$51,803,868		
Private Equity Fund	\$1,950,670,809		



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Transactions	Annual Volume fiscal 2003	Fees	Pro-Forma Cost
Depository Trades	27,095		
Non- DTC	3,455		
Fed Book Entry	6,485		
Mortgage Back Securities	25		
Fed/Book Entry	70		
Futures & Option	0		
Physical	20		
Principal Payments	181		
Income Collected Domestic	48,085		
Income Collected Intl	11,629		
3 <sup>rd</sup> Party FX	4,689		
FX Executed by Custodian	3,824		
Asset Transfers	35,142		
Corporate Actions	1,594		
Wires	3,808		



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Others: (Country )			
Transactions:			
AED	3		
ARS	4		
AUD	580		
BRL	348		
CAS	196		
CHF	731		
CZK	84		
DKK	176		
EGP	91		
EUR	5,227		
GBP	2,598		
HKD	747		
HUF	44		
IDR	208		
ILS	47		
JOD	6		
JPY	3,702		
KRW	869		
MXN	129		
MYR	217		
NOK	189		
NZD	74		
PHP	138		
PKR	5		
PLN	76		
SEK	513		
SGD	312		
THB	366		
TRL	264		
TWD	325		
ZAR	339		
Others: (Enumerate)			



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<b>On-line or Internet Access:</b> User Interface Subscription Unaudited Daily NAVs Daily Asset Values Daily Transactions Daily Cash Standard reports Customized reporting Executive and Board reporting Securities lending Income Inquiry Reports Corporate Actions Reporting Rate of Return Calculations Performance Analytics Trading cost analysis Terminal charge Communication software CPU connect time Others: (specify)	15 users		
<b>Performance Measurement:</b> Subscription Per Portfolio Per Plan & Trusts Per Fund Per Composite Basic return calculation Historical data download Executive Board Reports Monthly Flash Reports Drill Down Commingled funds Customized benchmarks Universe Comparison TUCS Bond Analytics Portfolio Attribution Trading cost analysis Others: (specify)	1 44 15 6 6     13 5 6 1      		
<b>Contractual Settlement and Auto Credit:</b> Domestic International ADRs			



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<b>Investment Guideline</b> <b>Compliance:</b> Basic Intermediate Others:			
<b>Proxy Notification:</b> Reporting On-line Access Others			
<b>Class Action:</b> Reporting On-line Access Legal Filings Others:			
<b>Transition &amp; Conversion:</b> Reregistration Scrip Fees Etc.			
<b>40 hours of Training and Education:</b>			
<b>Penalty Costs:</b> Third Party FX Third Party SecLend Etc.			
<b>Out of Pocket:</b> Wire Transfer Courier Service Telex Charges Computer processing Staff Training Stamp Duty Reregistration Others:			



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<b>Transfer Agency:</b> Custody Trade Processing Accounting Reporting Performance  <b>(Transfer Agency Services for  1,106 accounts for 60 State  Agencies and 255 Municipalities)</b>  Shareholder Services Participant Account Services Month End Reporting Customer Services Client Administration Interest/Dividend Processing Shareholder Mailings Recon/Control Services Record Retention Conversion Historical Upload On-line Access Others:	\$3,700,000,000 200 trades 1 account		
<b>Miscellaneous Costs:</b> (enumarate)			

**H. You are required to provide all information requested in this section. Provide the following data in order for the OTT to verify all flat fee and other cost proposals and identify the associated costs of domestic/international investments and other asset classes.**

- Conversion charge: \_\_\_\_\_/ account pool  
Domestic: (please specify) \_\_\_\_\_  
International: Reregistration of foreign securities due to custody change (please specify) \_\_\_\_\_  
Others: (specify) \_\_\_\_\_  
Exit fees: \_\_\_\_\_
- Asset based/holdings fee:  
Domestic \_\_\_\_\_/bp  
International \_\_\_\_\_/bp  
Is the asset based fee applied to both commingled and separate accounts? \_\_\_\_ Yes or \_\_\_\_ No
- Account based fee:  
Unitization \_\_\_\_\_/ account  
Monthly/Valuation \_\_\_\_\_/ account



## State of Connecticut - Office of the Treasurer

- Commingled \_\_\_\_\_/ account  
Separate (domestic and international) \_\_\_\_\_/ account  
Others: (specify) \_\_\_\_\_/ account
4. Consolidated accounting \_\_\_\_\_/ account pool  
Special reporting (plan, account, asset class, etc.) \_\_\_\_\_/ pool or account
5. Transaction charges:
- a. Book entry (DTC, Fed book entry) \_\_\_\_\_/ transaction
  - b. Physicals \_\_\_\_\_/ transaction
  - c. Options \_\_\_\_\_/ transaction  
Futures \_\_\_\_\_/ transaction  
Others: (specify) \_\_\_\_\_
  - d. Principal and interest payments \_\_\_\_\_/ each P and I
  - e. Out-of-pocket expenses:  
Wire transfer charges  
(incoming) \_\_\_\_\_/ each  
(outgoing) \_\_\_\_\_/ each  
Courier service \_\_\_\_\_/ each  
Telex charges \_\_\_\_\_/ each  
Others: (specify) \_\_\_\_\_/ each
  - f. Global transaction charges, specify per country:  
\_\_\_\_\_/ transaction  
\_\_\_\_\_/ transaction  
\_\_\_\_\_/ transaction
  - g. Third-party FX execution \_\_\_\_\_/ transaction
  - h. Third-party securities lending \_\_\_\_\_/ transaction
6. On-line system charges:
- Unaudited Daily NAVs \$ \_\_\_\_\_ charge or fee
  - Daily Asset Values \$ \_\_\_\_\_ charge or fee
  - Daily Transactions \$ \_\_\_\_\_ charge or fee
  - Daily Cash \$ \_\_\_\_\_ charge or fee
  - Standard reports \$ \_\_\_\_\_ charge or fee
  - Customized reporting \$ \_\_\_\_\_ charge or fee
  - Executive and Board reporting \$ \_\_\_\_\_ charge or fee
  - Securities lending \$ \_\_\_\_\_ charge or fee
  - Income Inquiry Reports \$ \_\_\_\_\_ charge or fee
  - Corporate Actions Reporting \$ \_\_\_\_\_ charge or fee
  - Rate of Return Calculations \$ \_\_\_\_\_ charge or fee
  - Performance Analytics \$ \_\_\_\_\_ charge or fee
  - Trading cost analysis \$ \_\_\_\_\_ charge or fee





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Terminal charge	\$_____	charge or fee
Communication software	\$_____	charge or fee
CPU connect time	\$_____	charge or fee
Others: (specify)	\$_____	charge or fee

### 7. Performance Measurement and Analytics: (enumerate levels of services)

Basic return calculation	\$_____
Historical data download	\$_____
Executive Board Reports	\$_____
Monthly Flash Reports	\$_____
Drill Down Commingled funds	\$_____
Customized benchmarks/universes	\$_____
Equity Analytics	\$_____
Bond Analytics	\$_____
Intl Equity Analytics	\$_____
Full Attribution	\$_____
Trading cost analysis	\$_____
Universe Comparisons	\$_____
Portfolio Characteristics	\$_____
Style Analyzer	\$_____
Others: (specify)	\$_____

### 8. Investment compliance checking and Risk Measurement:

Basic Compliance	\$_____	charge or fee
Intermediate Compliance	\$_____	charge or fee
Advanced Level (i.e., VAR)	\$_____	charge or fee

### 9. Real Estate and Alternative Investments:

Basic return calculation	\$_____
Historical data download	\$_____
Executive Board Reports	\$_____
Monthly Flash Reports	\$_____
Drill Down Commingled funds	\$_____
Customized benchmarks/universes	\$_____
Analytics	\$_____
Such as: Private I from the Burgiss Group, Venture Economics, & Data Maintenance	
Others: (specify)	\$_____

### 10. Class Action Filings: (itemize)

Reporting:	\$_____	charge or fee
On-line Access:	\$_____	charge or fee
Legal Filings	\$_____	charge or fee
Others: _____	\$_____	charge or fee

### 11. Proxy notification and voting: (itemize)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



## State of Connecticut - Office of the Treasurer

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### 12. Training: (itemize)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

### 13. Out of Pocket: (itemize)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

### 14. Custody and Transfer Agency of STIF: (itemize)

Custody	\$ _____	charge or fee
Trade Processing	\$ _____	charge or fee
Accounting	\$ _____	charge or fee
Reporting	\$ _____	charge or fee
Performance	\$ _____	charge or fee
Shareholder Services	\$ _____	charge or fee
Participant Account Services	\$ _____	charge or fee
Month End Reporting	\$ _____	charge or fee
Customer Services	\$ _____	charge or fee
Client Administration	\$ _____	charge or fee
Interest/Dividend Processing	\$ _____	charge or fee
Shareholder Mailings	\$ _____	charge or fee
Recon/Control Services	\$ _____	charge or fee
Record Retention	\$ _____	charge or fee
Conversion	\$ _____	charge or fee
Historical Upload	\$ _____	charge or fee
On-line Access	\$ _____	charge or fee
Others: _____	\$ _____	charge or fee

### 15. Miscellaneous: (itemize)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



## State of Connecticut - Office of the Treasurer

### EXHIBIT 1

#### CRPTF Investment Manager Structure As of February 29, 2004

Manager	Mandate	Market Value	Account Structure
<b>Mutual Equity Fund</b>			
TCW Cowen	Small/Mid Cap	\$461,331,916	Separate
AXA Rosenberg	Enhanced Russell 2000	490,718,207	Separate
TIMCO	Enhanced Russell 2500	403,698,853	Separate
Barclays Global Investor	Enhanced S&P 500	3,361,962,205	Separate
Brown Capital	Small/Mid Cap	385,048,533	Separate
State Street Global Advisors	S&P 500 Index	2,745,816,060	Separate
subtotal		\$7,848,575,774	
<b>Mutual Fixed Income Fund</b>			
Loomis Sayles	Core Bond	\$358,475,361	Separate
State Street Global Advisors	Core Bond Index	1,657,702,660	Separate
Western Asset Management	Core Bond	1,223,464,033	Separate
Wellington Mgmt. Company	Core Bond	1,084,675,085	Separate
Phoenix Duff & Phelps	Core Bond	324,090,304	Separate
Oaktree	High Yield	238,007,743	Separate
W.R. Huff	Core Bond	277,493,075	Separate
Blackrock	Core Bond	1,266,067,688	Separate
subtotal		\$6,429,975,949	
<b>International Stock Fund</b>			
Morgan Stanley	International	\$338,399,099	
GMO	International	381,709,919	Separate
State Street Global Advisors	International	502,397,832	Separate
Schroders	International	180,322,174	Separate
Clay Finlay	International	353,304,216	Separate
Emerging Markets Mgmt	Emerging	368,429,191	Separate
Fidelity Investments	International	253,907,720	Separate
GMO	International	394,512,134	Separate
INVESCO	International	333,580,505	Separate
Merrill Lynch Inv. Mgmt.	International	252,226,273	Separate
MFS Institutional	International	159,085,855	Separate
Morgan Stanley	International	187,289,992	Separate
Putnam Investments	International	330,268,753	Separate
subtotal		\$4,035,433,663	
<b>Real Estate Fund</b>	<b>Real Estate</b>	<b>\$398,213,730</b>	<b>Commingled/LPs</b>
<b>Commercial Mtg. Fund</b>	<b>Mortgages</b>	<b>\$51,803,868</b>	<b>Trust Pools</b>
<b>Private Investment Fund</b>	<b>Private Eq/VC</b>	<b>\$1,950,670,809</b>	<b>Limited Partnerships</b>
<b>TOTAL</b>		<b>\$20,714,673,793</b>	



## **State of Connecticut - Office of the Treasurer**

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### **EXHIBIT 2**

#### **CRPTF Investment Holdings**

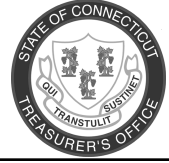
Refer to the attached spreadsheets

**EquityHoldingsCombined.xls** – Spreadsheet 1

**FixedHoldingsCombined.xls** – Spreadsheet 2

**IntlHoldingsCombined.xls** – Spreadsheet 3

**REPECM HoldingsCombined.xls** – Spreadsheet 4



## **State of Connecticut - Office of the Treasurer**

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### **EXHIBIT 3**

#### **STIF Investment Holdings**

Refer to attached spreadsheet

**STIFHoldings.xls** – Spreadsheet 5



**EXHIBIT 4**

**STIF Investment Policy and Guidelines**

**Investment Policy**

**As adopted August 21, 1996**

**A. Background**

The Treasurer's Short-Term Investment Fund (STIF) is an investment pool of high-quality, short-term money market instruments for state and local governments. Operating since 1972 in a manner similar to a money market mutual fund, STIF's purpose is to provide a safe, liquid and effective investment vehicle for the operating cash of the State Treasury, state agencies and authorities, municipalities, and other political subdivisions of the state.

All State, local and political subdivisions of the State are authorized to invest in STIF by (CGS) 3-27a and 3-27b.

**B. Purpose**

The purpose of this document is to specify the policies and guidelines that provide for the systematic management of STIF and the prudent and productive investment of funds.

**C. Investment Objectives**

STIF seeks as high a level of current income as is consistent with, first, the safety of principal invested by the State, municipalities and others, and, second, the provision of liquidity to meet participants' daily cash flow requirements.

**D. Safety of Principal**

Safety of principal, STIF's primary objective, shall be pursued in a number of ways.

1. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio by protecting against credit risks (from security defaults) and the erosion of market prices (from rising interest rates).
2. The Fund's investments shall be made in conformance with prudent guidelines for allowable instruments, credit quality and maturities. See Section H.
3. STIF shall maintain adequate diversification of instruments, issuers, industries and maturities to protect against significant losses from credit risks and market changes. See Section H.
4. All securities shall be held by a third-party custodian.
5. All transactions shall be handled on the basis of delivery vs. payment to a custodian bank.
6. All repurchase agreements shall be fully collateralized, with a custodian bank receiving delivery of the collateral.
7. Reverse repurchase agreements may be used only to meet temporary liquidity requirements of the Fund and may not exceed five percent of total Fund assets. See Section H.



## **State of Connecticut - Office of the Treasurer**

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8. STIF shall maintain a designated surplus reserve to provide an added layer of security. For the period June through November 1996 a pro-rated allocation to the reserve will be paid from investment returns that will equal, on an annualized basis, one-tenth of one percent of the fund's total investments until the reserve equals one percent of investments. Effective December 1, 1996, daily allocations to the designated surplus reserve will be paid from investment returns and will equal, on an annualized basis, one-tenth of one percent of the fund's investments until the reserve equals one percent of investments. If net losses significant to the aggregate portfolio are realized, they shall be charged against the designated surplus reserve, as discussed in Section Q. This reserve has never been drawn upon in STIF's 24-year history.

While STIF — which consists predominantly of funds for which the Treasurer is sole trustee — is managed diligently to protect against losses from credit and market changes, and though deposits are backed by high-quality and highly-liquid short-term securities, the Fund is not insured or guaranteed by any government and the maintenance of capital cannot be fully assured.

### **E. Liquidity**

The portfolio shall be structured through sufficient investments in overnight and highly-marketable securities to allow complete liquidity for participants. In addition, reverse repurchase agreements totaling up to five percent of Fund assets may be used to meet temporary liquidity requirements.

Participants have full and quick access to all of their funds. Participants may make same-day (up to 10:30 a.m.) deposits and withdrawals of any size. Withdrawals generally are sent via Fed wire, thus funds are available for use on the day of withdrawal.

In addition, deposits and withdrawals may be made through the ACH system on a next-day basis, deposits may be made by check through the mail, and withdrawals may be made by check. No transaction fees are charged on deposits or withdrawals by wire or ACH. Withdrawals by check are charged a fee, as specified in the participant manual.

### **F. Yield**

STIF's investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account investment risk constraints and the liquidity requirements of the Fund.

The portfolio shall be managed with the objective of exceeding the average of three-month U.S. Treasury Bill rates for the equivalent period. This index is considered a benchmark for near-riskless investment transactions and, therefore, comprises a minimum standard for the portfolio's rate of return. The investment program shall seek to augment returns above this threshold, consistent with stated risk limitations and prudent investment principles.

While STIF shall not make investments for the purpose of trading or speculating as the dominant criterion, STIF shall seek to enhance total portfolio return through active portfolio management. The prohibition on speculative investments precludes pursuit of gain or profit through unusual risk. Trading in response to changes in market value or market direction, however, is warranted under active portfolio management.



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### **G. Prudence**

Investments shall be made with the care, skill, prudence, and diligence — under circumstances then prevailing — that prudent persons acting in like capacities and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The standard of prudence to be used by STIF's investment officials shall be the "prudent expert" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion in writing and appropriate action is taken to control adverse developments.

### **H. Investment Guidelines**

All investments must be made in instruments authorized by CGS 3-27c - 3-27e. In addition, the Treasurer has adopted the investment guidelines that follow. Unless otherwise indicated, references to credit ratings are to those of Standard & Poor's.

#### **1. STIF may invest in the following securities:**

- a. U.S. government and federal agency securities.
- b. Certificates of deposit of commercial banks in the United States whose short-term debt is rated at least A-1 and TBW-1 (by Thomson Bank Watch) and whose long-term debt is rated at least A- and C (by Thomson Bank Watch).
- c. Certificates of deposit of U.S. branches of foreign banks with short-term debt ratings of at least A-1 and TBW-1 and long-term debt ratings of at least A and B/C (by Thomson Bank Watch).
- d. Bankers' acceptances of those banks meeting the criteria in b. and c. above.
- e. Fully-collateralized repurchase agreements with primary dealers of the Federal Reserve with short-term debt ratings of at least A-1, or qualified domestic commercial banks meeting the criteria in b. above, with possession of collateral by a custodian bank.
- f. Commercial paper of companies that have short-term debt rated at least A-1 and P-1 (by Moody's) and long-term debt rated at least AA- and Aa3 (by Moody's).
- g. Corporate or asset-backed securities rated at least A-1/P-1 and AA-/Aa3.
- h. Asset-backed securities with maturities of under one year rated at least A-1/P-1.
- i. Money market mutual funds or similar investment pools, comprised of securities permitted under this investment policy and managed to maintain a constant share value, rated AAAm.





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- j. A line of credit of up to \$100 million with the Connecticut Student Loan Foundation. Any resulting loans shall be fully collateralized (at 102 percent) by student loans with interest and principal 98 percent federally guaranteed.
  - k. The portfolio currently includes securities issued by the State of Israel, which mature in less than six years, and which, in the aggregate, total less than .5 percent of the portfolio value. These notes' interest rates are reset semi-annually at the prime rate minus 50 basis points. These securities, as currently structured, will not be purchased in the future.
2. Reverse repurchase agreements, in the aggregate, may not exceed five percent of net assets at the time of execution. While any reverse repurchase agreement is outstanding, new investments must match the maturity of the shortest-term outstanding reverse repurchase agreement. Reverse repurchase agreements are to be used only to meet temporary liquidity requirements of the Fund.
3. No investments may be made in "derivative" securities such as futures, swaps, options, interest-only and principal-only mortgage-backed securities, inverse floaters, CMT floaters, leveraged floaters, dual index floaters, COFI floaters, and range floaters. These types of securities can experience high price volatility with changing market conditions, and their market values may not return to par even at the time of an interest rate adjustment.
- Investments may be made in adjustable rate securities whose interest rates move in the same direction and in the same amount as standard short-term money market interest rate benchmarks, such as Fed Funds, LIBOR, Treasury bills, one-month CDs, one-month commercial paper and the prime rate, and conform with STIF's other credit and maturity standards. Interest rate reset periods may not exceed six months. The values of these securities tend to return to par upon the scheduled adjustment of interest rates. Some parties in the financial services industry consider these types of adjustable rate securities to be derivatives, others do not.
- U.S. Treasury Separate Trading of Registered Interest and Principal Securities ("STRIPS") are not considered derivatives and may be purchased. These instruments are subject to the same interest rate risks as U.S. Treasury securities of the same duration. STRIPS are fundamentally different from mortgage-backed and other interest-only or principal-only securities that are subject to unscheduled prepayments of principal.
4. All investments must be made in U.S. dollar-denominated securities.
5. The dollar-weighted average portfolio maturity (including interest rate reset periods) may not exceed 90 days. Individual maturities may not exceed five years.
6. STIF shall diversify its investments to avoid incurring unreasonable risks inherent in overinvesting in specific instruments, industry segments, individual issuers or maturities. Diversification strategies shall include:



## **State of Connecticut - Office of the Treasurer**

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- a. At the time of purchase, no more than five percent of the overall portfolio may be invested in an individual security, other than overnight or two-business-day repurchase agreements and U.S. government and agency securities.
  - b. At the time of purchase, no more than 10 percent of the overall portfolio may be invested in securities of a single bank or corporation, other than overnight or two-business-day repurchase agreements and U.S. government and agency securities.
  - c. There is no limitation on the percentage of assets that may be invested in securities of the United States government, its agencies or instrumentalities, or in overnight or two-business-day repurchase agreements.
  - d. At the time of purchase, no more than 25 percent of the overall portfolio may be invested in any industry other than the financial services industry.
  - e. At the time of purchase, no more than 50 percent of the overall portfolio may be invested in the combined total of commercial paper and non-asset-backed corporate notes.
  - f. At the time of purchase, no more than 20 percent of the overall portfolio may be invested in floating rate securities with final maturities in excess of two years.
  - g. At the time of purchase, no more than five percent of the overall portfolio may be invested in an individual money market mutual fund or similar investment pool.
  - h. At the time of purchase, no more than 10 percent of the overall portfolio may be invested in money market mutual funds and similar investment pools.
  - i. At the time of purchase, investments in securities that are not readily marketable, other than securities that mature within seven days, may not exceed 10 percent of the fund's overall portfolio.
  - j. At least 75 percent of the overall portfolio shall be invested in securities rated A-1+ or in overnight repurchase agreements with dealers or banks rated A-1.
7. The Treasurer intends to operate STIF in such a manner as to maintain its AAAM credit rating from Standard & Poor's, or a similar rating from another nationally-recognized credit rating service recognized by the State Banking Commissioner.
8. Investment decisions shall be based on the relative and varying yields and risks of individual securities and the Fund's liquidity requirements.

### **I. Interest Payments**

Until December 1, 1996:

STIF pays interest quarterly based on monthly guaranteed rates that are set on or before the first day of each month by the Treasury based on STIF's portfolio and market conditions. In addition, participants will be paid a bonus distribution — based on actual earnings less guaranteed interest payments, expenses and the payment to the reserve for losses — for the period of June through



## **State of Connecticut - Office of the Treasurer**

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November. All rates are calculated and quoted on the basis of the actual number of days in a year (an “actual-over-actual” basis).

Effective December 1, 1996:

STIF declares and accrues investor interest daily based on actual STIF earnings (including gains and losses), less expenses and transfers to the designated surplus reserve. Interest is paid monthly through direct distribution or reinvestment. Earned rates are available on a next-day basis. All rates are calculated and quoted on the basis of the actual number of days in a year (an “actual-over-actual” basis) and reported in accordance with guidelines of the Association for Investment Management and Research (AIMR).

### **J. Administrative Costs**

STIF is provided to participants without sales or management fees. Administrative costs are paid from investment earnings, and all STIF participants (including the state and local entities) share in covering the Fund’s expenses in proportion to the size of their investments. Costs have run at between two and three basis points (or \$2-3 per \$10,000 invested).

### **K. Delegation of Authority**

The Short-Term Investment Unit within the Treasury’s Cash Management Division manages STIF’s investments. Deposits, withdrawals, participant record-keeping and the distribution of interest are handled by State Street Bank and Trust under the supervision of the STIF Administration Unit within the Treasury’s Cash Management Division.

### **L. Daily Confirmations**

Confirmations of daily deposits and withdrawals are sent the day after the transaction.

### **M. Monthly Statements**

Monthly statements of balances, account activity, and paid interest are mailed to participants by the 10th day of each month.

### **N. Reports**

Quarterly and annual reports describing STIF’s yields, performance relative to its primary benchmark (IBC First Tier Institutions-Only Rated Money Fund Index), and investments shall be provided to all participants. A detailed portfolio listing, data on 90-day Treasury bills and 90-day certificates of deposit, and commentary on economic conditions shall be provided with each report. The reports are available on the World Wide Web at: <http://www.state.ct.us/ott>

### **O. Participant Manual**

A manual describing STIF’s operating procedures, instructions for opening and closing accounts and making deposits and withdrawals, and methods of distributing interest, is provided to all participants. There currently are no restrictions on the size or number of accounts or transactions.

### **P. Audit**

The Auditors of Public Accounts audit STIF’s financial statements and operating procedures annually. Copies of audit opinions and reports will be provided to all participants.



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### **Q. Portfolio Valuation**

STIF's values and yields are accounted for on an amortized-cost basis. Market values of all securities, except for those securities listed in Sections H.1.j and H.1.k, above, are calculated on a weekly basis. Significant deviations of market values to amortized costs shall be reported as follows:

1. **First Level Notification.** If the market value of the overall investment portfolio, based on reports from the custodian, drops below 99.75 percent of the amortized cost value of the overall investment portfolio, or if the ratio of the market value of the overall portfolio to the outstanding participant units drops below 100.50 percent, the Principal Investment Officer would notify the Assistant Treasurer for Cash Management, the Assistant Treasurer for Pension Funds Management, and the Treasurer's Investment Committee at the first weekly meeting following such determination.
2. **Second Level Notification.** If the market value of the overall investment portfolio, based on reports from the custodian, drops below 99.50 percent of the amortized cost value of the overall investment portfolio, or if the ratio of the market value of the overall portfolio to the outstanding participant units drops below 100.25 percent, the Principal Investment Officer would notify, as soon as practical, the Treasurer, Deputy Treasurer, Assistant Treasurer - Chief of Staff, Assistant Treasurer for Cash Management, Assistant Treasurer for Pension Funds Management, and the Treasurer's Investment Committee. The Treasurer's Investment Committee would then meet in special session to review the circumstances surrounding the fall in one or both ratios, and it would review every security held by the fund. If this second level notification resulted from a significant increase in fund size that resulted in a proportionate decrease in the relative size of the designated surplus reserve, then portfolio or other changes may not be required. If this second level notification resulted from the decline in market values of securities, then the Investment Committee would consider selling securities that had fallen in value and making use of the designated surplus reserve.
3. **Investor Notification.** If the ratio of the market value of the overall portfolio to the outstanding participant units drops below 99.75 percent, the Treasurer would notify all STIF investors of the situation and the actions being undertaken to protect against further reductions.

### **R. Internal Controls**

The Treasury shall establish and maintain a system of internal controls, which shall be documented in writing. The internal controls shall be reviewed by the Auditors of Public Accounts. The controls shall be designed to prevent and control losses of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees and officers.

### **S. Cash Management Advisory Board**

STIF's investment practices and performance, including the documentation discussed in Section N, shall be reviewed on a quarterly basis by the Treasurer's Cash Management Advisory Board.

### **T. Financial Dealers and Institutions**

The STIF Investment Officer shall develop criteria for selecting brokers and dealers. All repurchase agreement transactions will be conducted through primary dealers of the Federal



## **State of Connecticut - Office of the Treasurer**

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Reserve Bank of New York rated at least A-1 and qualified banks (as defined in Sections H.1.b and H.1.c) which have executed master repurchase agreements with the Treasury.

### **U. Ethics**

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose in writing to the Treasurer, or the Treasurer's compliance officer, any material financial interests in financial institutions that conduct business with STIF, and they shall further disclose any large personal financial/investment positions that could be related to the performance of STIF's portfolio, particularly with regard to the time of purchases and sales.

### **V. Bond Proceeds**

Bond proceeds may be deposited in STIF. Accounting and arbitrage rebate calculations are the responsibility of participants. STIF's investment program is not designed to restrict yield in order to avoid arbitrage rebates.

### **W. Conformance with Guidelines**

A nationally-recognized credit rating service recognized by the State Banking Commissioner shall monitor the STIF portfolio on a weekly basis to determine compliance with this policy. The Auditors of Public Accounts review compliance annually.

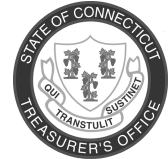
### **X. Conformance with National Standards**

These guidelines, together with the participant manual, were designed to meet the July 1995 guidelines of the National Association of State Treasurers for local government investment pools.

### **Y. Investment Guideline Revisions**

These guidelines may be revised by the Treasurer due to market changes or regulatory, legislative or internal administrative initiatives. Attempts will be made to provide all STIF investors with at least 30 days of notice before any changes to the investment policy become effective.

The Treasurer reserves the right to make changes immediately to respond to market conditions. In such circumstances, revisions will be sent to all STIF investors within two business days of the revision.



## State of Connecticut - Office of the Treasurer

### EXHIBIT 5

#### PERSONAL SERVICE AGREEMENT

CO-802A REV. 2/2000 (Electronic Version)

STATE OF CONNECTICUT  
OFFICE OF THE STATE COMPTROLLER  
ACCOUNTS PAYABLE DIVISION

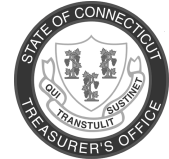
1. PREPARE 5 COPIES.
2. THE STATE AGENCY AND THE CONTRACTOR AS LISTED BELOW HEREBY ENTER INTO AN AGREEMENT SUBJECT TO THE TERMS AND CONDITIONS STATED HEREIN AND/OR ATTACHED HERETO AND SUBJECT TO THE PROVISIONS OF SECTION 4-98 OF THE CONNECTICUT GENERAL STATUTES AS APPLICABLE.
3. ACCEPTANCE OF THIS CONTRACT IMPLIES CONFORMANCE WITH TERMS AND CONDITIONS SET FORTH AT SHEET 2 OF THIS FILE, AS ATTACHED HERETO AND INCORPORATED BY REFERENCE.

(1) <input type="checkbox"/> ORIGINAL <input type="checkbox"/> AMENDMENT		(2) IDENTIFICATION NO.						
CONTRACTOR	(3) CONTRACTOR NAME		(4) ARE YOU PRESENTLY A STATE EMPLOYEE? <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO					
	CONTRACTOR ADDRESS		CONTRACTOR FEIN / SSN - SUFFIX					
STATE AGENCY	(5) AGENCY NAME AND ADDRESS Office of the State Treasurer, 55 Elm Street, Hartford, CT 06106		(6) AGENCY NO. 1201					
CONTRACT PERIOD	(7) DATE (FROM) THROUGH (TO)	(8) INDICATE <input type="checkbox"/> MASTER AGREEMENT <input type="checkbox"/> CONTRACT AWARD NO. <input type="checkbox"/> NEITHER						
CANCELLATION CLAUSE	(9) REQUIRED NO. OF DAYS WRITTEN NOTICE:							
	THIS AGREEMENT SHALL REMAIN IN FULL FORCE AND EFFECT FOR THE ENTIRE TERM OF THE CONTRACT PERIOD STATED ABOVE UNLESS CANCELLED BY THE STATE AGENCY, BY GIVING THE CONTRACTOR WRITTEN NOTICE OF SUCH INTENTION (REQUIRED DAYS NOTICE SPECIFIED AT RIGHT).							
COMPLETE DESCRIPTION OF SERVICE	(10) CONTRACTOR AGREES TO: (Include special provisions - Attach additional blank sheets if necessary)							
COST AND SCHEDULE OF PAYMENTS	(11) PAYMENT TO BE MADE UNDER THE FOLLOWING SCHEDULE UPON RECEIPT OF PROPERLY EXECUTED AND APPROVED INVOICES.							
(12) ACT. CD.	(13) DOC. TYPE	(14) COMM. TYPE	(15) LSE TYPE	(16) ORIG. AGENCY	(17) DOCUMENT NO.	(18) COMM. AGENCY	(19) COMM. NO.	(20) VENDOR FEIN / SSN - SUFFIX
(21) COMMITTED AMOUNT				(22) OBLIGATED AMOUNT		(23) CONTRACT PERIOD (FROM/TO)		
(24) ACT. CD.	(25) COMM. LINE NO.	(26) COMMITTED AMOUNT	(27) COMM. AGENCY	(28) COST CENTER FUND SID	(29) OBJECT	AGENCY TAIL (30) FUNCTION (31) ACTIVITY (32) EXTENSION (33) F.Y.		

An individual entering into a Personal Service Agreement with the State of Connecticut is contracting under a "work-for-hire" arrangement. As such, the individual is an independent contractor, and does not satisfy the characteristics of an employee under the common law rules for determining the employer/employee relationship of Internal Revenue Code Section 3121 (d) (2). Individuals performing services as independent contractors are not employees of the State of Connecticut and are responsible themselves for payment of all State and local income taxes, federal income taxes and Federal Insurance Contribution Act (FICA) taxes.

ACCEPTANCES AND APPROVALS		(34) STATUTORY AUTHORITY C. G. S. 3-1a	
(35) CONTRACTOR OWNER OR AUTHORIZED SIGNATURE		TITLE	DATE
(36) AGENCY (AUTHORIZED OFFICIAL)		TITLE	DATE
(37) OFFICE OF POLICY & MGMT./DEPT. OF ADMIN. SERV.		TITLE	DATE
(38) ATTORNEY GENERAL (APPROVE DASTO FORM)			DATE

DISTRIBUTION: ORIGINAL-CONTRACTOR PHOTOCOPY-COMPTROLLER PHOTOCOPY-OPMD/AS PHOTOCOPY-ATTORNEY GENERAL PHOTOCOPY-AGENCY



## State of Connecticut - Office of the Treasurer

### TERMS/CONDITIONS

#### EXECUTIVE ORDERS

This contract is subject to the provisions of Executive Order No. Three of Governor Thomas J. Meskill promulgated June 16, 1971, and, as such, this contract may be canceled, terminated or suspended by the State Labor Commissioner for violation of or noncompliance with said Executive Order No. Three, or any state or federal law concerning non discrimination, notwithstanding that the Labor Commissioner is not a party to this contract. The parties to this contract, as part of the consideration hereof, agree that said Executive Order No. Three is incorporated herein by reference and made a part hereof. The parties agree to abide by said Executive Order and agree that the State Labor Commissioner shall have continuing jurisdiction in respect to contract performance in regard to non discrimination, until the contract is completed or terminated prior to completion. The contractor agrees, as part consideration hereof, that this contract is subject to the Guidelines and Rules issued by the State Labor Commissioner to implement Executive Order No. Three, and that he will not discriminate in his employment practices or policies, will file all reports as required, and will fully cooperate with the State of Connecticut and the State Labor Commissioner. This contract is also subject to provisions of Executive Order No. Seventeen of Governor Thomas J. Meskill promulgated February 15, 1973, and, as such, this contract may be canceled, terminated or suspended by the contracting agency or the State Labor Commissioner for violation of or noncompliance with said Executive Order No. Seventeen, notwithstanding that the Labor Commissioner may not be a party to this contract. The parties to this contract, as part of the consideration hereof, agree that Executive Order No. Seventeen is incorporated herein by reference and made a part hereof. The parties agree to abide by said Executive Order and agree that the contracting agency and the State Labor Commissioner shall have joint and several continuing jurisdiction in respect to contract performance in regard to listing all employment openings with the Connecticut State Employment Service. This contract is also subject to provisions of Executive Order No. Sixteen of Governor John G. Rowland promulgated August 4, 1999, and, as such, this contract may be canceled, terminated or suspended by the contracting agency of the State Labor Commissioner for violation of or noncompliance with said Executive Order No. Sixteen, notwithstanding that the Labor Commissioner may not be a party to this contract. The parties to this contract, as part of the consideration hereof, agree that Executive Order No. Sixteen is incorporated herein by reference and made a part hereof. The parties agree to abide by said Executive Order and agree that the contracting agency and the State Labor Commissioner shall have joint and several continuing jurisdiction in respect to contract performance in regard to listing all employment openings with the Connecticut State Employment Service.

#### I. NON-DISCRIMINATION

(a). For the purposes of this section, "minority business enterprise" means any small contractor or supplier of materials fifty-one percent or more of the capital stock, if any, or assets of which is owned by a person or persons: (1) who are active in the daily affairs of the enterprise; (2) who have the power to direct the management and policies of the enterprise; and (3) who are members of a minority, as such term is defined in subsection (a) of Conn. Gen. Stat. subsection 32-9n; and "good faith" means that degree of diligence which a reasonable person would exercise in the performance of legal duties and obligations. "Good faith efforts" shall include, but not be limited to, those reasonable initial efforts necessary to comply with statutory or regulatory requirements and additional or substituted efforts when it is determined that such initial efforts will not be sufficient to comply with such requirements.

For purposes of this Section, "Commission" means the Commission on Human Rights and Opportunities.

For purposes of this Section, "Public works contract" means any agreement between any individual, firm or corporation and the state or any political subdivision of the state other than a municipality for construction, rehabilitation, conversion, extension, demolition or repair of a public building, highway or other changes or improvements in real property, or which is financed in whole or in part by the state, including but not limited to, matching expenditures, grants, loans, insurance or guarantees.

(b) (1) The Contractor agrees and warrants that in the performance of the contract such Contractor will not discriminate or permit discrimination against any person or group of persons on the grounds of race, color, religious creed, age, marital status, national origin, ancestry, sex, mental retardation or physical disability, including, but not limited to blindness, unless it is shown by such Contractor that such disability prevents performance of the work involved, in any manner prohibited by the laws of the United States or of the State of Connecticut. The Contractor further agrees to take affirmative action to insure that applicants with job related qualifications are employed and that employees are treated when employed without regard to their race, color, religious creed, age, marital status, national origin, ancestry, sex, mental retardation, or physical disability, including, but not limited to, blindness unless it is shown by the Contractor that such disability prevents performance of the work involved; (2) the Contractor agrees, in all solicitations or advertisements for employees placed by or on behalf of the Contractor, to state that it is an "affirmative action - equal opportunity employer" in accordance with regulations adopted by the Commission; (3) the Contractor agrees to provide each labor union or representative of workers with which the Contractor has a collective bargaining agreement or other contract or understanding and each vendor with which the Contractor has a contract or understanding, a notice to be provided by the Commission, advising the labor union or workers' representative of the Contractor's commitments under this section and to post copies of the notice in conspicuous places available to employees and applicants for employment; (4) the Contractor agrees to comply with each provision of this section and Conn. Gen. Stat. subsections 46a-68e and 46a-68f and with each regulation or relevant order issued by said Commission pursuant to Conn. Gen. Stat. subsections 46a-56, 46a-68e and 46a-68f; (b) the Contractor agrees to provide the Commission on Human Rights and Opportunities with such information requested by the Commission, and permit access to pertinent books, records and accounts, concerning the employment practices and procedures of the Contractor as relate to the provisions of this section and section 46a-56. If the Contractor is a public works contract, the contractor agrees and warrants that he will make good faith efforts to employ minority business enterprises as subcontractors and suppliers of materials on such public works projects.

c. Determination of the Contractor's good faith efforts shall include, but shall not be limited to, the following factors: The Contractor's employment and subcontracting policies, patterns and practices; affirmative advertising, recruitment and training; technical assistance activities and such other reasonable activities or efforts as the Commission may prescribe that are designed to ensure the participation of minority business enterprises in public works projects.

d. The Contractor shall develop and maintain adequate documentation, in a manner prescribed by the Commission, of its good faith efforts.

e. The Contractor shall include the provisions of subsection (b) of this Section in every subcontract or purchase order entered into in order to fulfill any obligation of a contract with the State and such provisions shall be binding on a subcontractor, vendor or manufacturer unless exempted by regulations or orders of the Commission. The Contractor shall take such action with respect to any such subcontract or purchase order as the Commission may direct as a means of enforcing such provisions including sanctions for noncompliance in accordance with Conn. Gen. Stat. subsection 46a-56; provided, if such contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the Commission, the Contractor may request the State of Connecticut to enter into any such litigation or negotiation prior thereto to protect the interests of the State and the state may so enter.

f. The Contractor agrees to comply with the regulations referred to in this Section as they exist on the date of this contract and as they may be adopted or amended from time to time during the term of this contract and any amendments thereto.

g. The Contractor agrees to follow the provisions: The contractor agrees and warrants that in the performance of the agreement such contractor will not discriminate or permit discrimination against any person or group of persons on the grounds of sexual orientation, in any manner prohibited by the laws of the United States or of the State of Connecticut, and that employees are treated when employed without regard to their sexual orientation; the contractor agrees to provide each labor union or representative of workers with which such contractor has a collective bargaining agreement or other contract or understanding and each vendor with which such contractor has a contract or understanding, a notice to be provided by the Commission on Human Rights and Opportunities advising the labor union or workers' representative of the contractor's commitments under this section, and to post copies of the notice in conspicuous places available to employees and applicants for employment; the contractor agrees to comply with each provision of this section and with each regulation or relevant order issued by said commission pursuant to Section 46a-56 of the general statutes; the contractor agrees to provide the Commission on Human Rights and Opportunities with such information requested by the commission, and permit access to pertinent books, records and accounts, concerning the employment practices and procedures of the contractor which relate to the provisions of this section and Section 46a-56 of the general statutes.

h. The Contractor shall include the provisions of the foregoing paragraph in every subcontract or purchase order entered into in order to fulfill any obligation of a contract with the state and such provisions shall be binding on a subcontractor, vendor or manufacturer unless exempted by regulations or orders of the commission. The contractor shall take such action with respect to any such subcontract or purchase order as the commission may direct as a means of enforcing such provisions including sanctions for noncompliance in accordance with Section 46a-56 of the general statutes; provided, if such contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the commission, the contractor may request the State of Connecticut to enter into any such litigation or negotiation prior thereto to protect the interests of the state and the state may so enter.

#### INSURANCE

The contractor agrees that while performing services specified in this agreement he shall carry sufficient insurance (liability and/or other) as applicable according to the nature of the service to be performed so as to "save harmless" the State of Connecticut from any insurable cause whatsoever. If requested, certificates of such insurance shall be filed with the contracting State agency prior to the performance of services.

#### STATE LIABILITY

The State of Connecticut shall assume no liability for payment for services under the terms of this agreement until the contractor is notified that this agreement has been accepted by the contracting agency and, if applicable, approved by the Office of Policy and Management (OPM) or the Department of Administrative Services (DAS) and by the Attorney General of the State of Connecticut.