

COMMISSIONERS:

Mary Fallin GOVERNOR • Todd Lamb LT. GOVERNOR • Gary Jones STATE AUDITOR & INSPECTOR • Joy Hofmeister SUPERINTENDENT of PUBLIC INSTRUCTION • Jim Reese COMMISSIONER, STATE BOARD of AGRICULTURE

February 19, 2016

To: Potential Respondents to Request for Proposal Dated January 27, 2016, for Master Custodian and Securities Lending Services

Subject: Questions and Answers

Enclosed please find CLO's response to the questions received on the January 27, 2016, Request for Proposal for Master Custodian and Securities Lending Services. Many of the questions were duplicates; therefore, the CLO has reduced each set of duplicates to one question and one response.

The documents provided are governed by the Oklahoma Open Records Act, 51 O.S. Section 24A.1. CLO reserves the right to disseminate its records upon proper request and requires each interested vendor to not disseminate these records to third parties but direct those third parties to the CLO.

Please direct any requests for clarification to this document to Simone Chandler at simone.chandler@clo.ok.gov

Thank you for submitting your questions. We look forward to receiving your response by 4:30pm CST on March 2, 2016.

Commissioners of the Land Office of Oklahoma
RFP for Custodial and Securities Lending Services issued January 27, 2016
Requests for Clarification and Responses

#	Question	Response
1	Will the custodian be required to also serve as trustee of the assets?	No.
2	Please provide samples of "special reports" you may require from the selected custodian.	<p>Purchased Interest Report is monthly reporting and tracking of interest purchased, interest received, interest recovered and remaining balance of interest to be recovered. Unit Percentage Report is monthly reporting of the unit percentage ownership of each trust beneficiary based on the total market value of the portfolio. Class Actions Reports include a monthly report of class actions filed on behalf of CLO and a quarterly reporting of class action proceeds. Electronic downloadable file of all investment activity and transactions.</p> <p>SEE NOTE 1</p>
3	What is CLO's general ledger software? Please provide chart of accounts.	The general ledger system is an internally developed application. This system runs in a Microsoft Windows framework (Application and RDBMS servers.) SEE NOTE 1
4	With regard to the CLO's general ledger system, please provide a description of what is required unless it was already outlined in the scope of services (Other Electronic Interfaces) in which case we would ask for a confirmation.	There are no electronic interface requirements with regard to the CLO's general ledger system at this time. However, the monthly electronic download of all investment activity must require a secure file transfer website.
5	Please provide a detailed asset listing for all assets eligible for loan (in Excel format) for analysis.	CLO Lendable Holdings 2015-10-31 SEE NOTE 1
6	Have you imposed any restrictions or limits on your program beyond those detailed in the RFP?	Securities lending program restriction are as currently described on pages 8 and 9 of the RFP.
7	Please provide the current (and expected) cash collateral investment guidelines for this program	Securities lending current (and expected) cash collateral reinvestment guidelines are as defined on pages 8 and 9 of the RFP.
8	Please provide a detailed listing (in Excel format) for the current cash collateral investments	The CLO only has overnight treasury and agency repo. GSL403 - Holdings Report Pools SEE NOTE 1
9	Are you expecting the transition any of these legacy cash collateral investments to the new provider?	No.
10	What is your current fee sharing arrangement with your Securities Lending Agent?	75% to CLO / 25% to agent

Commissioners of the Land Office of Oklahoma

RFP for Custodial and Securities Lending Services issued January 27, 2016

Requests for Clarification and Responses

#	Question	Response
11	Can we get copies of the existing plan accounting reports from your existing provider?	The CLO believes that provision of the full monthly master trust report will not be helpful to proposers. It contains by account: Market Value Reconciliation; Cash Reconciliation; Summary Investment Position; Diversification Schedule; Assets & Liabilities - Detail; Income - Detail; Disbursements - Detail; Amortization - Detail; Accretion - Detail; Non-Cash Asset Changes; 5% Transactions; and, Broker Commissions. The CLO additionally requires a custom report that provides a summary of purchased interest by holding with subsequent reporting of received income that offsets purchased income and allows for a customized adjustment of income received by the master trust. As described elsewhere in this clarification response, the CLO also requires a monthly ownership percentages master trust allocation report. Upon selection of finalist institution(s), the CLO may share additional detail if necessary.
12	Are there any investment vehicle held for which valuations are only available periodically via statements (aka. non-custody assets, assets held elsewhere)? If yes, please provide a full list of these assets.	Yes, there is one: BlackRock Russell 1000 Index Fund (CF).
13	What is the volume of plan trades in an average month?	The individual Trust Funds do not make trades and there are no trades between Trust Funds. Reunitization occurs at month end. Distributable income by manager is determined at month end and a transfer of funds is prepared for each money manager. Each Trust Fund receives their unitized percentage of the amount transferred. Each Trust Fund then distributes their unitized portion of the distributable income to their beneficiaries.
14	Can you confirm that the plan cash flows would be limited to once a month on the last business day of the month or first business day of the month coinciding with audited month-end NAV usage for the plan trades?	See response to #13. Additionally, there could be circumstances where plan cash flows could occur more than once per month.
15	Can you discuss what is meant by "providing revenue share to current provider"?	This phrase on page 8 of the RFP documents that the current STIF option may share revenue (subject to waiver) in the form of servicing and sub-TA fees.

Commissioners of the Land Office of Oklahoma

RFP for Custodial and Securities Lending Services issued January 27, 2016

Requests for Clarification and Responses

#	Question	Response
16	In light of Money Market reform, would CLO consider other liquidity investments if they made sense?	Alternative liquidity options may be considered at the discretion of the CLO. No proposal should be made contingent upon the use of an alternative vehicle.

Commissioners of the Land Office of Oklahoma
RFP for Custodial and Securities Lending Services issued January 27, 2016
Requests for Clarification and Responses

#	Question	Response
17	Does the CLO currently hold or have plans to hold alternative fund investments? (e.g. private equity or real estate funds)	No - apart from the Commercial Investment Properties.
17.a	If yes, what is the breakdown of PE/RE investments (i.e. # of funds vs. # of direct investments? Please also include a current market value breakdown.	N/A
17. b	If yes, what services are required for these assets?	N/A
17.b. i	Same day valuation	N/A
17.b.ii	Underlying holdings look-through reporting	N/A
17. b. iii	Fund-level performance reporting	N/A
17. b. iv.	Online document management	N/A
17. b. v.	Access to a benchmark / cash flow forecasting universe	N/A
18	If a list of assets is not available, please provide the market value of separate accounts and line items along with corresponding transactions.	This information has been provided on pages 7 and 8 of the RFP.
19	For the separate accounts, please provide the market value, transactions, and number of holdings per country (if a list of assets is not available).	This information has been provided on pages 7 and 8 of the RFP.
20	May we obtain a copy of your investment policy?	The latest policy is available at: https://clo.ok.gov/wp-content/uploads/2015/02/Investment-Policy-Nov-12-2015-FINAL.pdf
21	I understand that BNY Mellon is the securities lending provider but it is not clear who the custodian is. May we ask who the current custodian is please?	Bank of Oklahoma.
22	Can you please clarify the Commercial Property Investments? It states that they need 5 DDAs, but only 1 custodial account. What type of asset will be held in the custodial account? How will it be priced? What sort of accounting will they need for the DDAs and Custodial Account?	Commercial Property Investments are investments made under 64 O.S. Section 1013B. Commercial Property Investments refers to investment buildings that the CLO has the authority to purchase to generate distributable revenue for its beneficiaries. Cash will be the only item held in the custodial account. The custodial and the DDA accounts require the tracking of credits and debits to the account. No other detailed accounting is required. The current custodial account periodically receives dividend income.

Commissioners of the Land Office of Oklahoma

RFP for Custodial and Securities Lending Services issued January 27, 2016

Requests for Clarification and Responses

#	Question	Response
23	Question 15 in the Securities Lending mentions non cash collateral. Please detail which types of non-cash collateral are acceptable.	The program currently operates under a cash collateral reinvestment approach. The acceptance of non-cash collateral (traditional or alternative forms) would be subject to discussion and negotiation.
24	Please provide the definition of "foreign" borrower CLO proposes. For example, is a UK subsidiary of a US parent borrower considered "foreign" and is a US subsidiary of UK parent considered "foreign"?	"Foreign" would include any non-US domiciled borrower. The Investment Policy Statement states: "Neither the CLO nor the custodial bank shall permit any of the funds under the control of the CLO or securities to be located in any place other than within a jurisdiction or territory under the control or regulatory power of the U.S. Government"
25	The CLO currently uses the STIF product INVESCO PRIME - CASH MGMT fund. Is your intent to continue to use this fund or will you use a fund offered by the selected Vendor?	Alternative liquidity options may be considered at the discretion of the CLO. No proposal should be made contingent upon the use of an alternative vehicle.
26	Is it a requirement that the Demand Deposit Accounts be maintained in the State of Oklahoma or will remote capture technology (no Branch access) be acceptable? Alternatively, if local Branches are required, are you willing to maintain Demand Deposit accounts at a local institution and transfer the balances to the selected Vendor?	It is not a requirement that DDA accounts be maintained in the State of Oklahoma, but it would be preferential in order to accommodate immediate needs and provide easier accessibility when needed. CLO would consider the idea of maintaining DDA locally with a local institution and transferring balances to the selected vendor, as long as this did not interfere with normal daily operations and transactions.
27	What is a service agent, and do they indeed have to be located in OK?	Service agent is a legal service agent as defined on page 10 of the RFP.
28	Currently you have split providers; one custodian and one securities lending provider, would you consider one provider for both services?	Yes.
29	Will you provide an Account Analysis Statement for your five (5) deposit accounts and one (1) Custodial account?	Account analysis is not available.
30	If you are unable to provide Account Analysis Statements, will you provide a breakdown of transactions (e.g. number of debits, number of credits, and number of checks deposited etc.)?	Average monthly for all five DDA accounts: credits = 6; debits = 75 The custodial account has average monthly credits and debits of 7 transactions each. No checks are deposited to these accounts rather funds are received through wire transfers.
31	Are you utilizing any Treasury Management products i.e. Remote Deposit, Direct Deposit, Positive Pay, Online Wire Transfers etc.?	CLO is currently utilizing Positive Pay.

Commissioners of the Land Office of Oklahoma
RFP for Custodial and Securities Lending Services issued January 27, 2016
Requests for Clarification and Responses

#	Question	Response
32	Is there a maximum amount of the CLO's portfolio that may be loaned at a given time?	No.
33	What are the acceptable investment parameters for the cash collateral received for securities loans? Other than the repurchase agreements mentioned in the RFP document, does the CLO permit investment in other overnight or short duration assets?	No. The lending program parameters are as described in the RFP.
34	As part of our current functionality, MidFirst Bank has a long standing relationship with BMO Harris as the support provider of back-room trust operations and custodial services. Is it permissible for MidFirst Bank and BMO Harris to jointly satisfy all of the requirements of the RFP?	CLO will consider it provided Vendor meets all the requirements of the RFP.
35	Please provide the following information pertaining to your Collective Investment or Unitized Funds (if available, please provide a detailed list or file of securities held in each fund; include the following information: CUSIP #, security description, # of shares).	There is one: BlackRock Russell 1000 Index Fund (CF). Pricing is performed at month end using statement based pricing.
36	Please also provide a copy of your most recent fund valuation (include calculation of income distribution, gain/loss factors and NAV). If start up funds, complete based upon anticipated volumes.	Example unitization and master trust valuation schedule and monthly Investment Worksheet reflecting calculation of income distribution. SEE NOTE 1
37	Do you have any unique securities held in the collective investment funds that require special pricing (ex: non publicly traded securities - Hedge Funds, etc.)? If yes, please describe your process to price these securities at current market value, including the timing of these events	There is one: BlackRock Russell 1000 Index Fund (CF). Pricing is performed at month end by the custodial bank using statement based pricing.
38	Do you (or will you) hold any foreign securities in these funds (securities traded on a foreign exchange)? If yes, please provide specific securities below and explain your procedure for pricing these securities.	No.
39	Do you (or will you) amortize and/or accrete for your bond securities, if not, will you require amortization/accretion for your bond securities?	Yes, amortization and/or accretion is required.

Commissioners of the Land Office of Oklahoma
RFP for Custodial and Securities Lending Services issued January 27, 2016
Requests for Clarification and Responses

#	Question	Response
40	Explain any expenses or fees directly charged to the fund(s).	Class action fees and foreign tax withholdings.
41	Explain your current processing standards (or expectations) pertaining to the valuation cycle of your funds (ex: deadlines for NAV, income distribution, if applicable and participant trade settlement).	Audited/final monthly accounting reports by the eight (8th) Business Day following month-end. Process CLO's monthly transfer instructions in a timely manner and move distributable income funds from investment managers to the CLO's bank account for apportionment to the beneficiaries. CLO provides transfer instructions by the 17th (seventeenth) of the month and funds are wired by Vendor by the 20th (twentieth) of the month or earlier if possible.
42	Explain any tax reporting requirements for the fund(s).	If required, Form 8802, Application for United States Residency Certification is required for foreign tax withholding reclaims.
43	Recordkeeping requirements for participants (holders) of your funds: Please explain the system used to track participant activity, if different from the FIS TrustDesk system. Describe all requirements for interfaces or communication of participant trades, settlement and fund NAVs	An Investment Worksheet is used to account for the Trust Funds' unitized investments. This worksheet is the basis for monthly journal entries to record activity to each Trust Fund's general ledger.

NOTE 1: Example reports will be emailed to all potential proposers who submitted questions and upon request from other potential proposers affirming their intent to propose. Please direct intent to propose and requests for example reports to Simone Chandler at simone.chandler@clo.ok.gov prior to 4:30 p.m. CST, March 2, 2016.