



Los Angeles County Employees Retirement Association
300 North Lake Avenue
Suite 850
Pasadena, CA 91101

Global Custody and Commercial Banking Services

REQUEST FOR PROPOSAL

January 31, 2022

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January 28, 2022

Dear Potential Service Provider:

The Los Angeles County Employees Retirement Association ("LACERA") is requesting proposals from qualified firms interested in providing global custody and commercial banking services for LACERA's Pension Plan and OPEB Master Trust portfolios. The specific services requested via this Request for Proposal ("RFP") are contained in Section II, Scope of Work.

If you are interested in responding, please submit your Intent to Respond **Attachment A** by **5:00 PM, PST, Friday, February 11, 2022**, and the completed proposal via email no later than **Friday, March 25, 2022, 5:00 PM, PST**, to:

Mr. Jude Pérez
Principal Investment Officer
CustodyBankRFP@lacera.com

Detailed instructions for proposal submission are included in Section III of this RFP. Questions concerning the RFP must be submitted via email by **3:00 PM PST, February 25, 2022**.

Thank you for your interest in providing global custody and commercial banking services to LACERA, and we look forward to your response.

Sincerely,

Jude Pérez
Principal Investment Officer

I. Background Information

LACERA is a public pension fund established pursuant to the County Employees Retirement Law of 1937. In addition to providing service to its members, LACERA acts as fiduciary agent and manager of the portfolio.

LACERA is governed by two nine-member Boards: the Board of Retirement ("BOR") and the Board of Investments ("BOI"). The BOR is responsible for the administration of the retirement system. The BOI is responsible for establishing LACERA's investment policy and objectives, as well as exercising authority and control over the investment management of the fund. The day-to-day management of LACERA is delegated to a Chief Executive Officer appointed by both Boards. The day-to-day management of LACERA's investment portfolio is delegated to a Chief Investment Officer appointed by the BOI.

LACERA administers a Pension Plan and an OPEB Master Trust of approximately \$75 billion and \$2.6 billion in assets, respectively. The purpose of this RFP is to select a global custodian for the Pension Plan and OPEB Master Trust portfolios.

In 2021, the Board of Investments approved new strategic asset allocations for the Pension Plan and OPEB Master Trust. The new strategic asset allocation targets for both portfolios are included in **Attachment B**. The global custodian and commercial bank service provider, in a fiduciary capacity, is expected to provide a wide variety of services. The scope of work section, below, highlights some of the services for this mandate.

A. Method of Reporting

LACERA follows the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board (GASB). The financial statements are prepared using the accrual basis of accounting to reflect the overall operations of LACERA.

Various reports from LACERA's incumbent custodian bank, State Street, are used to prepare the required schedules for financial reporting. LACERA applies the accounting standards listed below, when preparing investments-related sections of the financial statements. Additional accounting standards identified or issued in the future, not included here, may apply to LACERA.

GAAFR (Blue Book)	<i>Governmental Accounting, Auditing, and Financial Reporting, GFOA - Using the GASB 34 Model (Publication)</i>
GASB-Statement No. 3	<i>Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements</i>
GASB-Statement No. 10	<i>Accounting and Financial Reporting for Risk Financing and Related Insurance Issues</i>

GASB-Statement No. 25	<i>Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans</i>
GASB-Statement No. 28	<i>Accounting and Financial Reporting for Securities Lending Transactions</i>
GASB-Statement No. 31	<i>Accounting and Financial Reporting for Certain Investments and for External Investment Pools</i>
GASB-Statement No. 40	<i>Deposit and Investment Risk Disclosures— an amendment of GASB Statement No. 3</i>
GASB-Statement No. 53	<i>Accounting and Financial Reporting for Derivative Instruments</i>
GASB-Statement No. 67	<i>Financial Reporting for Pension Plans</i>
GASB-Statement No. 72	<i>Fair Value Measurement and Application</i>
GASB-Statement No. 74	<i>Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans</i>

For additional information about LACERA, please refer to LACERA's Annual Financial Report, which is posted on the LACERA website, www.lacera.com, in the "Investments" section.

The services requested in this RFP are currently provided by State Street Bank and Trust Company. Existing service providers are permitted to submit a response to this RFP.

II. Scope of Services

A. Description of Services Sought

Custody: LACERA requires a comprehensive set of services from a custodian bank, including, but not limited to, safekeeping and asset servicing, performance measurement and analytics, plan and investment accounting, GASB reporting support, short-term sweep cash management, trade processing and settlements, compliance monitoring, commingled fund look through, proxy voting notification support, class action processing support and corporate actions, derivatives processing, proactive investment manager reconciliation, and alternative investment support. LACERA administers the Pension Fund, OPEB Trust Fund and the OPEB Agency Fund with their specific bank and investment accounts.

Given the multiple asset classes that LACERA is invested in, the preferred custodian should have robust capabilities in safekeeping, asset servicing, trade processing, and financial reporting. The ability to aggregate and compile data and composites is important. Derivatives processing is required and experience in fund look through is preferred. Income collection and corporate actions are essential in the day-to-day administration of the Plans. Cash sweep vehicle (short term cash management) is also

required. Although investment managers are responsible and have investment discretion for FX (foreign exchange), LACERA requires full transparency to FX transactions executed by the custodian bank on behalf of the Plans. LACERA also utilizes a currency hedge manager for a 50% static currency hedge for the developed portion of non-US equity portfolios.

The account structure of the Plans is predominantly in separate accounts, commingled funds, and Limited Partnerships. Considering this structure and the multi-manager configuration, LACERA is particularly interested in custodian capabilities to support collecting information and providing financial reports, which can be used to satisfy GASB Standards and included in LACERA's Comprehensive Annual Financial Report (ACFR). The custodian is expected to assist LACERA in year-end preparation of annual reports. The custodian is expected to assist LACERA and its external auditors in the completion of the annual financial statement audit which includes allowing external auditors to have read only access to online account information and reports.

LACERA requires a flexible data management and reporting system that can quickly provide detailed performance and other analytics at the portfolio, asset class, manager, or security level using the latest dashboard technology. The ability to drill down or "see through" commingled funds for shadow accounting and performance and risk oversight would be ideal. Key considerations surrounding risk management are being evaluated such as compliance monitoring, corporate governance support, advanced performance measurement and analytics, including holdings-based scenario analysis and stress testing. LACERA requires performance measurement services such as return calculations, portfolio characteristics, universe comparison, attribution and custom benchmark support. The ability to monitor liquidity is critical to better manage cash flow and monitor cash drag.

Another important consideration in the custody structure of LACERA is the ability to support cash management and STIF accounts for the on-going operational management of the plan. LACERA also participates in a securities lending program. The program is risk-controlled with certain fiduciary, operational, collateral, and default parameters.

Banking Services: LACERA requires banking and treasury services from the custodian bank. A critical structure is the ability to support the in-house cash accounts that fund the parent ZBA Concentration Account which is linked to other accounts including Retiree check, direct deposit, and administrative payments. There are some "seamless" transactions that occur between banking accounts and the custody accounts (i.e., the funding of member payroll whereby investment managers raise cash that is transferred from the custodian to the Retiree Check and Retiree Direct Deposit accounts without LACERA intervention).

III. Requirements and Instructions for RFP Response

A. Proposal Deadline

The completed proposal must be delivered by **5:00 PM PST, March 25, 2022** via email. Any proposal delivered after the proposal deadline will not be considered. Faxed transmissions are not acceptable. The email transmission are to be sent to the attention of:

Mr. Jude Pérez
Principal Investment Officer
LACERA
CustodyBankRFP@lacera.com

-and-

Mr. Timothy Filla
Managing Principal
Meketa
Tfilla@Meketa.com

Also email one PDF copy marked “REDACTED”. The redacted copy should exclude all material from your proposal that you believe in good faith is exempt from disclosure under the California Public Records Act (Cal. Gov. Code Sections 6250 et seq.) (described in Section VII of this RFP). Redactions should appear as blacked out material or blank page(s) with the word “REDACTED” or “PROPRIETARY” inserted.

B. Format and Content

Proposals are to address all the questions posed by LACERA in the order in which they appear in this RFP. All requested information must be provided in the format and order described below. Answers are to be succinct in a 12-point font and on single-sided pages.

1. Cover Letter

A cover letter (1 page) shall be signed by the individual(s) who is (are) authorized to bind the respondent contractually. The letter shall contain a statement to the effect that the respondent is not currently under investigation by any regulatory agency, state or federal, for any reason. The letter should identify your firm’s competitive advantage, the specific client service team that will be working on the LACERA account, and the reasons why the firm should be selected.

2. Minimum Qualification Certification

Your firm must certify, by completing and signing **Attachment C**, that it meets the minimum qualifications required.

3. Table of Contents

The response must contain a table of contents (1 page) that identifies the major sub-sections of the Questionnaire.

4. Questionnaire

Provide your response to the enclosed Questionnaire **Attachment D**. Responses shall be emailed; PDF or Word formats are acceptable. The RFP and Attachments have been made available for review and download via LACERA's website (www.lacera.com) under the "Business Opportunities" section (follow on the website: About LACERA/Who We Are/Business Opportunities).

5. Attachments

Respondents seeking consideration for this RFP must provide all information requested to be included as Exhibits to the completed Questionnaire.

Please complete the Diversity, Equity, and Inclusion Questionnaire; Diversity, Equity, and Inclusion Questionnaire Firm Demographics Tables; and the Firm Ownership Profile Questionnaire Table **Attachment E** and include your response as an Exhibit.

Please do not include additional Exhibits or Attachments in your response beyond what is requested in the Questionnaire, as they will not be considered in this evaluation.

C. Questions Relating to this RFP

All questions, inquiries, and requests for additional information concerning this RFP should be received no later than **5:00 PM PST, February 25, 2022**, and should be emailed to CustodyBankRFP@lacera.com. All questions received and responses thereto will be posted on LACERA's website (www.lacera.com) under the "Business Opportunities" section (follow on the website: About LACERA/Who We Are/Business Opportunities) on or about **5:00 PM PST, March 11, 2022**.

Additional Information

Please note that during this evaluation process LACERA staff will not answer any questions related to the RFP except as set forth in the above paragraph. After **March 11, 2022**, if a question appears unclear to you, please state your interpretation of the question and answer it accordingly.

To ensure that prospective service providers responding to this RFP have equal access to information regarding the RFP and communications related to the RFP are consistent and accurate so that the selection process is efficient and fair, a quiet period will be in effect from the date of issuance of this RFP until the selection of one or more respondents is completed and announced. During the quiet period, respondents are not permitted to communicate with any LACERA staff member or Board member regarding this RFP except through the point of contact named herein. Respondents violating the quiet period may be disqualified at LACERA's discretion. Respondents who are existing LACERA service providers must limit their communications with

LACERA staff and Board members to the subject of the existing services provided by them.

IV. Evaluation Process

An evaluation committee consisting of LACERA staff members will review the RFP responses. An initial screen and assessment will be conducted to both ensure that minimum qualifications are met and that proposals align with the objectives of the search.

Responses that meet minimum qualifications and are fit for purpose shall be subject to evaluation and scored on the following categories by the review committee:

- 1. Organization**
- 2. Professional Staff and Client Service**
- 3. Core Service Model**
- 4. Additional Service Model and Capabilities**
- 5. Technology and Information Security**
- 6. Transition and Conversion**
- 7. Fees**

If advanced beyond round one of the evaluation phase, web-based and/or in-person interviews with LACERA may be scheduled. Finalists may be asked to make oral presentations to the Board of Investments and the final selection(s) will be made by the Board of Investments.

V. Tentative Timetable

The following is a tentative schedule for this search. The evaluation and staff recommendation phases are subject to modification by LACERA.

LACERA RFP Issued	January 31, 2022
Submission – Letter of Intent	February 11, 2022
Submission – RFP Questions Deadline	February 25, 2022
LACERA Response to Written Questions	March 11, 2022
Submission – RFP Response Deadline	March 25, 2022
Invitations to Interview, as Warranted	2Q-3Q 2022
Board of Investments Deliberation/Selection	3Q-4Q 2022
Contracting and Implementation	4Q-2Q 2023
Cutover to new Custodian, as Warranted	July 1, 2023

VI. Notice to Respondents Regarding the Public Records Act

The information submitted in response to this RFP will be subject to public disclosure pursuant to the California Public Records Act (California Government Code Section 6250, et. seq., the “Act”). The Act provides generally that all records relating to a public agency's business are open to public inspection and copying unless specifically exempted under one of several exemptions set forth in the Act. If a respondent believes that any portion of its proposal is exempt from public disclosure or discussion under the Act, the respondent must provide a full explanation and mark such portion “TRADE SECRETS,” “CONFIDENTIAL” or “PROPRIETARY,” and make it readily separable from the balance of the response. Proposals marked “TRADE SECRETS,” “CONFIDENTIAL” or “PROPRIETARY” in their entirety will not be honored, and LACERA will not deny public disclosure of all or any portion of proposals so marked.

By submitting a proposal with material marked “TRADE SECRETS,” “CONFIDENTIAL” or “PROPRIETARY,” a respondent represents it has a good faith belief that the material is exempt from disclosure under the Act; however, such designations will not necessarily be conclusive, and a respondent may be required to justify in writing why such material should not be disclosed by LACERA under the Act. Fee and pricing proposals are not considered “TRADE SECRET,” “CONFIDENTIAL” or “PROPRIETARY”.

If LACERA receives a request pursuant to the Act for materials that a respondent has marked “TRADE SECRET,” “CONFIDENTIAL” or “PROPRIETARY,” and if LACERA agrees that the material requested is not subject to disclosure under the Act, LACERA will either notify the respondent so that it can seek a protective order at its own cost and expense, or LACERA will deny disclosure of those materials. LACERA will not be held liable, however, for inadvertent disclosure of such materials, data, and information or for disclosure of such materials if deemed appropriate in LACERA’s sole discretion. LACERA retains the right to disclose all information provided by a respondent.

If LACERA denies public disclosure of any materials designated as “TRADE SECRETS,” “CONFIDENTIAL” or “PROPRIETARY,” the respondent agrees to reimburse LACERA for, and to indemnify, defend and hold harmless LACERA, its Boards, officers, fiduciaries, employees and agents from and against:

1. Any and all claims, damages, losses, liabilities, suits, judgments, fines, penalties, costs and expenses, including without limitation attorneys’ fees, expenses and court costs of any nature whatsoever (collectively, Claims) arising from or relating to LACERA’s non-disclosure of any such designated portions of a proposal; and
2. Any and all Claims arising from or relating to LACERA’s public disclosure of any such designated portions of a proposal if LACERA reasonably determines disclosure is deemed required by law, or if disclosure is ordered by a court of competent jurisdiction.

If LACERA staff recommends any respondent to the Boards for hiring, such recommendation, the reasons for the recommendation and the relevant proposal(s) will appear on a publicly posted agenda and in supporting materials for public meetings of the Boards.

Nothing in this RFP requires LACERA to withhold any documents from production under the Act.

VII. Principles for Responsible Investment

On November 19, 2008, LACERA’s Board of Investments adopted the Principles for Responsible Investment (“PRI” or “Principles,” www.unpri.org/principles). The Principles were created by the United Nations to provide investors with a global structure for integrating environmental, social, and governance (“ESG”) criteria into investment decision-making processes to realize better long-term returns. As a result, LACERA is requesting that prospective investment managers consider becoming a PRI signatory and incorporating the Principles into the firm’s investment process, as long as making such a commitment is consistent with your fiduciary responsibilities and does not result in any additional costs.

VIII. Responses become LACERA Property

The information you submit in response to this RFP will become the exclusive property of LACERA. Your response will not be returned to you, and LACERA will not reimburse you for response preparation expenses.

IX. Contract Negotiations

If LACERA’s Board of Investments so authorizes, staff will negotiate a custody and commercial banking services agreement with the approved firm. LACERA may terminate negotiations, at its sole discretion, if it believes a satisfactory agreement cannot be negotiated. LACERA reserves the right to award a contract based upon proposals received. You should not rely upon the opportunity to alter your proposal (e.g., fees, services to be provided) during contract negotiations.

The contract negotiated, if any, must allow LACERA to terminate (a) for its convenience upon not more than 30 days’ notice, (b) if funds are not appropriated for the services to be provided, and (c) for default.

The general form of the contract LACERA intends to use for the services set forth in this RFP is attached as **Attachment F**. The Attachment is a sample investment management agreement that sets forth basic contract terms that LACERA will require including insurance, indemnification, representations, termination rights, and standard of care. By submitting a proposal without comment on the contract, you will be deemed to have agreed to each term in the contract, and to not seek any modifications to the contract. If you object to a term in the contract or wish to modify or add terms to the contract, your proposal must identify each objection, and propose language for each modification and additional term sought, including the rationale

for the change. LACERA reserves the right to make changes to the contract prior to execution, including material changes.

The finalist selected through this procurement will have access to sensitive information protected by LACERA's internal policies, State, and Federal law. In such a case, by submitting a proposal, respondent agrees to comply with certain contractual terms designed to protect such information, including without limitation (a) cyber liability insurance, (b) SOC-2 reporting, (c) systems penetration testing, and (d) disaster recovery. Respondents shall inform LACERA in their response if they have any limitations to agreeing to such terms. Respondents that do not make reservations shall lose their right to do so at the contracting phase.

X. Contract Terms and Conditions

The winning bidder will be required to comply with applicable California law and LACERA's Investment Policy Statement, including without limitation the following:

A. Fiduciary Responsibility

The Respondent will acknowledge that it is a fiduciary under the contract and as a fiduciary shall perform its duties with the standard care, skill, prudence and diligence that apply to other reputable experts practicing in the same field.

B. Conflicts and Economic Interests

The Transition Management Service Provider will affirm that it will report economic interests and conflicts in accordance with California law and LACERA policy, including the Code of Ethical Conduct, by filing and submitting to LACERA California State Fair Political Practices Commission Form 700 – Statements of Economic Interests by key personnel on an annual basis.

XI. Reservations by LACERA

In addition to the other provisions of this RFP, LACERA reserves the right to:

Cancel or modify this RFP, in whole or in part, at any time.

Make such investigation as it deems necessary to determine the respondent's ability to furnish the required services, and the respondent agrees to furnish all such information for this purpose as LACERA may request.

Reject the proposal of any respondent who has failed to comply with the requirements of this RFP, or who is not currently in a position to perform the contract, or who has previously failed to perform similar contracts properly, or in a timely manner or for any other reason in LACERA's sole discretion.

Waive irregularities to negotiate in any manner necessary to best serve the public interest, and to make a whole award, multiple awards, a partial award, or no award.

Award a contract, if at all, to the firm which will provide the best match to the requirements of the RFP and the service needs of LACERA in LACERA's sole discretion, which may not be the proposal offering the lowest fees or achieving the highest score.

Request additional documentation or information from respondents. Requested information may vary by respondent. LACERA may ask questions of any respondent to seek clarification of a proposal or to ensure the respondent understands the scope of the work or other terms of the RFP.

The right to choose to not enter into an agreement with any of the respondents to this RFP or negotiate for the services described in this RFP with a party that did not submit a proposal.

Determine the extent, without limitation, to which the services of a successful respondent are or are not actually utilized.

Defer selection of a winning bidder to a time of LACERA's choosing.

Consider information about a respondent in addition to the information submitted in the response or interview.

Add terms and conditions during contract negotiations.

The information that a respondent submits in response to this RFP becomes the exclusive property of LACERA. LACERA will not return any proposal or reimburse proposal preparation expenses.

LACERA shall not be liable for any costs respondents incur in connection with the preparation or submission of a proposal.

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