

Employees' Retirement System of the State of Hawaii

Global Custody Services and Securities Lending Request for Expression of Interest 2024

Issued: June 26, 2024

Contents

I.	OVERVIEW.....	3
II.	GENERAL OVERVIEW.....	8
III.	KEY ACTION DATES.....	13
IV.	MINIMUM QUALIFICATIONS.....	14
V.	SCOPE OF SERVICES.....	16
VI.	FEE SUBMISSION:.....	33
VII.	QUESTIONNAIRE.....	35
VIII.	TERMS AND CONDITIONS OF CONTRACT.....	63
IX.	CERTIFICATION.....	63
	ATTACHMENT 1: EVALUATION CRITERIA.....	64
	ATTACHMENT 2: SECURITIES LENDING GUIDELINES.....	65
	ATTACHMENT 3: ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR).....	66
	ATTACHMENT 4: 2024 ASSET HOLDINGS OF ERS.....	67
	ATTACHMENT 5: FORM OF CONTRACT.....	68
	ATTACHMENT 6: CHART OF ACCOUNTS.....	69
	ATTACHMENT 7: CHAPTER 88 HAWAII REVISED STATUTES.....	70
	ATTACHMENT 8: ERS BOARD OF TRUSTEES INVESTMENT PRACTICES.....	75
	ATTACHMENT 9: ERS INVESTMENT STATISTICS.....	76

Employees' Retirement System of the State of Hawaii Global Custody Services and Securities Lending Request for Expression of Interest 2024

I. OVERVIEW

The Employees' Retirement System of the State of Hawaii ("ERS") administers a defined benefit retirement plan for the State and County government employees of the State of Hawaii. ERS provides retirement, disability, and death benefits for its members. ERS is a qualified pension plan under Section 401(a) of the Internal Revenue Code. Administration of the ERS falls under the policy and executive direction of a Board of Trustees with certain areas of administrative control vested in the State Department of Budget and Finance. The ERS annual report is available on our website at <https://ers.ehawaii.gov/resources/financials>.

ERS is requesting an Expression of Interest ("EOI") to provide global custody services for the safekeeping and asset servicing of plan assets and securities lending services. The services are expected to be for a period of six (6) years, starting from January 1, 2025, and ending on December 31, 2030, with an option to extend at the discretion of ERS for two (2) additional two-year terms, (for a possible term of 10 years including option periods).

As of March 31, 2024, the total market value of ERS assets is approximately \$23.3 billion. Target risk-based asset allocation is shown below.

Asset Allocation vs. Target As of March 31, 2024					
	Current Balance (\$)	Current Allocation (%)	Policy (%)	Difference (%)	Policy Range (%)
Broad Growth	15,665,361,937	67.3	70.0	-2.7	60.0 - 80.0
Global Equity	9,126,659,445	39.2	39.0	0.2	19.0 - 59.0
Global Credit	2,394,786,740	10.3	12.0	-1.7	6.0 - 18.0
Real Assets	4,143,915,752	17.8	19.0	-1.2	9.0 - 29.0
Diversifying Strategies	6,505,862,853	28.0	30.0	-2.0	20.0 - 40.0
Liquid Defensive/Diversifying	5,444,886,487	23.4	26.0	-2.6	15.0 - 30.0
Illiquid Diversifying	1,060,976,365	4.6	4.0	0.6	0.0 - 9.0
Other	1,099,844,700	4.7	0.0	4.7	0.0 - 0.0
Other	1,099,844,700	4.7	0.0	4.7	0.0 - 0.0
Total	23,271,069,490	100.0	100.0	0.0	

Source: 2024 Q1 Performance Report, Meketa.

Note A:

*Amounts per Risk Class above for performance measurement may differ from holdings per manager listed below as certain assets, such as real assets, real estate, and alternative investments performance reporting are lagged one quarter.

ERS assets are diversified across multiple asset categories and multiple investment managers. A summary of ERS's account types, for custody and reporting purposes, as of March 31, 2024, are listed below.

Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024

Account Type Summary (6) Total Fund: 411 Open Accounts As of March 31, 2024				
Account	Market Value	Account Type (1)	Market (2)	Custody (3)
BROAD GROWTH				
GLOBAL CREDIT				
PRIVATE CREDIT				
AVENUE ASIA IMILOA	103,483,015	Line Item	Private	SHE
CARVAL CREDIT	248,693,686	Line Item	Private	SHE
FORTRESS LENDING FDI3A	145,691,497	Line Item	Private	SHE
JEFFERIES DIR LEND II	26,797,969	Line Item	Private	SHE
LAFAYETTE SQUARE USA	62,489,599	Line Item	Private	SHE
NB PRI DBT V	20,000,000	Line Item	Private	SHE
OHA TACTICAL	144,600,313	Line Item	Private	SHE
ORTHOGON PARTNERS III	3,527,877	Line Item	Private	SHE
PIMCO PRIVATE INCOME FUND	103,645,316	Line Item	Private	SHE
SILVERROCK CREDIT	303,746,400	Line Item	Private	SHE
SILVERROCK 2022	239,356,231	Line Item	Private	SHE
HEITMAN CORE RE DEBT	44,143,917	Line Item	Private	SHE
INVESCO COMM MORTGAGE	90,846,144	Line Item	Private	SHE
MESA WEST RE IV	7,631,447	Line Item	Private	SHE
MESA WEST RE V	15,021,431	Line Item	Private	SHE
TORCHLIGHT DEBT OP V	3,992,034	Line Item	Private	SHE
TORCHLIGHT DEBT VI	37,803,758	Line Item	Private	SHE
TORCHLIGHT DEBT VII	29,657,718	Line Item	Private	SHE
PUBLIC CREDIT				
HPS CREDIT	763,678,388	Line Item	Public	SHE
GLOBAL EQUITY				
PRIVATE EQUITY				
ERS PRIVATE EQUITY				
BUILDERS VC II ERS	10,439,307	Line Item	Private	SHE
COMMON FUND KAALA	69,170,478	Line Item	Private	SHE
LANDMARK XVI	64,691,143	Line Item	Private	SHE
LANDMARK XVII	8,292,003	Line Item	Private	SHE
PETERSHILL IV	14,303,438	Line Item	Private	SHE
STAFFORD HOOLU	52,796,674	Line Item	Private	SHE
HAMILTON LANE (209 Funds)	4,159,190,980	Line Item - Multiple	Private	SHE
HITIP STAFFORD (34 Funds)	89,237,245	Line Item - Multiple	Private	SHE
PUBLIC EQUITY				
ACTIVE PUBLIC EQUITY				
AB MID LG	614,197,446	Separate Account	Public	Custody
HILLHOUSE CHINA A SHARES	159,865,866	Line Item	Public	SHE
LONGVIEW	811,590,524	Separate Account	Public	Custody
WASATCH GLOBAL	488,014,040	Separate Account	Public	Custody
WELLINGTON	515,707,983	Separate Account	Public	Custody
WELLINGTON GL MID LG	660,184,428	Separate Account	Public	Custody
PASSIVE PUBLIC EQUITY				
BLACKROCK ALPHA TILT	625,249,484	Separate Account	Public	Custody
LEGAL & GENERAL ACWI	783,728,407	Line Item	Public	SHE
REAL ASSETS				
AGRICULTURE				
FIERA CG AGRICULTURE	129,926,116	Line Item	Private	SHE
PGIM US AGRI	97,206,198	Line Item	Private	SHE
UBS AGRIVEST FARMLAND	110,457,584	Line Item	Private	SHE
INFRASTRUCTURE				
OTHER REAL ASSETS				
MORGAN STANLEY OLOMANA	592,773,897	Line Item	Private	SHE
PRIVATE INFRASTRUCTURE				
CORE INFRASTRUCTURE				
BLACKSTONE INFRA	55,984,362	Line Item	Private	SHE
IFM GLB INFRA	170,899,538	Line Item	Private	SHE
KKR DIV CORE INFRASTRUCTURE	167,768,704	Line Item	Private	SHE

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

Account Type Summary					
(6) Total Fund: 411 Open Accounts					
As of March 31, 2024					
Account	Market Value	Account Type (1)	Market (2)	Custody (3)	
<u>NON-CORE INFRASTRUCTURE</u>					
BASALT INFRA IV	5,671,832	Line Item	Private	SHE	
ENCAP ET II	18,216,934	Line Item	Private	SHE	
ISQ GBL INFRA (RE)	16,680,405	Line Item	Private	SHE	
ISQ GBL INFRA II	58,530,544	Line Item	Private	SHE	
ISQ GBL INFRA III	20,190,095	Line Item	Private	SHE	
KKR GBL INFRA IV	33,110,489	Line Item	Private	SHE	
KKR GLO INFRA II	14,470,113	Line Item	Private	SHE	
<u>PUBLIC INFRASTRUCTURE</u>					
MORGAN STANLEY INFRA	467,210,968	Separate Account	Public	Custody	
<u>REAL ESTATE</u>					
<u>CORE REAL ESTATE</u>					
HEITMAN CAPITAL (19 Funds/Properties)	707,312,789	Line Item - Multiple	Private	SHE	
PRIME PROP	199,501,374	Line Item	Private	SHE	
RREEF CPIF LP	167,887,224	Line Item	Private	SHE	
<u>NONCORE REAL ESTATE</u>					
<u>OPPORTUNISTIC REAL ESTATE</u>					
AG ASIA REALTY FUND III LP	8,567,483	Line Item	Private	SHE	
AG EUROPE REALTY II	41,820,552	Line Item	Private	SHE	
AG EUROPE REALTY III	37,555,041	Line Item	Private	SHE	
BLACKROCK ASIA IV	15,766,181	Line Item	Private	SHE	
BLACKSAND I	1,842,087	Line Item	Private	SHE	
BLACKSAND II	18,979,115	Line Item	Private	SHE	
BLACKSTONE BREP VII	3,113,417	Line Item	Private	SHE	
BLACKSTONE REP EURO VI	34,383,518	Line Item	Private	SHE	
BLACKSTONE REP IX	55,918,290	Line Item	Private	SHE	
BLACKSTONE REP X	2,769,698	Line Item	Private	SHE	
CERBERUS IV	30,444,842	Line Item	Private	SHE	
EJF OPZONE 1	66,439,910	Line Item	Private	SHE	
FORTRESS JAPAN II	896,612	Line Item	Private	SHE	
FORTRESS JAPAN III	9,538,168	Line Item	Private	SHE	
FORTRESS JAPAN IV	14,544,244	Line Item	Private	SHE	
KAYNE ANDERSON V	39,012,434	Line Item	Private	SHE	
KAYNE ANDERSON VI	32,869,195	Line Item	Private	SHE	
KKR REP AMERICAS II	10,777,695	Line Item	Private	SHE	
LASALLE ASIA VI	1,669,665	Line Item	Private	SHE	
LONE STAR II	19,952	Line Item	Private	SHE	
LONE STAR VII	1,614	Line Item	Private	SHE	
STARWOOD DIS OP XII GLOB	24,644,803	Line Item	Private	SHE	
STARWOOD FUND XI	42,101,530	Line Item	Private	SHE	
<u>VALUE ADD REAL ESTATE</u>					
AG CORE PLUS IV	13,745,422	Line Item	Private	SHE	
AG CORE PLUS REALTY FUND III	9,940	Line Item	Private	SHE	
AG REALTY VALUE X	31,517,361	Line Item	Private	SHE	
AG RV XI LP	12,717,196	Line Item	Private	SHE	
ALMANAC IX	9,018,762	Line Item	Private	SHE	
ALMANAC VI	2,290,810	Line Item	Private	SHE	
ALMANAC VII	22,600,423	Line Item	Private	SHE	
ALMANAC VIII	34,146,326	Line Item	Private	SHE	
CBRE SPUS VALUE VII	3,054	Line Item	Private	SHE	
CBRE SPUS VALUE 8	31,148,091	Line Item	Private	SHE	
CBRE SPUS VALUE 9	27,549,918	Line Item	Private	SHE	
DRA GR INC IX	22,125,470	Line Item	Private	SHE	
DRA GR INC X	38,445,357	Line Item	Private	SHE	
DRA GR INC XI	3,962,157	Line Item	Private	SHE	
GLP CAPITAL IV	40,600,917	Line Item	Private	SHE	
INVESCO RE VI	22,587,070	Line Item	Private	SHE	
LASALLE INC & GR VII	10,764,384	Line Item	Private	SHE	
LASALLE INC GR VIII	35,748,395	Line Item	Private	SHE	
PRUDENTIAL SHP V	21,030,277	Line Item	Private	SHE	
PRUDENTIAL SHP VI	38,884,557	Line Item	Private	SHE	

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

Account Type Summary (6) Total Fund: 411 Open Accounts As of March 31, 2024				
Account	Market Value	Account Type (1)	Market (2)	Custody (3)
<u>TIMBER</u>				
HANCOCK TIMBER (8 Funds/Properties)	199,544,651	Line Item - Multiple	Private	SHE
DIVERSIFYING STRATEGIES				
<u>ILLIQUID DIVERSIFYING</u>				
<u>IDIOSYNCRATIC RETURN CAPTURE</u>				
STABLE (5 Funds)	138,526,156	Line Item - Multiple	Private	SHE
BLACKSTONE MAUNA LOA CAP	236,278,344	Line Item	Private	SHE
CLOVERLAY LEAHI CAP	186,888,353	Line Item	Private	SHE
PARABELLUM PRTNRS III LP	42,890,366	Line Item	Private	SHE
<u>INSURANCE LINKED</u>				
NEPHILA ULU FUND	213,079,555	Line Item	Private	SHE
PILLAR ENSO FUND	243,313,591	Line Item	Private	SHE
LIQUID DEFENSIVE/DIVERSIFYING				
<u>DEFENSIVE RETURN CAP</u>				
CRO FRM MASTER ACCOUNT	667,480	Line Item	Public	SHE
LOMBARD ODIER BEAR CONV	139,799,083	Line Item	Public	SHE
P E GLOBAL MACRO	188,923,412	Line Item	Public	SHE
SABA	191,484,854	Line Item	Public	SHE
36 SOUTH CAP ADV	227,397,850	Line Item	Public	SHE
<u>DISCRETIONARY ALPHA</u>				
AEQUIM ARBITRAGE	17,424,885	Line Item	Public	SHE
AEQUIM REL VAL ARBITRAGE	270,953,789	Line Item	Public	SHE
ARISTEIA REL VAL ARBITRA	210,333,187	Line Item	Public	SHE
MELQART REL VAL ARBITRAG	217,867,513	Line Item	Public	SHE
MONASHEE REL VAL ARBITRAGE	197,201,385	Line Item	Public	SHE
MYAM ASIAN OPPORTU FD LP	154,222,770	Line Item	Public	SHE
<u>INTERMEDIATE DURATION TREASURY</u>				
BANK OF HAWAII PRIN PROT	274,329,564	Separate Account	Public	Custody
FIRST HAWAIIAN BANK	168,745,731	Separate Account	Public	Custody
SLC MANAGEMENT INT TREAS	1,154,575,827	Separate Account	Public	Custody
<u>LONG DURATION TREASURY</u>				
SLC MANAGEMENT LONG TREASURY	424,782,988	Separate Account	Public	Custody
<u>SYSTEMATIC TREND FOLLOWING</u>				
ALPHASIMPLEX ADP TREND	232,723,489	Line Item	Public	SHE
ASPECT CORE FUND	243,830,718	Line Item	Public	SHE
BREVAN HOWARD DISC GL MACRO	257,813,968	Line Item	Public	SHE
BROAD REACH	198,337,370	Line Item	Public	SHE
CRABEL ADVANCED TREND	227,395,143	Line Item	Public	SHE
GRAHAM QUANT MACRO	242,071,168	Line Item	Public	SHE
MOUNT LUCAS GBL EV 18V	204,004,314	Line Item	Public	SHE
OTHER				
<u>CASH ACCOUNTS</u>				
ERS OPERATING ACCOUNT (4)	141,443,963	Separate Account	Public	Custody
ERS DDA (5)	41,509,272	Separate Account	Public	Custody
PARAMETRIC OVERLAY	840,630,566	Separate Account	Public	Custody
<u>CLOSING ACCOUNTS</u>				
EATON VANCE	306,788	Separate Account	Public	Custody
FIDELITY INSTITUTIONAL	23,928	Separate Account	Public	Custody
LORD ABBETT	126	Separate Account	Public	Custody
PIMCO EXT GLOBAL CRE	253	Separate Account	Public	Custody
QMA	445,222	Separate Account	Public	Custody
RESIDUAL ACCOUNT	1	Separate Account	Public	Custody
ROBECO	2,377,884	Separate Account	Public	Custody
TOBAM	1,711,221	Separate Account	Public	Custody
TRANSITION	189,166	Separate Account	Public	Custody
TRANSITION II	1,367,232	Separate Account	Public	Custody
SHAOLIN REL VAL ARBITRAG	26,235,755	Line Item	Public	SHE
UBS OCONNOR REL VAL ARBI	25,246,039	Line Item	Public	SHE
WEISS REL VAL ARBITRAGE	18,357,285	Line Item	Public	SHE

Employees' Retirement System of the State of Hawaii Request for Global Custody Services and Securities Lending Expression of Interest 2024

NOTES ON ACCOUNT TYPE SUMMARY:

1. Account Type (Separate or Line Item) is defined as how assets are held by the ERS.
 - a. Separate Account – Investment manager is given discretion on investment decisions of the account; only ERS assets are included in account.
 - b. Line Item – Generally represents a single investment within a commingled investment fund (i.e., private investment, hedge fund, etc.); reported as a single investment.
2. Market (Public or Private) is defined as the markets invested in by the ERS.
 - a. Public market investments – Generally represent financial markets where investments are traded on exchanges and easily invested in by the public. Examples of public investments include company stocks, mutual funds, ETFs, and bonds. Underlying asset valuations are priced daily and can be readily liquidated in a relatively short time horizon.
 - b. Private market investments – Generally represent financial markets that transact outside of public market exchanges. Investment in such assets is limited to qualified investors who often access private investments through an investment fund structure. Examples of private investment fund sectors include private credit, real estate, natural resources, private equity, infrastructure, and hedge funds. Underlying assets valuations are lagged due to private valuation processes, and liquidation is limited to secondary transaction markets.
3. Custody (Custody or Securities Held Elsewhere "SHE") is defined as where assets are held.
 - a. Custody accounts are for individual securities held by a Master Custodian on behalf of ERS which custodian is responsible for custody of individual securities, transaction accounting and calculating performance reporting.
 - b. SHE accounts are for securities held elsewhere, and the custodian is responsible for the posting of actual cash transactions for capital contributions and capital distributions, memo posting income/gain transactions from statements provided by ERS investment managers and calculating returns for performance reporting.
 - i. Cash transactions related to the investments are processed through the SHE accounts to properly report cash transfers and investment performance related to the specific account.
4. The ERS Operating Account is the primary "operating" account for ERS to be maintained by the global custodian.
 - a. Although a cash management account, this account is used to receive excess cash from the "ERS local" bank accounts in Hawaii; receive and disburse investment funds for assets not under the custody of this contract (e.g., SHE accounts, commingled funds, real estate); receive securities lending income; and receive securities litigation (class action) proceeds.
 - b. The majority of ERS's daily non-investment related transactions including, but not limited to pension, refund and vendor payments, are supported by accounts with financial institutions located in Hawaii, including, but not limited to, pension, refund, and vendor payments.
5. The ERS DDA account represents cash held for ERS's non-investment (pension and operating) activities. ERS provides a monthly report with aggregate amounts by asset class to the custodian for investment accounting and reporting requirements only.
6. ERS is comprised of the Employees' Retirement System (a Pension Trust) and Social Security Contribution Fund (an Agency Fund). Each of the fiduciary funds is considered a separate fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, equity, revenues and expenditures, or expenses, as appropriate. ERS may establish an additional reporting set of accounts.
 - a. Pension Trust - Members of ERS belong to the contributory, hybrid, or noncontributory plan. For purposes of this Request, ERS (pension trust) is one investment pool since all assets of ERS (in the Pension Trust) may be used to pay benefits to any member of ERS. All ERS investment assets are included in the list of investment accounts (managers) above.
 - b. ERS uses external investment managers for nearly the entire investment portfolio. ERS manages funds in-house for the pension trust from the following accounts (listed above): ERS Operating Account and ERS Closing Accounts (13). Banking services in Hawaii are provided by Bank of Hawaii, to include the receipt of ERS's member and employer contributions and the payment of pension benefits and administrative expenses. Excess funds are transferred to the ERS Operating Account at ERS's custodial bank, as it becomes available.
 - c. Advanced Contributions - ERS may establish a separate set of accounts to invest funds received and classified as "Advanced Contributions" that will be accounted/invested for separately from the Pension Trust. This set of accounts may require sub-accounts with principal and interest reporting.

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

Please refer to Attachment 2 (Securities Lending Guidelines), Attachment 3 (ERS Annual Comprehensive Financial Report-ACFR), Attachment 4 (Asset Holdings of ERS), Attachment 5 (Form of Contract), Attachment 6 (ERS General Ledger Chart of Accounts), Attachment 7 (Investments and Securities Lending Related Sections, Hawaii Revised Statutes), Attachment 8 (Investment Practices), and Attachment 9 (ERS Investment Statistics).

ERS is inviting your organization to submit a response to this Request for an EOI ("Request") to provide global custody services and appropriate services required by ERS to prudently oversee the assets of the Fund. Such services may include securities lending, performance measurement, investment policy compliance monitoring, risk analytics, short-term cash management, document control software, customer relationship management software, research management systems, and private asset data analytics.

When responding to this Request (section VII, Questionnaire), ERS encourages you to describe the ways in which you believe your organization's service capabilities are unique or would add value. Please provide succinct answers to the Request. If certain services cannot be provided, please state so where appropriate.

ERS would appreciate a written response to this Request even if you do not wish to be considered to provide the services. Your written response to this Request and any other relevant information and materials to this Request are due by 4:30 p.m. HST on July 31, 2024. Any award for services will be effective January 1, 2025.

II. GENERAL OVERVIEW

This section sets forth the general overview of the administrative requirements and process regarding a submission of a response to this Request.

A. Procurement Officer and Contract Administrator
Mr. Thomas Williams, Executive Director
Employees' Retirement System of the State of Hawaii
City Financial Tower
201 Merchant Street, Suite 1400
Honolulu, HI 96813

The ERS Point of Contact for all matters relating to this Request is:

Gerri Konishi
201 Merchant Street, Suite 1400
Honolulu, HI 96813
Telephone: 808-586-1705
Fax: 808-587-5766
Email: dbf.ers.investmentprocure@hawaii.gov

B. Quiet Period and Point of Contact

A quiet period will be in effect from the date of issuance of this Request until the announcement of the selection of a winning Offeror. During the quiet period, Offerors are not permitted to communicate with any ERS Investment Team member or ERS Board member

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

regarding this Request except through the ERS Point of Contact named above. Offerors violating this quiet period may be disqualified at the discretion of ERS. Offerors with current business with ERS outside of this Request must limit their communications to the subject of such current business.

C. Questions

If your organization seeks clarification or additional information related to this Request, your questions for such clarification or information must be submitted in writing, via electronic submission. Questions will be accepted by ERS until 4:30 p.m. HST, on July 11, 2024, and may be submitted to the ERS Point of Contact, as listed in section II.A, above.

Submit all questions via email, with the subject line "EOI Custody Services 2024" to: dbf.ers.investmentprocure@hawaii.gov.

ERS will provide written responses to any timely submitted questions via the addendum process described below.

D. Submission of Expression of Interest (EOI)

Offerors must carefully examine the solicitation, amendments (if any), required contract forms, and other documents, laws and rules as necessary, before submitting an EOI. The submission of an EOI shall be considered to be a warranty and representation that the offeror has made a careful examination and understands the work and requirements of this solicitation.

Each qualified offeror may submit only one (1) EOI. Alternate submissions will not be accepted. The EOI should be labeled "Employees' Retirement System of the State of Hawaii EOI Global Custody Services and Securities Lending 2024."

Submit final EOI, via email, with the subject line "EOI Custody Services 2024" to: dbf.ers.investmentprocure@hawaii.gov.

Two versions of the EOI are required:

- a. ERS Internal Use - One version with no redactions for internal use by ERS.
- b. Redacted - One redacted version per section II.L, below.

Submissions must be received no later than 4:30 p.m. (Hawaii Standard Time), July 31, 2024.

E. Format

1. Length of Response

A response to this Request shall not exceed **200** pages, excluding biographies and exhibits, charts, and index or table of contents. You are encouraged to be succinct and respond this Request as directed. Please format your response by

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

stating the question and your corresponding answer as specified in the Questionnaire section of this Request. Failure to comply with this format may result in your response being classified as "unresponsive." If your organization is unable to provide a specific service, respond with "cannot comply" or "unable to provide", and briefly describe the reason.

2. Cover Letter

The response must include a cover letter addressed to Mr. Thomas Williams as listed in Section II.A. The cover letter must:

- a. Certify that your organization meets all of the minimum qualifications ("MQ"), stated in section IV, herein. In the event your organization does not meet a MQ, you must clearly identify and provide further details regarding which MQ cannot be met.
- b. State your organization's commitment to participate in the EOI process, including a statement to the effect your organization is willing and able to perform all services mandated.
- c. Be signed by the individual(s) authorized to contractually bind your organization. An unsigned submission will be rejected.
- d. Include the name, business address, email address, telephone number, and fax number of the designated contact person within your organization.
- e. State that the response is valid for six (6) months after the final filing date of July 31, 2024.

3. Index

Each response shall contain an index or table of contents near the front of the response, listing the materials included in the response. Please, make sure that the index or table of contents includes headings and page numbers for all deliverables.

F. Evaluation of the Response

Responses shall be reviewed and evaluated in accordance with the requirements, criteria, and processes contained in this Request. ERS reserves the right to waive or permit a cure for minor informalities, and to conduct discussions with all qualified providers in any manner necessary to serve the best interests of ERS. ERS also reserves the right to award a contract based upon the written responses received and without prior discussion or negotiations.

G. General Evaluation Information

A committee of ERS personnel will evaluate all responses. The committee reserves the

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

right to modify evaluation criteria prior to the submission date for responses. Written notification of any changes will be provided through the addendum process, as set forth in Section II.K, below.

ERS seeks to retain the highest quality organization to provide custody and securities lending-services in a fair and competitive process. ERS reserves the right: (i) to not select any response; (ii) to select any portions of a particular response for further consideration; (iii) to accept a response other than the lowest cost response submitted; or (iv) to reject any and all responses received if such action is considered by ERS in its sole discretion to be in the best interests of ERS. ERS seeks innovative ideas, presented in a complete global custody and securities lending service package, which may meet the requirements of ERS's investment and accounting functions and improve the way ERS manages its operations.

H. Evaluation Process

The evaluation process will be conducted through the following phases:

Phase 1: Late, incomplete, and/or "unresponsive" responses may be disqualified.

Phase 2: Responses which do not meet the minimum requirements as stated in this Request will be disqualified.

Phase 3: The evaluation committee may conduct onsite interviews with selected semi-finalists, between August 26-30, 2024.

Phase 4: The selected semi-finalists may be requested to submit best and final offers no later than 4:30 p.m., HST, on September 2, 2024. If a best and final offer is not submitted, the previous submittal will be deemed to be the best and final offer.

Phase 5: The evaluation committee will conduct interviews with selected finalists, in Honolulu, Hawaii on September 9, 2024.

Phase 6: Following the interviews and receipt of best and final offers, the Evaluation Committee will rank the selected finalists according to the criteria set forth in Attachment 1.

Phase 7: A contract will be negotiated, including fees, with the first ranked finalist. In no case will the negotiation result in a fee that is higher than the fee contained in the response. If a satisfactory contract cannot be negotiated with the first ranked finalist, negotiations with that finalist will be formally terminated and negotiations with the next ranked finalist will commence. Negotiations will be conducted confidentially.

I. Timetable

By submitting a response, your organization is committing to comply with the timetable set forth in Section III (Key Action Dates) and to effectuate any agreements necessary to implement and enter into a contract with ERS.

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

J. Withdrawal

An organization may withdraw its response at any time prior to the final submission date and time by submitting a written notice signed by its authorized agent to the Contracting Officer identified in Section II.A, above. The response may be resubmitted up to the final submission date and time.

K. Addendum

ERS may modify any part of the Request, prior to the final submission date, by issuing an addendum to all Offerors. ERS will respond to questions and inquiries via the addendum process. Addenda will be numbered consecutively.

L. Confidentiality

Please also submit a separate redacted version of your response by the deadline in Section III, below. Any information contained in your response that your organization considers confidential information should be clearly marked with a "confidential" designation at the bottom of each page and shall be formatted to be easily separable from the non-confidential portions of the EOI. This will help facilitate any eventual public inspection of the non-confidential portions of your response. After a contract is awarded, each response, except those portions for which the Offeror has made a valid written request be designated as confidential, shall be open to public inspection. ERS reserves the right to review the appropriateness and validity of your designation for confidentiality.

Any request for public inspection is subject to the requirements of Chapter 92F, Hawaii Revised Statutes.

M. Costs

Expenses for the development and submission of a response to this Request are the sole responsibility of the organization submitting the response. Travel and expenses to and from the State of Hawaii are also the sole responsibility of the organization submitting the Response.

N. Acceptance of EOI and Execution of Contract

Acceptance of a response, if any, will be made within one hundred eighty (180) calendar days after ERS begins to accept responses. The Offeror must have the ability to perform as called for in the Request and in the agreement. ERS shall be the sole judge of capability. The successful Offeror will be notified by letter that its response has been accepted and that the Offeror is being awarded the contract.

ERS shall forward the contract to the successful Offeror for execution. The contracts shall be signed by the successful Offeror and returned within ten calendar days after receipt by the Offeror or within such further time as may be allowed.

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

No contract shall be considered binding upon the State or ERS until the contract has been fully and properly executed by all parties thereto.

All exceptions to the sample contract form (Attachment 5) must be included in your response.

III. KEY ACTION DATES

Listed below are the important actions and corresponding dates by which the actions may be taken or completed. If ERS decides to change a date for any reason, notification will be given via the addendum process described in Section II.K.

<u>Actions</u>	<u>Dates</u>
Release of the Request for EOI	June 26, 2024
Last date for questions	July 11, 2024
ERS's response to questions	July 17, 2024
Deadline for submission of EOI	July 31, 2024
Site Visits (if required)	August 26 – 30, 2024*
Best and Final Offer Due	September 2, 2024
Presentations in Honolulu	September 9, 2024*
Final selection and notification	On or before September 30, 2024
Service initiation	January 1, 2025

*Best estimates at this time

IV. MINIMUM QUALIFICATIONS

Offerors must meet the following Minimum Qualifications in order to be eligible to submit an EOI:

- A. Must comply with all applicable Hawaii laws and must be willing to be subject to the laws of the State of Hawaii and the jurisdiction of its court system in the administration of the contracts.
- B. Be a U.S. domiciled trust company and a member of the Federal Reserve, or a U.S. subsidiary of a foreign bank subject to the jurisdiction of U.S. courts and must maintain required unimpaired equity capital as defined by federal regulations in its press release of August 04, 2022.
- C. Provide global custody or trust services with international marketable security trust assets having a market value totaling at least \$500 billion in global custody assets; including domestic and international equity and fixed income assets, as of December 31, 2023.
- D. Provide domestic and global custody bank services, for traditional and alternative investments, for a minimum of ten (10) years and for at least ten (10) U.S. based pension clients. At least five (5) of the clients must be institutional tax-exempt investors or public pension clients, each of which has trust assets having a market value greater than \$10 billion, as of December 31, 2023.
- E. Assign a senior account manager (the individual primarily assigned to the relationship) with a minimum of five (5) years of experience in the master trust/custody field with at least three (3) years of experience at the responding organization, in custody services for similar size clients.
- F. Assign a transition team leader and his/her assistant having worked together on at least three (3) prior major conversions of accounts with market values each in excess of five (\$5) billion consisting of multiple asset classes.
- G. Have at least \$100 billion in securities lending lendable base and must have provided securities lending services for a minimum of ten (10) years, servicing at least five (5) public fund clients with lendable assets of \$5 billion or more, at least one of which must be a fund of at least \$10 billion, as of December 31, 2023.
- H. Have an average daily balance of securities loaned of more than \$10 billion during the past year, including a mix of fixed income and global equities.
- I. Accept responsibility for the ERS securities lending program as a fully indemnified program specific to operational risk and borrower default.

Any cash collateral reinvestment emanating from ERS's securities lending program shall be in compliance with Section 88-119, Hawaii Revised Statutes, as amended, and ERS Securities Lending Guidelines (located in Attachment 2) and guidelines established by the ERS Board of Trustees (refer to Attachment 8).

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

- J. Provide, at a minimum, sub-custodian operations in all current and future countries in the Morgan Stanley Capital International All Country World ex United States IMI index (MSCI All Country World ex US IMI index).
- K. Comply with generally accepted accounting practices (GAAP) as well as governmental accounting standards (GASB) practices for core accounting services.
- L. Have an automated accounting system that provides client access to both U.S. and international securities accounts within a uniform framework of accounting treatment, reporting and performance, and risk measurement.
- M. Be a member of and have the ability to clear transactions or cash through, all major global book entry or electronic securities depositories, and the Federal Reserve; must have the ability to clear derivatives through major derivatives clearing houses; and must utilize the SWIFT messaging network as the primary data transmission communications and have the ability to feed daily SWIFT standard messaging for trade clearing, settlement, income transactions, custody, and asset management.
- N. Maintain and furnish, at its expense, throughout the term of the agreement, the following insurances policies and protections: a) Comprehensive Commercial General Liability, b) Workers' Compensation, c) Banker's Professional Liability, d) Errors and Omissions liability; e) Director and Officers Liability, and f) additional coverage for electronic computer crime losses; such insurance coverage must be in amounts reasonably competitive with market peers.
- O. Agree in its contract to (a) serve as a fiduciary with respect to its services and (b) defend, indemnify, and hold harmless the ERS (and its indemnified parties) for claims, expenses, losses, damages, etc. related to acts or omissions by your organization that are not consistent with the fiduciary standard of care, breaches of representations and warranties, and material misrepresentations.
- P. Agree to disclose, annually, all conflicts of interest, all sources of revenue, and all affiliations, including any revenues, income, fee breaks, soft dollars, hotel, and travel expense, or other items of significant monetary value received from ERS holding companies, investment managers, general partners, brokerage firms, investment banks, or other financial services businesses.

V. SCOPE OF SERVICES

The Offeror must be able to provide all of the services listed below unless otherwise indicated. ERS reserves the right to forego or terminate the services described below at any time during the Contract.

A. ACCOUNTING

1. Serve as the official accounting "book of record" for the ERS.
2. Provide trade date multi-currency (local and U.S. dollars) accounting for all securities and full accrual accounting for all assets.
3. Provide accounting services for all investment in the ERS portfolio, including (but not limited to) the following:
 - a. Public market investments, including globally allocated equities, fixed income, public partnerships, collective investment trusts, mutual funds, and exchange traded funds.
 - b. Private market investments, including globally allocated commingled, fund of one and joint-venture partnerships across equity, debt, real estate, and real asset opportunities.
 - c. Alternative market investments, including globally allocated commingled and separate account partnerships within multi-strategy hedge fund opportunities.
 - d. Futures, options, currency forwards, swaps and other authorized multi-currency derivatives.
 - e. Dividends and interest, corporate actions (including mergers, acquisitions, tenders, stock splits and dividends, warrants and spin-offs).
 - f. Securities lending.
 - g. Expenses related to the investments listed above.
4. Payable date posting for dividends, bond interest and principal, and interest and paydown on mortgage pass-through certificates.
5. Accounting must be on a fiscal year basis (July 1 - June 30).
6. A secondary pricing source for comparison to the primary source for pricing securities.
7. Investments must be reported at cost and market value. Gains and losses on securities sold must be recognized on the basis of the average cost of the securities.

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

8. Provide daily positions with ability to post both accrued trades and settled trades and cash equivalents.
9. Provide cash adjusted market values for private asset investments daily.
10. Monthly accounting reconciliations between custodian and investment managers.
11. Notification of material variances between custodian and investment managers, along with steps taken to reconcile, adjust, or justification for unresolved variances.
12. Market valuation and accounting for commingled investments on at least a monthly basis.
13. The Offeror confirms that all information concerning holdings and transactions will be available for inquiry, download and print capabilities.
14. Master Trust Accounting - basis for allocating net assets, net investment income, and gains and losses to three or more participating plans (e.g., sub-accounts) in the master trust.
15. Include the Securities Held Elsewhere (SHE) investments and related transactions in ERS's accounting records and statements by individual investment from reports provided by ERS's investment manager. Results of these transactions should flow into other modules of the global custodian's system, such as performance reporting. The actual data entry method (key in or electronic update) for transactions of SHE assets is left to the discretion of the global custodian. This includes, but is not limited to, entering and distributing calls, distributions and other administrative tasks in maintaining a portfolio of non-public funds.
16. Provide assistance and support in GASB reporting for annual financials, including but not limited to GASB 72 and GASB 53. Providing technical assistance in implementing recently released accounting pronouncements issued by the Governmental Accounting Standards Board (GASB).
17. Provide a clear mapping of custodian general ledger accounts to the ERS corresponding general ledger accounts. Provide monthly general ledger reporting in a format and manner agreeable to ERS.

B. SECURITIES SETTLEMENT

1. Participating member and access to securities settlement through Depository Trust Company (DTC), Federal Reserve wire system, and at other depositories (both domestic and international).
2. The ability to settle, and safe keep or electronically register, all book entry and physically-held securities.
3. Interface with SEDOL, EuroNext, Clearstream, Euroclear, and other applicable

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

foreign depositories and/or sub-custodians to support foreign trading activity.

4. The ability to execute foreign exchange transactions, monitoring foreign tax liability, and collecting tax reclaims.
5. Fail float protection on all traded securities, credit sales on contractual settlement date and benefit from failed buys, within the restrictions of each country.
6. Trade data must be electronically accessible to ERS, and any approved vendors.
7. Settlement on a delivery versus payment basis.
8. Monitoring and resolution of failed trades in a timely manner.
9. Tracking of overdrafts.

C. CASH MANAGEMENT

1. Provide an automated daily sweep of net cash flows from all domestic and international accounts to short-term investment fund (STIF) or external money market funds, as directed by ERS.
2. Income earned by STIF or other cash accounts must be compounded daily.
3. Income earned, redemptions and maturities must be credited to the proper account.
4. Cash flow from purchases and sales must be credited on contractual settlement date.
5. At the direction of ERS, provide overnight investment management services for funds received after the occurrence of the daily sweep.
6. Provide for same day settlement of cash trades, such as physical, DTC, and Fed wireable repo and term purchases.
7. Transfer cash between accounts, make and accept wire transfers of funds and accept fund contributions via ACH.
8. Complete and report foreign currency conversion and movement transactions.
9. Provide cloud-based cash management systems that are able to process capital calls, distributions, internal and external cash flows electronically, including electronic fund transfers between client accounts. Such systems should be secure, and provide the following features:
 - a. An audit trail tied to each user profile and tracks all cash movement activities.

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

- b. Different levels of wire approvers.
 - c. User authentication.
 - d. Promotes a separation of duties between wire initiators and approvers.
 - e. Time and date stamps on all activities.
 - f. Reflect outstanding wires.
 - g. Ability to save payment templates and store common and repetitive wire instructions.
- 10. Ability to execute and monitor calls, distributions and other administrative tasks in maintaining a portfolio of non-public funds.
 - 11. Cooperate with and assist ERS's cash overlay manager, including (but not limited to) providing necessary feeds on cash balances, including delivery of settled cash and positions electronically, either via FTP or by providing the data to a mutual 3rd party vendor, and the ability to shadow book derivative positions.
 - 12. Provide notification of overdrafts to the ERS and its investment managers daily.
 - 13. Ability to make wire and check payments for ERS investment and operating expenses, including tracking payment requests, processing payments, acknowledging notice of payment, and recording the transaction appropriately.
 - 14. Implement an effective fraud monitoring system.

D. FOREIGN TRADE AND FOREIGN EXCHANGE PROCESSING

- 1. Obtain best execution on FX conversions relating to income and tax reclaim transactions and other types of transactions and provide transparency in reporting FX transactions compared to FX benchmarks.
- 2. Provide a monthly report demonstrating best execution with respect to FX transactions.
- 3. Ascertain that FX transactions associated with repatriation of international dividends to USD are competitive.

E. SUB-CUSTODIAN NETWORK MANAGEMENT

- 1. Have sub-custodian relationships to service all of ERS's international and emerging markets investments.
- 2. Provide a comprehensive system for selecting sub-custodians and evaluating and monitoring their internal control structures, performance, and financial condition.

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

3. Have a thorough knowledge of tax treaties, withholding laws and tax reclamation procedures internationally.
4. Have a thorough knowledge of relevant securities and tax laws in each country, as well as the ability to recover assets in the event of broker bankruptcy.
5. Facilitate foreign market opening, filing global tax reclaims, monitor global tax reclaims, income recovery and foreign tax laws changes.
6. Foreign tax liability will be filed and monitored, and the tax reclaim process will be actively managed with tax reclaims and collections processed to the extent provided by the most recent tax treaties. Detailed tax reclaim treaty provision information and monthly reconciliations of outstanding tax reclaims for ERS will be provided.
7. Provide signature-ready foreign market opening documents that are specific to ERS, required by each foreign market for each account trading in those markets in a tax efficient manner. Monitor foreign market documentation requirements on an ongoing basis to maintain open accounts in the foreign markets; notify and assist ERS with those requirements. Provide research and insight into markets enabling the ERS to make decision on market openings.

F. SECURITIES LENDING

1. Be able to provide separate account securities lending services for eligible domestic and international securities.
2. Establish a list of eligible borrowers and a maximum amount that may be borrowed by each borrower. Conduct ongoing reviews of borrowers' qualifications. ERS reserves the right to not loan any of its securities to any identified eligible borrower.
3. Require that all loans of securities be collateralized by either cash, securities or letters of credit from mutually acceptable counterparties. Securities shall be collateralized at:
 - a. 102% of market value of the loaned securities denominated in United States Dollars or when the primary trading market is located in the United States, sovereign debt issued by foreign countries or corporate bonds.
 - b. 105% of market value of loaned securities whose primary trading market is not located in the United States (or referenced in (i) above), or not less than 102% of market value of the loaned securities, as may be applicable in the jurisdiction in which loaned security is customarily traded.
4. Require competitive market levels of collateralization for domestic and international securities, including accrued income.
5. Monitor collateral levels daily. Obtain additional collateral if mark-to-market values

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

fall below acceptable levels.

6. Collect all interest or other distributions with respect to all loaned securities.
7. Make available a daily report of collateral, identifying daily collateral required and pledged, and a monthly report on securities lending activity and outstanding loans, including amounts by borrowers.
8. Provide a collateral reinvestment fund for daily investment of cash collateral received.
9. Provide monthly detailed accounting reports of all collateral activity and positions, lending transactions, securities on loan, gross income, rebates, and bank fees.
10. Provide annual information required by Generally Accepted Accounting Principles for disclosure in ERS's annual financial statements for cash collateral, non-cash collateral, and securities on loan.
11. Provide indemnification against borrower default.
12. Assume responsibility for any and all overdraft expenses, lost interest and other costs in the event of a simple default, which results from the late delivery of securities that have been sold by the ERS or its agents.
13. Provide fee sharing agreement in the response to this REQUEST.

G. CORPORATE ACTIONS, CLASS ACTIONS AND PROXY PROCESSING

1. Provide company annual reports, proxy voting cards, and proxy statements to ERS, or designated vendor, prior to annual and special meetings for U.S. and foreign corporations.
2. Timely notification to ERS's investment manager of corporate actions regarding conversion privileges, issuance of rights, mergers, tender offers, reorganizations, and other actions requiring decisions by ERS's investment managers.
3. Timely notification of class action litigation and provision of the necessary securities information to ERS and ERS's attorneys.
4. File claims for securities class action awards and monitor collection of the amounts to which the Plan is entitled, to include claims for periods prior to contract period.
5. Provide reports of all class actions, claims filed, and settlements received at least monthly. This reporting shall include notification of claims yet to be filed and information regarding past and present holdings and holding periods for class action litigations. A secure website reporting system to view these is preferred.

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

6. Filing of passive claims for settlement funds in U.S. securities class-actions, as well as passive registrations for settlement funds in Passive Registration Securities Cases, specifically in the country of Australia.
7. Provide an automated feed between the custodian and the ERS's class action monitoring service provider. Respond to class actions administrators on questions regarding class actions submissions, as required.

H. ALTERNATIVE INVESTMENT PROCESSING AND REPORTING

1. Provide support in the processing, accounting, and administrative requirements of alternative investments (i.e., hedge funds, real estate, real assets, private equity, infrastructure, private credit, etc.).
2. Provide multi-tiered electronic approval and processing of capital calls and distributions.
3. Provide recording of non-cash deemed distributions and non-cash contributions and distributions of assets to the ERS from partnership.
4. Provide monthly valuation with cash flow roll forwards.

I. PERFORMANCE MEASUREMENT AND ANALYTICS

1. Provide audited monthly performance reports detailing the market values, cash flows and returns of the portfolio, including both custodied and non-custodied assets, asset classes and on a consolidated basis at gross, net of management fees, and net of all fees using Global Investment Performance Standards (GIPS®) compliant calculation methodology by the twelfth (15th) business day of the month for the prior month's performance.
2. Provide unaudited daily performance reports detailing the market values, cash flows and returns of each portfolio for all custodied assets as well as any consolidations deemed necessary by ERS.
3. Provide monthly audited sector, industry and CUSIP level reports by the twelfth (15th) business day of the month.
4. At least monthly transmit raw performance data, transactions data, rates of return or any other information to ERS or to vendor(s) selected by ERS.
5. Provide broad-based universe(s) for comparison, benchmarks, and blended benchmarks.
6. Provide broad universe comparison charts and rankings with respect to total fund, asset classes, and individual managers.

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

7. Provide risk/return comparison data with respect to total fund, asset classes, and individual managers.
8. Provide portfolio characteristics analytics, top holdings, and attribution analysis vs. the benchmark at the total fund, asset classes, and individual manager levels.
9. Provide performance analytics and attribution analysis for ERS accounts versus relevant agreed-upon benchmarks in formats acceptable to ERS.
10. Provide monthly performance reports detailing market performance, portfolio performance, and any level of detail or any aggregate deemed necessary by ERS. These reports are to include current as well as historical data.
11. Provide a lagged quarterly investment performance analysis across all ERS funds in a format to be agreed upon by ERS. This report will be due forty-five (45) days after the close of the calendar quarter reported upon and will be delivered to ERS electronically.
12. Maintain the ability to provide a non-lagged quarterly investment performance analysis across all ERS funds in a format agreed upon by ERS. To be delivered to ERS no longer than one hundred (100) days after the close of the calendar quarter reported upon and will be delivered to ERS electronically.
13. Maintain composite history of benchmarks and composites.
14. Ability to download historical returns and fund holding on all accounts.
15. Capability to provide both net and gross of fee performance results.
16. Capability to customize performance reports on an ad-hoc or permanent basis.
17. Ability to accept databases from a fund administrator into your database to provide analytics on ERS holdings, custodied at that administrator on a monthly basis.
18. Investment performance results shall be reported in full compliance with industry standards as adopted by the ERS Board of Trustees. The current standard for ERS is the CFA Institute standards.
19. Based upon its knowledge of client and industry trends, advise ERS of the Offeror's latest performance measurement tools and products as they become available.

J. RISK ANALYTICS

1. Produce holdings based ex-post and ex-ante risk analysis for the total fund, each asset class, and each portfolio that includes, but is not limited to, the following:
 - a. Total risk (for both the portfolio, asset class or fund, and the related benchmark).

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

- b. Active risk.
 - c. Value at risk.
 - d. Contribution to total risk and active risk. Attribution analysis including growth factors, market cap, style factors.
 - e. Descriptive exposure statistics including geographic, sector, industry, market cap, and bond characteristics.
2. Produce ex-post net of fee tracking error reports separately for public and private market accounts, exportable in Microsoft CSV/Excel format.
 3. Produce holdings-based risk analysis for the total fund, the fund's liabilities and the fund's surplus/deficit.
 4. Produce automated reports on a recurring basis for a range of audiences for Board-level and internal purposes, which includes charting and data visualization.
 5. Support scenario analysis and stress testing (i.e., market scenarios – historical and custom, factor shocks and what if analysis).
 6. Support portfolio, sector, and security level reallocations to model both hypothetical and historical scenarios and assess impact on total portfolio exposure and risk.
 7. Support portfolio optimization based on custom constraints (tracking error, return objectives, downside maximum, etc.).
 8. Support liquidity analysis for risk and regulatory reporting.

K. COMPLIANCE AND MONITORING

1. Provide ERS with an online investment compliance reporting service, which will identify and notify staff of investment trades that are outside established policies, tolerances and parameters based on available holdings information.
2. Assure that the compliance monitoring and reporting service has the capability to track any internally managed portfolios as well as all externally managed portfolios. The service shall encompass the following:
 - a. Provision for formal investment management guideline review and gap analysis for each specified guideline.
 - b. Creation of the initial set of tests and reports to meet ERS requirements.
 - c. On-going assistance in creating new and/or modifying existing tests and reports.

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

- d. Formal confirmation by ERS of proper interpretation of the tests and results.
 - e. Performance of compliance monitoring daily, with weekly and monthly reports.
 - f. Ability to capture the reason why exceptions occurred and to retain history of compliance monitoring results.
 - g. Ability to review exception reports online and to download the exception reports in pdf and excel formats.
3. Reports shall display the status of each test: a pass, an alert or a warning, and ability to summarize why the alert occurred. Reports shall be based on post-trade date and pre-settlement date holdings.
 4. The application shall incorporate compliance fail management capabilities, including the ability to assign severities, breaches and approvals for each alert. ERS or assigned vendors(s) shall be able to view the test breaches, assign breaches to individuals for follow-up, and record commentary or research results on-line.
 5. Provide system audit, risk, and compliance monitoring reports to ERS, upon request.

L. TECHNOLOGY

1. Provide Web-based Microsoft Windows compatible system (Windows 10 and higher versions) with access to management information and accounting systems with the capability of providing the following information:
 - a. Current and historical prices, market values, and exchange rates in effect at times of pricing international securities.
 - b. Composite portfolios.
 - c. Current and historical transactions by security; by account; by asset class.
 - d. On-line access to current and historical holdings in any aggregate.
 - e. Current and historical performance
 - f. Current and historical performance and analytic databases
 - g. Tracking and reporting of pending class actions, exposures, filings and other deadlines.
 - h. Customized reports as required.

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

- i. Ad hoc query and reporting.
2. Provide state-of-the-art back-up systems to minimize loss of data and provide instant availability, with regular testing documented.
3. Daily download of portfolio holdings and transactions which includes the receipt of and payment of periodic cash payments from equity real estate holdings, alternative investments, and cash flows from ERS.
4. Provide ERS with the ability to review all externally managed portfolios and perform an automated reconciliation to asset positions and income accruals on a monthly basis.
5. Provide daily trade dated asset allocation reports of individual portfolio market values by asset class.
6. Provide a system which makes cash projections by account. Said projections should incorporate STIF balances, dividend and interest income, maturities, income from trade settlements, corporate actions, or other known cash flows.
7. Ability to monitor portfolios for compliance with investment limitations imposed by Hawaii State Law or by policy of the ERS Board.
8. Ability to provide disaster recovery and business continuity services in the event of a disaster or other extraordinary event.
9. Provide adequate protection against unauthorized access to ERS records under custodian control.
10. Ability to provide data feeds to a third-party risk aggregator(s).
11. Provide web-based access, via secure login, for purposes of downloading reports and extracting data for analysis using software products such as Microsoft Excel, as well as "inquiry only" access by various internal and external users.
12. Data must be encrypted both at rest and in transit.
13. Provide virtual and/or on-site training to ERS staff during the initial conversion process and at any time when substantial changes have been made to the master trust/custody software or other information-delivery software.
14. Conduct both internal and external (web-application) penetration testing on a regular basis and provide those reports to ERS.

M. REPORTING REQUIREMENTS

1. Provide audited monthly accounting reports to be received no later than 10 working days after month-end. ERS may agree to a later completion and/or delivery schedule

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

for transaction reports subject to availability of third-party information or substantive changes in the ERS's portfolio composition or structure.

2. Produce at a minimum, the following month-end reports in electronic form (in both PDF and Excel format) and all reports must be available by individual manager and composites of managers. All reports must present transactions in both local and base currency.
 1. Statement of Assets and Liabilities: a balance sheet report summarizing assets and liabilities at both Cost and Market Value.
 2. Reconciliation of Assets: a summarized reconciliation report tracking activity affecting assets between the beginning and ending balances.
 3. Reconciliation of Cash: a cash reconciliation report tracking all transactions affecting cash between the beginning and ending cash balances.
 4. Accrued Income: a summarized and detailed report of receivables and payables to include all income earned but not yet paid as well as items that should have been paid but have not been received.
 5. Pending Trades: a summarized and detailed report of all trades initiated by managers but not yet settled as of month-end.
 6. Statement of Income: a summarized and detailed report tracking transactions affecting income to arrive at an earned income total.
 7. Statement of Expenses Incurred: a summarized and detailed report tracking transactions affecting expenses to arrive at total expenses.
 8. Statement of Net Unrealized Gains and Losses: a summarized report tracking current unrealized gains and losses and change in net unrealized gains and losses by asset type.
 9. Statement of Net Realized Gains and Losses: a summarized report tracking current proceeds vs. cost and net realized gains and losses by asset type.
 10. Detail Statement of Assets and Liabilities: a report tracking cost and market value by asset type sorted in alphabetical order.
 11. Detail Statement of Purchase and Sale Transactions: listing must be available in chronological order within each transaction type and must include derivatives.
 12. Fail Report: a detailed audit trail must be produced tracking all trades that have failed. This report should include sufficient detail to allow a thorough review of the trade.

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

13. At the request of ERS, provide a monthly general ledger feed via Excel spreadsheet to the ERS's accounting system.
3. Provide monthly performance reports detailing market performance, portfolio performance, and any aggregate deemed necessary by ERS. These reports are to include current as well as historical data.
4. Performance measurement, attribution, risk management, and other analytic reports in a format acceptable to ERS, on a daily, monthly and quarterly frequency.
5. Provide quarterly report that includes commitments, drawdowns, distributions and IRRs for alternative assets such as private equity, private credit, real estate, real assets, etc.
6. Provide access to historical daily data on-line for at least 24 months; and archived beyond that period.
7. Provide other reports as may be requested by ERS, including unaudited valuations on weekly and daily basis (depending on how frequently managers update portfolios).
8. Provide an accurate report of all holdings, yearly transactions and other pertinent investment data, in a format agreed to by both parties, no later than thirty (30) calendar days after the end of each fiscal year (June 30).
9. Provide annually, or more frequently if available, the Service Organization Control Reports (SOC 1, SOC 2, SOC 3) report on internal controls.
10. Monthly and annual securities lending reports are due within 10 working days after the end of reporting period.
11. Reports of daily transactions including domestic trades affirmed, unaffirmed, failing, pending, etc.
12. Perform and provide monthly reconciliations to Investment Manager accounting reports and Return calculations and provide copies of reconciliations to ERS. Communicate to ERS in the event of material variances.
13. Perform and provide monthly reconciliations to Investment Consultant (current Meketa) performance reports and provide copies of reconciliations to ERS within ten (10) business days after the end of each month.
14. Capability to generate investment manager compliance reports on a daily basis online.
15. Provide tracking of brokerage commissions paid by individual and groups of managers to specific brokers including tracking specific service classes by manager and groups, and the commission per dollar of cost and per share by broker.

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

16. Provide reporting capability in compliance with regulatory and industry standard requirements (to include future changes to such standard requirements) including, but not limited to, generally accepted accounting standards (GAAP), Financial Accounting Standards Board (FASB), and the Government Accounting Standards Board (GASB).
17. Provide fiscal year end (June 30) reports to comply with Government Accounting Standards Board (GASB) reporting requirements, including, but not limited to, GASB Statement Nos. 25, 28, 40, 53, 67 and 72.
18. Reports and data must be available on-line in downloadable industry standard Microsoft Windows compatible format, such as Microsoft Office (Excel, Word and PowerPoint) and Adobe Acrobat Reader (PDF) format.
19. Provide any ad-hoc reports required to fulfill any information requests, allowable though State of Hawaii Uniform Information Practices Act (UPIA).

N. PERSONNEL

1. Assign appropriate accounting and investment performance personnel to ERS and make assigned personnel available as needed. Additionally, assigned personnel should be available to meet with ERS staff at dates and times determined by ERS at least semi-annually, or more frequently if required by ERS.
2. Personnel should be available during ERS business hours of 7:45am – 4:30pm Hawaii Standard Time.
3. Offeror shall provide and maintain personnel that exhibit responsiveness, flexibility, knowledge, proactivity and problem resolution skills which will include the following requirements:
 - a. Provide an experienced client service team commensurate with the complexity of the ERS portfolio including detailed knowledge of ERS requirements and procedures and industry practices.
 - b. Provide a relationship management protocol which provides for the appropriate escalation of issues and special projects within the context of the overall relationship.
 - c. Provide and support service level agreement(s).
4. Offeror must make presentations as required to the ERS Board to discuss services related to ERS.
5. Offeror should provide the personnel to facilitate audit access to ERS's staff or its designated agents for the purpose of verifying the integrity of Offeror's operations for the ERS account and all data input and output in case such an audit is deemed necessary.

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

6. Provide the personnel to assist ERS auditors with any and all investment inquiries.
7. Provide direct access to appropriate computer technical staff for assistance with computer system problems.
8. Provide ad-hoc training to ERS Staff and Trustees, at the request of ERS.
9. Provide quarterly scorecard reviews, tracking achievement of key performance indicators, as mutually agreed upon by Offeror and ERS.
10. Provide annual service review of all functional teams and responsibilities, either virtually or onsite.
11. Invite the appropriate ERS Board and Staff members to participate in the Offeror's group client conferences and all other educational activities provided by the Offeror.

O. TRANSITION AND CONVERSION

1. Upon award of a new Offeror, who is not the incumbent, the Offeror shall perform all procedures necessary to convert from the system of the current custody bank (BNY Mellon) to the new Offeror's system of record, including:
 - a. Present to ERS a detailed plan for, and schedule of, the transition from the current custody bank to the Offeror. The plan and schedule must include the timing of each phase of the transition as well as the proposed involvement of the Offeror's employees in the process, the resources required, and level of involvement anticipated from ERS staff in the transition process.
 - b. Reconcile custody positions to the prior custody bank's records, research all reconciling items, and correct all position discrepancies.
 - c. Have in place and adequately test prior to conversion all interfaces, including, but not limited to, those of the ERS, outside investment managers, pricing services, and others (or provide mutually agreed upon acceptable alternatives).
 - d. Complete the asset conversion process, including the reconciliation of custody positions, values, outstanding foreign tax claims, receivables, or liabilities and the proper identification of reconciling items by January 1, 2025.
 - e. Provide training to Staff during the initial conversion process.
2. Upon termination of an incumbent contract, the incumbent shall cooperate fully with the successor custody bank to facilitate the transition from the incumbent system to the successor's system. During transition, the incumbent shall:
 - a. Provide ERS and the successor custody bank all information about the

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

incumbent's system that may reasonably be needed by or useful to the successor to prepare for and effect the transition. Such information might include data formats, data element definition, update frequencies, etc. The incumbent shall not be expected to provide proprietary information about its internal systems.

- b. Provide to the successor custody bank a copy of all ERS data in a mutually agreed form and format for test purposes, with the expectation of parallel processing for the two months prior to the end of the incumbent contract.
- c. On the effective date of the conversion from the incumbent to the successor custody bank, provide a complete final copy of all current ERS files to the successor. To complete close-out of transactions in process, suitable and mutually agreed arrangements shall be made between the incumbent, ERS, and the successor for processing of such transactions received subsequent to the effective date of conversion.
- d. Provide the necessary personnel to ensure a smooth transition.
- e. Continue to collect tax reclaims due and coordinate with the successor custody bank on outstanding claims.
- f. Continue to file class action litigation claims and process those claims and disbursements for litigations referring to the time period the incumbent has served as custody bank.

P. CORPORATE AUDIT

1. Provide annual financial statements audited by an independent certified public accounting firm in accordance with generally accepted accounting principles. An unqualified opinion must have been issued by the auditor in connection with the most recent audit.
2. Afford necessary ERS staff and its internal and external auditor access to the Offeror's corporate audit staff and make available information from the corporate internal audits such as audit reports and the working papers of the Offeror's internal audit division that pertain directly to the services utilized by ERS.
3. Provide electronically the semi-annual Statement on Standards for Attestation Engagements (SSAE 18) and/or International Standard on Assurance Engagements 3402, Assurance Reports on Controls at a Service Organization (ISAE 3402).

Q. FIDUCIARY RESPONSIBILITY

1. The Offeror shall be a fiduciary (as defined in section 3(21)(A) of the Employee Retirement Income Security Act of 1974 (ERISA, as amended) with respect to the ERS, and ERS's assets. As fiduciary, the Offeror shall apply investment prudence to all investments it has investment responsibility for, such as short-term cash

management, and securities lending functions.

R. STRATEGIC PARTNERSIPS AND OPTIONAL SERVICES

1. Ability to offer services and capabilities complimentary to, but outside of, core custodial services, through connected and integrated partnerships with outside and/or affiliated organizations or technological solutions focused on supporting the administrative functions of asset management. Such services can include, but is not limited to, document control software, customer relationship management software, research management systems, and private asset data analytics tools.
2. To the extent such offerings are available, Offeror should provide pricing information for consideration, as well as description of services provided and contractual ability to integrate services into the custodial services core contract or contract addendum.

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

VI. FEE SUBMISSION:

Once an Offeror has been selected, negotiations of the fee may become necessary in order to account for the size of ERS's portfolio, ERS's requirements and clarification of any other issues. In no case will the negotiations result in a fee which is higher than the fee contained in the EOI.

In preparing the fee schedule, Offeror must consider the requirements described in this REQUEST. The following should also be taken into consideration:

1. The fees are to be proposed in U.S. Dollars.
2. All services will be paid quarterly in arrears.
3. Are the fees quoted below negotiable?
4. Include the proposed securities lending income split (with indemnification)

Any referenced attachments, supporting the below fee schedule should be clearly noted, and referenced in the appropriate line items below.

- Prepare the fees for this schedule for the six (6) year base contract term.
- Prepare a separate fee schedule for the option period(s).

<u>FEE SCHEDULE</u>	
A. Annual Custodial Fee	
Annual Retainer Fee for Custodial Services:	\$
Additional Fees (if applicable):	\$
Additional Fees (if applicable):	\$
Notes on Custodian Fees:	
Annual Fee Escalation Rate (if applicable):	%
Notes on Escalator:	
B. Fees for Short Term Investment Fund (Basis Point):	
	BPS
Additional Fees (if applicable):	\$
Additional Fees (if applicable):	\$
Notes on STIF fees:	
C. Securities Lending Proposed Split (%)	
ERS:	%
Agent / Offeror:	%
Additional Fees (if applicable):	\$
Additional Fees (if applicable):	\$
Notes on Securities Lending Fees:	

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

D. Foreign Exchange Fees (Basis Point)	
Defined Spread for Developed Market Currencies:	BPS
Defined Spread for Emerging and Other Market Currencies:	BPS
Additional Fees (if applicable):	\$
Additional Fees (if applicable):	\$
Notes on Foreign Exchange Fees:	
E. Performance Measurement Related Fees	
Annual Index Vendor Costs:	\$
Additional Fees (if applicable):	\$
Additional Fees (if applicable):	\$
Notes on Performance Measurement Related Fees:	
F. Other Services (as applicable to defined scope of services)	
Other Services (please list and detail):	\$
Other Services (please list and detail):	\$
Other Services (please list and detail):	\$
Other Services (please list and detail):	\$
Other Services (please list and detail):	\$

VII. QUESTIONNAIRE

**ALL RESPONSES MUST BE COMPLETED IN EXCEL QUESTIONNAIRE
 (PROVIDED SEPARTELY, TITLED: "HIERS Custody EOI 2024 VII. QUESTIONNAIRE")**

A. BACKGROUND AND ORGANIZATION

1. Legal Name of Entity:
 Name of organization:
 Address:
 Contact:
 Phone:
 Fax:
 E-mail:
 Website:
2. Provide a brief history of your organization, including history of your master trust/custody, and securities lending operations. What services distinguish you from your competitors?
3. Provide details of the financial condition of your organization. Describe any material changes in the last five years. Please list the S&P and/or Moody's ratings of your commercial paper (if applicable), and ratings on long term debt. What is your exposure to derivative instruments, both in notional and net exposure and as a percent of total capital?
4. List your organization's lines of business and approximate contributions of each business to your organization's total revenue and operating income. If your organization is an affiliate or subsidiary of another organization, list the lines of business of the parent organization and identify the percentage of the parent organization's total revenue that your subsidiary or affiliate generates.

Lines of Business	Revenue	Operating Income
Total		

5. Describe your plans for managing the future growth of your organization in terms

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

of:

- a. Total number of accounts that will be accepted.
 - b. Total assets that will be accepted.
 - c. Plans for additions to professional staff and approximate timing in relation to anticipated growth in the number of accounts or assets.
6. Briefly describe your organizational structure, including the structure of your Master Trust/Master Custody Department and Securities Lending Department.
- a. Provide organization charts which clearly show the operating interrelationships and authority within the master trust/custody, securities lending service unit, FX unit, and within the organization. Be sure to show the reporting relationships between the administrative/relationship manager group, the accounting/reporting group, and the trade settlement groups and control structures. Describe the procedures used to ensure continuity of service during vacations or other absences within each group.
 - b. Are account teams formed by function or by client? Explain.
 - c. Do you have a separate administrative group for public funds? If yes, explain the difference.
7. Summarize your business plans for master trust/custody, securities lending services / and or FX for the next three years, including plans for mergers/acquisitions. What support does senior management provide in the search for improvement in master trust/custody?
8. What are the Public Funds Master Custody, securities lending and F/X, department's gross revenues? Is this department profitable? What percentage of your organization's profit was contributed by this department in the last 3 fiscal years?

Year 1	Gross Revenue	Profitable (Y/N)	Contribution to Total Company Profit (%)
Public Fund Master Custody Department			
Securities Lending Department			
FX Department			
Year 2	Gross Revenue	Profitable (Y/N)	Contribution to Total Company Profit (%)

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

			(%)
Public Fund Master Custody Department			
Securities Lending Department			
FX Department			
Year 3	Gross Revenue	Profitable (Y/N)	Contribution to Total Company Profit (%)
Public Fund Master Custody Department			
Securities Lending Department			
FX Department			

9. Provide a brief explanation and indicate the current status of any business litigation or other proceedings related to the master trust/custody business involving your organization or any officer or principal over the past five years.
10. Are you willing to be subject to the laws of the jurisdiction of the State of Hawaii and the jurisdiction of its court system in the administration of this contract?
11. Provide a copy of your most recent audited financial statements, the Auditor's Report on the Internal Control Structure and the Audit Report of Policies and Procedures Placed in Operation, in accordance with Statement of Auditing Standards No. 70 relating to your custodial accounts. Label this as **Exhibit 1**.
12. a. Briefly describe your bonding and liability insurance coverage. Indicate the amount carried for Errors and Omissions and for Fidelity bonding. List any deductibles involved.

Type	Carrier	Carrier Rating	Levels and Limits	Deductibles	Expiration
Errors and Omissions					
Fidelity Bonding					

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

- b. Please disclose the nature of any relationship you now have or have had in the past five years with any ERS Board member, consultant, general manager or staff.
13. Are there any anticipated ownership changes and/or influences of parent organization(s)? If yes, please describe.
14. Insert response as indicated to the following questions (as of 03/31/24). If answer yes (Y) to row C or D please provide a brief explanation.

A. Registered Investment Advisor? (Y/N)	
B. Exempt from SEC registration? (Y/N)	
C. Pending litigation or investigations?* (Y/N)	
D. Previous judgment(s) in last 5 yrs?* (Y/N)	
E. Fiduciary liability insurance? (Y/N)	
F. Error & Omission insurance? (Y/N)	
G. Organization bonded? (Y/N)	
H. GIPS® compliant? (Y/N)	

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

I. Attestation firm/auditor	
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*Please answer question directly. Do not refer ERS to your ADV or other SEC filings.

B. PERSONNEL

- Who should be contacted regarding any questions about the information contained in your response to this Request?

	Name/Title/Address	Phone	Email
Request Contact			
Client Service			

- In addition to completing the table below, provide biographical sketches and an organization chart of key individuals in charge of master trust/custody services, the person responsible for our overall relationship and day to day services and back-up, the investment management liaison contact, and accounting/reporting contacts. Will you designate an individual to act as a consultant for our on-line services? Are the same people responsible for U.S. and non-U.S. assets? If domestic, foreign, commingled or other accounts are handled by different groups, provide an organization chart for each group and a brief description of key people's responsibilities.

Key Individuals	Title/Role	Tenure (Years)		
		Current Position	Organization Experience	Industry Experience

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

3. How do you determine the number of accounts assigned to each administrator? How many accounts are assigned to the account administrator who would be assigned to ERS's account and what are the total assets under administration for this individual? How do you measure the performance of your professional staff? Do you promote from within? When would you hire an outsider?
4. Provide the following information on personnel turnover in the master trust/custody, securities lending, and FX for the last three calendar years and YTD, differentiating between individuals leaving your organization and those transferring to other departments within your organization:

	Year 1			Year 2			Year 3			YTD		
Position Titles	Gain	Transfer	Loss	Gain	Transfer	Loss	Gain	Transfer	Loss	Gain	Transfer	Loss

5. Describe training you provide to the client after conversion is completed. Also, describe ongoing educational sessions, user conferences, publications or other means you have for keeping clients fully educated and on changes and enhancements within your custody environment, for providing a forum for new ideas and needs.

C. CLIENTS

1. Provide the number of your master trust/master custody clients, both domestic and international. Report the aggregate value of the total assets in your custody in US\$ millions as of March 31, 2024. For the aggregate amount reported, separately classify U.S. dollar denominated and foreign currency denominated assets.
2. Please provide the following information on the 10 largest client relationships included above:

	Client Name	Client Type (corporate, public,	Years retained as	Total Asset Value in	Domestic, international or global

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

		endowment)	Custodian	USD (\$mm)	custody
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					

3. Provide the number of master trust/master custody accounts (domestic and international) gained or lost by year in the past three calendar years and YTD. Report the corresponding aggregate values for the total assets in US\$ millions. Provide a brief explanation for the account(s) lost.

	Year 1		Year 2		Year 3		YTD	
	Gain	Loss	Gain	Loss	Gain	Loss	Gain	Loss
Total # of Accounts								
Total Assets (\$mm)								
# of Public Fund Accounts								
Public Fund Assets (\$mm)								

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

4. Please provide the names, contact persons, phone numbers, email addresses, and amount of assets custodied, of your seven largest U.S. public pension clients with less than \$50 billion in assets custodied. We may contact all, some or none of the provided references. Please secure advanced approval. What is the median size public pension fund custody client?

D. INTERNAL CONTROLS AND RISK MANAGEMENT

1. Describe the risk controls that ensure accuracy of the processing and reporting of the master trust/master custody department, securities lending department, and/or FX department. Identify the internal and external entities that audit, regulate and/or review your custody services. Briefly discuss the frequency and scope of audits performed during the last three years. Include a copy of any formal policies and provide a relational organization chart for this function. Include a copy of any formal policies and provide a relational organization chart for this function. Label these as **Exhibit 2**.
2. Discuss your policy for minimizing credit and market risk associated with deposits and investments, including repurchase agreements and derivatives in Short Term Investment Fund (STIF) and reinvestment of securities lending cash collateral, and FX.
3. Describe the type of SSAE 18 report issued by the proposer and discuss its implications.
4. Disclose any significant regulatory issues and/or deficiencies from the last three (3) years.

E. ADMINISTRATION AND CLIENT RELATIONS

1. Describe in detail your client relations process including:
 - a. Formal and informal oral and written communications
 - b. Inquiry and problem resolution processes
 - c. Transmitting information on available services
 - d. Training in the use of the services and access systems
 - e. Quality Assurance process
2. How do administrators ensure that master trust/custody services are provided to a client in accordance with proper standards of care, regulatory requirements, and the executed agreement for service?
3. Describe your systems and procedures for securing and providing clients with proxy information and pending corporate actions for domestic and international corporations. How do you monitor proxy processing, including the addition of new and terminated money managers? How do you manage the power of attorneys in non-U.S. markets? Please name the proxy voting agent(s) your organization

works with.

F. INVESTMENT MANAGER LIAISON

1. Describe your process for interfacing with your clients and their investment managers for trade settlement. Separately (if different processes) describe the differences in processing trade settlements between domestic and international custody, including a discussion of the following:
 - a. Dedicated staff positions and responsibilities
 - b. Modes and means of trade instruction communication and validation
 - c. Cash management support
 - d. Mode, timing and content of reports provided them
 - e. Inquiry and problem resolution processes
 - f. Reconciliation and audit procedures
 - g. Support for managers located outside the US
2. Describe other functions handled or support provided by your investment management liaison group.

G. SECURITIES PROCESSING AND CUSTODY

1. Describe your trade affirmation services/systems. Describe your procedures for processing trade instructions for domestic and international securities, settling purchases and sales, identifying any distinctions for a) different asset classes, b) physical and book entry, and c) domestic and international.
2. Are there any restrictions as to the types of securities which may be held in safekeeping? If so, what are they? How do you handle the safekeeping of physical securities?
3. Provide a list of sub-custodian relationships, including the length of time they have served in this capacity.
4. How frequently and by what means do you communicate trade instructions to sub-custodians? How are sub-custodians selected and monitored?
5. Discuss the distinctions in the level of control over the work by your foreign branches and subsidiaries versus sub-custodians who contract with your organization. How do you control for the difference?
6. Are assets held by you and your sub-custodians segregated in such a manner that they are not subject to the claims of creditors against your organization and the sub-custodians' organizations?
7. Discuss your procedures for tracking failed trades, reporting failed trades to clients and investment managers, and resolving failed trades, including aging statistics. Is there a standard report of failed transactions outstanding? How long

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

will fails continue to show up on your 'fails' report?

8. What is your fail rate for securities sold or purchased, by country, for each of the last three years? What percentage of these fails were the fault of the custodian?
9. What depositories do you not actively participate in?
10. List any other services that you will provide to ERS or its external investment managers.
11. What are your policies regarding actual vs contractual settlement for domestic and international securities? What do you recommend?
12. What controls or systems are currently in place to ensure that account activity is within the policy limits set by the client?
13. What methods are available to send trade instructions to you? What type of time restrictions do you require for domestic and global accounts?

H. INVESTMENT GUIDELINES COMPLIANCE AND MONITORING

1. How does your system integrate investment guideline compliance into the automated trading process and actively monitor transactions and portfolio composition?
2. Do you have different levels and compliance monitoring that you provide? Please describe all types of compliance monitoring you currently provide. Are there additional costs or fees for each level for your compliance monitoring services?
3. Is compliance monitoring performed for all asset classes? Is it performed daily? Is it on a post-trade or pre-trade basis? Is compliance tracking available online?
4. Are derivatives monitoring, risk control and compliance check services available to clients?

I. TAX RECLAIM AND CORPORATE ACTIONS, CLASS ACTION FILINGS

1. Describe the processing of tax claims on foreign income, including:
 - a. Sources of information
 - b. Procedures for maintaining information on current treaty provisions
 - c. Processing steps for:
 - i) Filing to establish status for exemptions and reclamation
 - ii) Filing reclamations for tax refunds
 - iii) Collecting refunds
 - d. Identification of party responsible for each processing step
 - e. Procedures for accruing, reporting, aging and posting of reclaimable tax

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

- f. Detail reported to clients
2. Describe your procedures for ascertaining domestic and international entitlements and accruals for corporate actions (stock splits, stock dividends, spin-offs, mergers/acquisitions, tenders, calls, warrants, maturities, etc.).
3. Describe in detail your process for providing notice to clients of corporate actions requiring their decisions and notification from them prior to processing, including:
 - a. Methods of notifying clients
 - b. Methods of receipt of instruction from clients
 - c. Procedures for implementing client elections
 - d. Method and mode of relaying instructions to sub-custodians
 - e. Procedures for controlling sub-custodians' timely and appropriate action
4. How do you measure accuracy and timeliness of receipts of U.S. and non-U.S. income and capital changes reported by your depositories, agents and sub-custodians?
5. What controls are in place to prevent missed filings on class actions? How often are such filings reviewed? What kinds of reports are generated for the client to allow review of class action activity and settled claims?

J. DISBURSEMENT SERVICES

1. Do you provide disbursement services for check/ACH advice printing, ACH payments, and wire transfers based on clients' payment files?
 - Can ACH payments be made into the foreign bank accounts without extra cost?
2. Describe the methods that clients' payment files are transmitted to you.
 - Do you confirm payment files transmitted are received? How?
 - Describe security measures used to prevent and detect transmission of duplicate files.
3. How much lead-time is needed before the printed checks/ACH advices are mailed out?
4. Describe your typical arrangements for applying the funds in the custodial accounts to pay for the disbursements. Do they include zero-balance checking accounts?
 - If the last day of the month (ERS monthly benefit payments settlement date) falls on a non-banking day, will ACH payments be made on the last banking day of the month or on the first banking day of the next month?

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

5. Describe the check and ACH advice statement printed by you.
 - Describe the security features of checks.
 - Describe what information may be printed on the remittance portion of check and ACH advice statement (such as current payment details, year to date amount, messages).
 - Provide a sample of ACH advice statement.

6. Describe your checks/ACH advice printing process?
 - Where is the printing facility located? If you do not print the checks, where is your vendor's printing facility located?
 - When are checks/ACH advice statements mailed relative to payment effective date?
 - Describe years of business with the current printing vendor and their check printing services to their major customers.
 - Are checks processed through a presort facility? If so, please describe the controls in place to ensure accurate and timely check processing.

7. Can your system perform the following:
 - Allow payments of withholding taxes to the Federal/State authorities through ACH debits? Is your system capable of providing alerts to user for all ACH debits/payments processed that exceed ACH limit set? If so, please describe.
 - Provide services to allow ACH payments/wire transfers through templates stored in your system instead of clients' payment files?
 - Can your clients request stop payment and/or cancel the stop payment of checks via on-line? If so, what is the effective duration of stopped checks?
 - Do you allow special handling of checks, such as having certain checks pulled and sent by express delivery to designated addresses? If so, do you process it manually or process by reading mail handling code specified in the file?
 - Do you allow for print and mail inserts to be sent to all or a subset of payees along with the checks or ACH remittance advices?
 - Can your disbursement services include positive pay and ACH debit protection? If so, describe the process or procedure, including features to help detect and prevent fraud from occurring, and lead time required to resolve such issues.

8. How can your clients request deletion of ACH payments before the settlement date? How can your clients request reversing ACH payments after the settlement date? How will the result/action from this request be communicated to the client?

9. Describe the available reports and downloadable files associated with the disbursement services:
 - Do they include daily checks-paid files?
 - Are they accessible online?

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

10. Do you have an Internet-based on-line application for the disbursement services? If so, describe the on-line services available, and the security features of the application.
11. Can you provide clients with images of cashed checks via online platform, CD/DVD, and/or other media formats? Can you reproduce CD/DVD if it's damaged or lost? How long do you normally maintain check information /image in your system?
12. Are there fees/costs of services for the disbursement services your organization provides?
 - Provide a list of recurring services items and its fees and specify if it's a fixed rate (regardless of volume) or a variable rate (varies by volume).
 - List chargeable non-recurring services associated with Integrated Disbursement services.
13. Do you provide clients with an after-hour phone number to handle urgent requests?
14. Describe your business continuity plan in processing our payroll files on scheduled time in case of any emergency situation with your bank.

K. CASH MANAGEMENT

1. Is there an automatic cash sweep into STIF? If so, how does it work? Do you propose to use the same STIF for the securities lending cash collaterals or a different STIF for this purpose?
2. Provide a description of domestic STIFs that are available, including their guidelines and fees appropriate for ERS's overnight investments. Describe any defaults, asset write-downs, cash infusions to preserve principal value or other problems that have occurred in the funds since their inception. Provide annual performance numbers net of fees going back five years from March 31, 2024, using a bond equivalent yield. Provide a fee schedule for STIF in basis points. Is there daily liquidity? For each commingled STIF proposed, identify the purpose of the fund and provide documentation. Label this as **Exhibit 3**.
3. If a client overdraws an account for an overnight investment, will the client be charged the STIF rate for the overdraft?
4. If the bank erroneously debits an account overnight, at what rate will the bank reimburse the client for the overnight use of client funds at the STIF rate?
5. How often is STIF interest accrued and when is it credited?

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

6. What is your time deadline for a wire to be credited the same day? What is the time deadline for initiating wires?
7. Please describe the cash management section and provide biographies of the people involved in managing the STIF.
8. Have any of your short-term investment funds defaulted during the past three years? If so, please describe the circumstances of the default, recovery of the investment, allocation of loss, etc. Did any participants incur a loss? Were adjustments made to your investment guidelines/policies to avoid a similar problem?
9. Does your reporting system provide daily investable cash positions in local and translated U.S. dollars (using current exchange rates)?
10. What provisions are there for the investment of non-dollar balances? Are there minimum balances required, if so what are they?
11. What is your policy on the collection and crediting of domestic and foreign dividend and interest payments? When are the funds credited and available for use? Provide a country-by-country analysis.

L. FOREIGN EXCHANGE

1. Describe your foreign exchange operations and capabilities. Please include in your discussion whether you are able to process third party exchange and any charges associated with executing foreign exchange transaction; the location of the primary foreign exchange desk and foreign exchange operations and their relationship to master custody; the hours of operation for the order takers and execution facilities; the number of people involved, timing requirements and response time, and currencies exchanged.
2. Do you perform FX transactions on a principal basis?
3. How does your organization demonstrate the competitiveness of your foreign exchange?
4. How does your organization ensure the custodial clients achieve best execution?
5. Will your organization use a competitive bidding structure to execute FX Transactions?
6. Will your organization be able to provide performance reporting or best execution reports for FX transactions?
7. Is there on-line access to foreign exchange information?

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

8. Is your organization able to provide a "time-stamped" FX trade and disclose at what price your organization valued the FX Trade?
9. What percentage of your custody and trust clients utilize your organization for FX transactions versus a third party?
10. What if any, business risk does your organization assume as part of its exchange services?
11. Are security trades treated differently than repatriation of dividends, corporate actions, and other periodic receipts?
12. Describe the level of transparency provided to clients on all transactions.
13. Describe your standing instruction process and program options.
14. Describe your compensation resulting from an exchange.
 - a. Is there a standard fixed spread?
 - b. Does the spread vary by currency type?
 - c. Can a client or investment manager negotiate the spread based on volume?
15. Please explain the process for batching, netting, pricing and execution according to each different set of instructions currently in place across separate accounts/types of transactions.
16. What level of discretion does the custodian allow the plan or investment manager in election of foreign exchange brokerage services?
17. Can you provide execution cost transparency for foreign exchange execution on behalf of a client similar to those conducted by brokerage entities? If yes, please provide the basis point cost and dollar cost (spreads and commissions) on the basis of total foreign exchange transaction dollar volume over each of the past 5 years, along with the calculation methodologies of these cost components.
18. What is the menu of services and pricing of those services with your foreign exchange broker dealer?

M. CASH OVERLAY PROGRAM

1. Is there a cash equitization program? If so, please describe your program options including who will be managing the program, program description and program fees. Attach any cash overlay program material. Label this as **Exhibit 4**.
2. Do you currently provide the cash overlay management program to at least five (5) U.S.-based institutional clients (each with a market value of total plan assets market exceeding \$4 billion)? Please summarize by client type (meeting this size criteria) the services being provided and number of clients.

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

3. What is the average incremental return on this strategy? What is the most appropriate benchmark(s) for your overlay strategy?
4. How frequently will the data from this operation be updated (daily, weekly, and monthly)?
5. Describe the benefits and risks involved in an overlay strategy your risk management process.
6. Have any of your clients ever suffered a loss to the total portfolio from the overlay strategy?
7. How long has your organization provided this service to public fund clients? How many of your public fund clients are currently utilizing this strategy?
8. Provide a list of three (3) references from public funds clients that you currently provide overlay services to. ERS may contact your references. Please secure advanced approval.

N. ACCOUNTING AND REPORTING

1. Describe your accounting services for the following domestic and international securities and transactions:
 - a. Dividends and interest, corporate actions, including mergers, acquisitions, tenders, stock splits and dividends, warrants and spin-offs
 - b. Fixed income and equity portfolios
 - c. Real estate portfolios
 - d. Private placements and 144A securities
 - e. Alternative investments- LBOs, venture capital, etc.
 - f. Foreign currency investments
 - g. Financial futures, forward contracts, options, and other derivatives
 - h. Real assets
2. Does your system report or accommodate trade date, contractual settlement date, actual settlement, or a combination? Are there any other methodologies available? Please explain.
3. Do your domestic and international account databases share the same operating platform? Reporting structure? Location? Are they integrated?
4. Describe your procedures and basis (e.g., average cost) for computing and reporting realized and unrealized gains and losses, for both currency and market, for U.S. and non-U.S. denominated securities.
5. Describe your process of computing and posting fail float, and your procedures for minimizing loss of STIF interest due to sell fails. Define any distinctions by

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

security classification, country or other characteristics.

6. Provide information on your domestic and international primary and supplementary pricing sources including a description of your methods for pricing:
 - a. Publicly traded, liquid securities, and securities which are normally not available from pricing services such as domestic and international stock warrants, 144A securities, limited partnerships, etc.
 - b. Domestic and international derivative products, including forward currency contracts.
7. Do you have the ability to price each portfolio including accrual items on demand, at least monthly (capacity to price publicly traded securities daily, others monthly)? Do asset valuations include accrued income and pending transactions?
8. Are holdings and transactions reported at both cost and market value?
9. Do the available reports include a reconciliation of the portfolio at the report beginning date and report ending date?
10. Describe the reports or raw data you provide to the clients for GASB disclosures required for investment holdings.
11. What procedures do you have in effect to flag and investigate unusual or significant pricing changes from the previous day? How are valuation differences resolved between the external investment managers and the custodian? What is the average time to resolve pricing differences on a seasoned asset backed security?
12. What is your source and how does your organization account for mortgage paydown information? Do you maintain a record of the original face amount purchased?
13. How soon after receipt are the principal payments from mortgage-backed securities credited to the account? Describe any guarantees your organization offers.
14. How do you record capital calls and distributions related to private equity and real estate partnerships? Do you keep soft copies of call and distribution notices from partnerships? Are you able to receive and sell securities related to partnership stock distributions?
15. What standard reports are provided by your system - monthly, quarterly, annually and by exception? Do your standard reports include a report of domestic and international pending trade settlement and pending tax reclaims? Do you provide both summary and detailed level reports? Provide a sample of each from actual accounts.

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

16. Can you provide customized reports to meet ERS needs?
17. Do you provide multi-currency reporting? If yes, please describe. Does the report identify: country, industry, and security levels? Are reports available for the entire account as well as individual manager portfolios? Do you have the capacity to report in the local currency and translate to the reporting currency?
18. What steps are taken to take the reports from unaudited to fully audited? What reconciliations are performed?
19. How frequently do you reconcile your domestic and international records with depositories and your sub-custodians - cash, securities and corporate actions? Is this reconciliation manual or automated?
20. Will you provide domestic and international monthly audited portfolio statements as required by ERS, in hard copy and on-line after the close of business each month (which at a minimum, reports must be available within 10 working days and receipt of hard copy within 10 working days after the close of the period.) How do you provide monthly and cumulative year to date reports? Hard copy? On-line? CD/DVD? Please provide a sample of your portfolio statements.
21. Describe your domestic and international on-line systems for clients and their external investment managers with regard to the type of data available [i.e., pending trades, accounting information, asset lists by account (cost and market value in local currency and U.S. dollars), transaction history, summary of account market values for the portfolio, portfolio performance, and securities on loan]. When is this data available by electronic delivery, for view, download of standard or customized reports, download of raw data and report writer access?

O. PERFORMANCE MEASUREMENT

1. Do you have a dedicated performance and analytics group? Please describe. What is the typical client-to-staff ratio? What is the average number of years of professional performance management and analytics experience? Describe the resources available to support the staff analyzing the data.
2. How many months of holdings and transactions data do you maintain for performance calculation purposes?
3. Describe the performance evaluation services available for U.S. and for non-U.S. holdings. Are these services available on-line? If the reports are available on-line, can they be customized? Which reports are available as part of this response? Which service would ERS have to pay for separately?
4. Can you compare rates of return of ERS managers vs. those of a substantial universe of comparable funds (public and private investment managers)? What

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

universes do you offer? How many managers are tracked on your performance database? List and describe the categories.

5. List indices available and their earliest dates of data availability. Which index providers are included as part of this response? What are the incremental costs for index providers not included in this EOI? Which index providers require a separate agreement with the ERS? Do you provide access to outside databases such as Barra's risk factors?
6. Do you use dollar weighted or time weighted rates of return? Are the market values used in performance calculations adjusted for accruals?
7. How frequently are performance measurement analytics done, and how soon are reports based on fully audited numbers available following period-end? Are private investment performance data (real estate and private equity) reconciled with managers and/or consultants?
8. If you provide both domestic and international performance, are the systems integrated or are different systems utilized for generating domestic and international performance?

P. SECURITIES LENDING

Revenue Projections:

1. Describe anything that differentiates your style of lending that would complement the returns expected from lending ERS portfolio. Describe anything that would limit or restrict those returns. Why should ERS choose your organization as its securities lending agent?
2. What is the dollar size of your securities lending operation? Do you have any capacity limitations on your program? If so, please explain.
3. What has your earnings track record been with your existing clients?
4. What is the securities lending split between your clients and you?
5. List the asset classes or types of securities you do NOT lend. Why do you not lend them?
6. Provide a list of tax issues for each country that you lend in that ERS should be aware of.
7. Describe your loan allocation system. Do you provide equal opportunity to all participating clients to lend their securities?
8. State whether you will act as principal or agent. If you act as principal, how do you control for conflict of interest?

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

9. How are recalls and income collection handled for securities out on loan?
10. Will you guarantee that loaned securities will be available for delivery if notification of sale is made to you on trade date plus 1? If the borrower fails to return the loaned security(ies) by settlement date, do you reimburse your clients for lost STIF income or for any additional costs which might result from a buy-in?
11. Describe your reporting for securities lending. Is securities lending data available on-line? How much report format flexibility is available? Provide copies of your securities lending reports. Label as **Exhibit 5**.

Credit Considerations:

12. Who are your securities lending borrowers and how are they selected and monitored? Do the borrowers have a minimum credit rating, if so what is the rating? How often are they reviewed?
13. Can a client select, eliminate or limit loans to a given borrower? On a given security?
14. What are your collateral requirements and how are they determined and monitored? How do they compare to regulatory, industry and other standards, i.e., are they stricter, looser, etc.? Describe your procedure and frequency of marking to market your securities on loan.
15. What indemnification do you provide clients with respect to risk of counter-party default?
16. Have your clients ever sustained a loss as the result of your securities lending activities? If yes, please explain and include the magnitude of the loss. Did you cover the loss(es)?

Cash Collateral Reinvestment Portfolio Parameters:

17. What are your collateral re-investment portfolio objectives and how are they determined?
18. What investment vehicles are eligible for reinvestment of securities lending cash collateral? Provide the returns and guidelines for these Funds. Also provide summaries of the options, including risk/return parameters. Label as **Exhibit 6**.
19. What are the duration/maturity limitations pertaining to individual investments and the overall cash collateral reinvestment portfolio for these vehicles?
20. What credit standards are applied to the cash collateral reinvestment portfolio and how are they monitored?

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

21. What protection do you provide clients with respect to collateral reinvestment dealer default, or market loss?

Third Party Security Lending Providers (as applicable):

22. Would you allow an independent bank/advisor to manage the securities lending program? Can you support a collateral investment manager of the lender's choice?
23. Have you ever entered into a sub-custodian agreement to facilitate the above?
24. What controls would you require with this type of arrangement?
25. Identify which third party security lenders you have electronic links with. What problems have you had in that capacity? Which third party agents have you had the most difficulty with?
26. For third party security lending agents, please answer the Background and Organization, Client, Personnel and Internal Controls and Risk Management sections (Section VII, sections A through D) of this Request as they relate to securities lending. For custodians, please answer those questions separately if the answers are different for your security lending business.
27. If an unbundled arrangement (separate securities lending agent from custodian) is implemented, are vendor's proposed levels of indemnification impaired, not applicable, compromised, limited or contractually constrained? Please describe in full and list all levels of indemnification impacted whether enforceable or impaired.
- a. Borrower/Counterparty Risk and Default (Inability to Recall, Failure to deliver Income, Failure to post adequate margins, etc.)
 - b. Collateral Investment Risk
 - c. Trade Settlement Risk
 - d. Operational Negligence
 - e. Currency and Sovereign Risk

SECURITIES LENDING ESTIMATED REVENUE CALCULATION:

Revenue Projections*:

Estimated daily average lendable base: \$ _____

Estimated daily average securities out on loan (A): \$ _____

Projected average rebate rate (at current market levels): _____%

Projected reinvestment rate (at current market levels): _____%

Projected yield spread on securities lent (B): _____%

Percentage of lendable income to ERS (Split %) (C): _____%

Annual Revenue Estimate: (A) x (B) x (C) x 365: \$ _____

*To complete this form, use ERS portfolio holdings (provided in Attachment 4)

Q. TECHNOLOGY

1. Briefly describe your organization's computer system's capacity and the volume of transactions which can be processed in a day. Also briefly describe the primary & secondary hardware and data processing configurations which serve your operations.
2. Does your organization utilize third-party or in-house resources for IT?
3. Describe your organization's data center security and overall security architecture of the technology.
4. What is your organization's IT vision over the next five years in terms of technological competitiveness and processing capabilities? Please describe any investments in technology which might become necessary because of recent acquisitions.
5. What was your organization's percentage of downtime during the past 2 years by systems that are proposed to serve ERS needs? The number of occurrences? What were the primary causes and how were the problems corrected? How long was the average amount of down time per occurrence? Do you provide 24-hour support?
6. Is your organization's software web-based platform? Describe the front-end and back-end technology, indicate any use of open-source software, include the software version, and hardware specifications.

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

7. When was your organization's software to be used for the ERS account developed? Was it developed internally or externally? How long has the current system been in place?
8. Differentiating between domestic master trust/custody and non-U.S. master trust/custody systems, what has been the investment in systems development for the master trust/custody systems for each of the past 5 years? Discuss both the amount budgeted and what was purchased. What are your organization's systems development plans for the next 5 years? What do you believe is the largest deficiency in your system? How are you going to address this?
9. Please describe any investments which might become necessary because of recent acquisitions of other master trust/custodial firms.
10. How do you receive and provide information electronically to the client or third-party vendors? Include a description of client interface technical requirements (ie. Operating system, web browser, version, and other software). Explain the reporting technology, how it is implemented in your system, and application interface capabilities. Describe the levels of services provided.
11. What equipment or software is necessary for ERS staff to receive on-line services? Is this equipment provided, maintained, and upgraded as part of your service?
12. What is the commitment to customer support, and the hours of operation (availability in Hawaii time) for your on-line systems?
13. Describe the approach in implementing high availability of the proposed solution using such methodology as load balancing and/or clustering.
14. Describe your disaster recovery plan. Provide an estimate of the maximum elapsed time before the restoration of processing to ERS transactions in the event of disaster to the custodian's primary processing facility. What is the frequency of disaster recovery tests? Were there any deficiencies noted in the last test? Describe your plan to process until restoration of your system is complete. Describe what you could do for us in the event of a physical disaster in Hawaii.
15. Describe your process for file back-up and off-site storage, including frequency and location:
16. Describe your process of incorporating program changes into your operating system and application systems. How often (and for how long during each occurrence) is your system brought down for maintenance?
17. Describe your compliance system to monitor the total ERS fund, asset classes, and individual investment managers against ERS policies and investment manager guidelines? Can ERS staff actively interface with this system on your on-line web portal? List the kinds of monitoring reports that are available?

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

18. Describe your risk analytics system and the kinds of specific output available to the client at the total fund level, asset class level, and individual managers. Can ERS staff actively interface with this system on your on-line web portal? Describe the reports that are available to ERS staff and the frequency of such reports.

R. TRANSITION/CONVERSION

1. Provide a detailed task listing and schedule on how you would approach the conversion process, including actions required on the part of ERS and the time frame to complete each task. Clearly describe the conversion process: who is responsible for coordinating activities, who must participate and what activities must occur. Detail the type and number of resources required from ERS.
2. Would you convert the historical performance and transaction data from the former custodian?
3. What dedicated resources (personnel, equipment, training, consultants, etc.) procedures and controls will you provide or recommend in the transition/conversion period to ensure that the conversion process is completed successfully in a timely and accurate manner?
4. Give a detailed description of your last comparable conversion, including the details of specific problems that occurred and the solutions instituted.
5. Provide a summary of the problems which you might reasonably expect to occur during this conversion and your approaches to those anticipated problems. Are there any blackout periods associated with the conversion?
6. Describe the process for transfer of physical securities. How do you handle historical data during the conversion process?
7. What costs would be associated with a conversion?
8. What key concerns for ERS do you see for each of your top 5 competitors for:
 - a. Custody
 - b. Third party securities lending

Concerns may include pricing; technology; reliability; user friendliness; capability; organization stability; client service; staffing; personnel turnover; size fit; product availability; reputation in the marketplace, etc.

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

S. LEGAL

1. Does your organization maintain in-house legal staff?
 - a. If your organization maintains in-house legal staff, please describe the staff role, staff profile, and the number of employees assigned to this department.
 - b. If your organization utilizes external counsel, list the names of the firms your organization uses and for how long.
2. Has your organization, its principals or any affiliate over the last five (5) years been: (a) the focus of a non-routine SEC inquiry or investigation or a similar inquiry or investigation from any similar federal, state or self-regulatory body or organization; (b) been a party to any litigation concerning fiduciary responsibility or other investment related matters; or (c) submitted a claim to your errors & omissions, fiduciary liability and/or fidelity bond insurance carrier(s)? If yes to any, please provide details.

T. COMPLIANCE

1. Who is your compliance provider? In-house? External? How long? Please provide contact information.
2. Who is responsible for compliance within your organization?
3. What regulatory bodies is your organization registered with?
4. What internal resources are dedicated to overseeing operational or business risk within your organization (e.g., compliance, risk committee, governance committee, internal audit, etc.)?
5. Do the management oversight and governance functions include independent representatives (e.g., outside Board members or audit committee members)? Please describe.
6. Do you maintain a front-end and/or back-end compliance system for client guideline monitoring?
7. Describe how your internal control procedures effectively prevent conflicts of interest in employee, proprietary and client discretionary trading.
8. Do you have an Employee Trading Policy for personal accounts? How is implemented and enforced? Please describe how your internal control procedures effectively prevent conflicts of interest in employee, proprietary and client discretionary trading.
9. Discuss your organization-wide compliance training and education initiatives.

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

10. Describe how your organization communicates compliance and regulatory policies/procedures.
11. Describe your organization's soft dollar policy and how soft dollar activity is monitored/controlled.
12. Do your organization have a Code of Ethics? Do you require all employees to follow it? How is it enforced?
13. List and describe any relationships and/or contacts your organization has had with any of the ERS Board members, Staff, and/or consultant working with the ERS within the last twelve (12) months.
14. Describe any potential conflicts of interest your organization may have in the management of this account. Include any activities of affiliated or parent organizations, brokerage activities or investment banking activities. Include any other pertinent activities, actions, or relationships not specifically outlined in this question.
15. Describe your organizations records retention policy. Please provide a copy of the policy.
16. In what format are records retained electronically and/or hard copy?
17. Describe your organization's policies and procedures surrounding privacy of information. Discuss current controls surrounding how the facility and access to critical/sensitive information is secured.
18. Describe e-mail surveillance policies and procedures.
19. Describe how software version control is implemented, and how updates and upgrades are coordinated.
20. Is there any indication that your organization's Board members or senior management/governing members have recently resigned for reasons that raise questions about your organization or about the conduct or attitudes of remaining management?
21. How does your organization prevent an override of internal controls? Does the management have the ability to override controls?
22. How does your organization ensure that it has the proper insurance coverage (e.g., errors and omissions, fiduciary liability insurance, bonded etc.) and that such policies are renewed in a timely fashion? Please provide coverage levels.
23. Provide an overview of the bank Secrecy Act/Anti-Money Laundering program.

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

U. AUDIT

1. Provide the name, address and contact of your independent auditors or accounting firm. In addition, explain the nature of the services they provide to your organization.
2. Has your organization used any other auditor prior to the current auditor? If so, why was a change made? When was it made?
3. Provide the copy of the latest ADV Part I and Part II, and Statement of Auditing Standards "SSAE 18", if available, for the most recent year-end.
4. Does your organization have an internal audit department?
5. How often is your organization audited? Briefly discuss the scope of audits performed during the last three years.
6. Has your organization received any letters of control deficiencies (e.g., SAS 112 letters) from its auditors within the last five years?
7. What procedures does your organization have that ensure adequate internal controls are in place?
8. Please summarize any SEC, securities industry Self-Regulatory Organizations (SROs) or other governmental or regulatory enforcement proceedings or action taken with respect to your organization or its employees for the past five (5) years.
9. Is your organization in compliance with Sarbanes Oxley, and all necessary NACHA requirements for transactions that are performed electronically? Have you implemented changes to be in compliance with these obligations?

V. STRATEGIC PARTNERSIPS AND OPTIONAL SERVICES

1. Where do you offer services and capabilities over and above their core services in partnership with other firms or fin-techs which can be additive to our investment and administration process? Which of these services or relationships can be contracted through BNY Mellon as part of the core contract or an addendum.
2. Please elaborate on your organization's capabilities in supporting back-, middle- and front-office needs of clients. Do you have preferred provider platforms, business ventures, fintech collaborations, and other solutions that ERS should consider.
3. What are your organization's areas of planned strategic growth? Describe any planned or ongoing initiatives that could significantly impact the services provided or fees charged for this account.

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

4. Do you offer Asset Management (i.e., CIT funds) which can be contracted in conjunction with the custody agreement.

W. OTHER

1. Supply information on any programs and initiatives that your organization has in place that support diversity in the workplace.
2. Does your organization sub-contract / outsource any other specific services to emerging firms? Please describe.
3. Please provide any additional information that your organization believes might prove relevant to the ERS's diversity concerns.
4. Does your organization utilize/compensate one or more external placement agents in any of your institutional investment offerings? If so, please provide details on (i) how much assets and under what mandates the placement agent(s) was/were utilized and (ii) the compensation structure agreed upon between your organization and each placement agent (iii) in what capacity they are used in relation to this search.
5. Has your organization paid any unregistered third parties such as placement agents to solicit government business?
6. Has your organization, any employees of your firm, or any associate of your organization made any campaign contribution to any elected officials, and/or candidate for an elected office, or candidate for any elected office in the State of Hawaii in the last two-year period? If yes, please Explain.
7. Please elaborate on any areas that your organization believes merits additional attention.

VIII. TERMS AND CONDITIONS OF CONTRACT

Affirm that the provisions of the sample contract in Form of Contract (Attachment 5) are acceptable or state any proposed modifications. ERS reserves the right to decline or classify as “unresponsive” any substantive changes, modifications, or revisions to the provisions of the sample contract.

Identify any exceptions to provisions of the sample contract in Attachment 5. Label this as **Exhibit 7**.

IX. CERTIFICATION

The following certifies that all services and systems described are available, deliverable, and performed by professionals abiding to the highest fiduciary standards. In addition, audits performed by independent parties are diligently accomplished and documented. The undersigned hereby certifies that he or she is authorized to execute this EOI on behalf of _____ and that the information, commitments, representations, and other provisions of the foregoing EOI are true and correct.

Name _____
Signature _____
Title _____
Date _____

END OF EOI

Attachment 1: Evaluation Criteria

	Total Points
A. Background, Organization, Personnel, Clients, Administration, Client Relations, and Investment Manager Liaison	15
B. Securities Processing, Custody, Cash Management, Internal Controls, and Risk Management	15
C. Accounting, Reporting, Tax Reclaims and Corporate Actions	15
D. Performance Measurement and Investment Guidelines and Compliance	15
E. Technology, Transition and Conversion	10
F. Securities Lending (Qualitative Factors)	10
G. Fees (Custody, Performance Measurement, Investment Guidelines and Compliance, Securities Lending, STIF and others) **	20

Note: ** For evaluation purposes, fees are separated into three categories:

- A. Custody, Performance Measurement, Investment Guideline Compliance:
- B. Securities Lending (Proposed Split –ERS/Mgr %, Cash Collateral Fees); and
- C. Fees for STIF.

Securities Lending Fees are weighted significantly more than Custody Fees and STIF Fees. Custody Fees and STIF fees will have equal weight.

Attachment 2: Securities Lending Guidelines

Refer to ERS website:

<https://ers.ehawaii.gov/investments/program> for the policies and guidelines governing securities lending.

Attachment 3: Annual Comprehensive Financial Report (ACFR)

**Refer to ERS website: <https://ers.ehawaii.gov/resources/financials>
for the financial reports.**

Attachment 4: 2024 Asset Holdings of ERS

Attachment 4, 2024-03 Asset Holdings of ERS is a Microsoft Excel file (custodyeoi-attach4-AssetHolding.xls) containing the detailed listing of security holdings for ERS as of update.

- Separate Accounts - The file only includes equity, fixed income, cash and short-term security positions held in custody for active managers. The file does not contain the following.
 - Foreign exchange contracts
 - Trade payables
 - Trade receivables
 - Pending income items
 - other miscellaneous assets
- Closing Accounts - Holdings are not included.
- Securities Held Elsewhere (SHE) – Refer to section I. Overview for accounts with line item reporting.

Account Structure – – Refer to section I. Overview for additional information on the existing ERS account structure.

Cash and STIF balances (estimated)

The active investment managers usually hold less than \$20 million for all currencies, out of approximately US\$6.2 billion in assets under their management. Almost all of these monies are foreign currencies for international trade settlements.

The average daily short-term investment funds held at the global custodian is estimated to be approximately \$100 million under the current risk-based asset allocation, including all cash reserve/cash fund accounts.

- This excludes amounts for securities lending collateral held by ERS and funds subject to Overlay programs,

Balances fluctuate based on employer and member contributions, investment management decisions, investment funding, and operational requirements.

Attachment 5: Form of Contract

Refer to pdf file:
“HIERS-2024-Custody EOI Attach 5-CONTRACT FOR GOODS AND SERVICES”.

Attachment 6: Chart of Accounts

(Refer to the Spreadsheet File)

Attachment 6, ERS's Chart of Accounts is a Microsoft Excel file (custodyeoi-Attach6OracleAcctCodes.xls) containing the example general ledger account structure with listings of certain account code sections.

ERS uses a seven part combination:

- Company – 2 characters – Company reference for summary reporting
- Fund – 2 characters – Fund accounting reference
- Object – 5 characters – GL account line
- Cost Center – 4 characters – Cost or profit center to track activities; for investments specifies reporting group of investment manager(s)
- Budget year – 4 characters – To track funds by fiscal year budget. Generally not used for investments.
- Appropriation – 5 characters - To track funds by appropriation authorization. Generally not used for investments
- Project – 4 characters - To track revenue and expense by project across multiple fiscal years, cost centers and budget appropriations. Generally not used for investments

The investment accounting processes primarily use the Fund, Object and Cost Center components of the account structure.

Note: Default value for individual segments of combinations is zero-filled field.

Attachment 7: Chapter 88 Hawaii Revised Statutes, Investments and Securities Lending Related Sections

ERS is governed by chapter 88 of the Hawaii Revised Statutes. If you would like to access an unofficial online version of chapter 88, you may do so at <https://www.capitol.hawaii.gov/hrscurrent/>

The following sections of Chapter 88, Hawaii Revised Sections are provided for your reference:

- § 88-119 Investments
- § 88-119.5 Investment guidelines
- § 88-120 Service charges
- § 88-121 Power to make agreements to protect securities on reorganization or otherwise
- § 88-121.5 Power to enter into security loan agreements

§88-119 Investments. Investments may be made in:

- (1) Real estate loans and mortgages. Obligations (as defined in section 431:6-101) of any of the following classes:
 - (A) Obligations secured by mortgages of nonprofit corporations desiring to build multirental units (ten units or more) subject to control of the government for occupancy by families displaced as a result of government action;
 - (B) Obligations secured by mortgages insured by the Federal Housing Administration;
 - (C) Obligations for the repayment of home loans made under the Servicemen's Readjustment Act of 1944 or under Title II of the National Housing Act;
 - (D) Other obligations secured by first mortgages on unencumbered improved real estate owned in fee simple; provided that the amount of the obligation at the time investment is made therein shall not exceed eighty per cent of the value of the real estate and improvements mortgaged to secure it, and except that the amount of the obligation at the time investment is made therein may exceed eighty per cent but no more than ninety per cent of the value of the real estate and improvements mortgaged to secure it; provided further that the obligation is insured or guaranteed against default or loss under a mortgage insurance policy issued by a casualty insurance company licensed to do business in the State. The coverage provided by the insurer shall be sufficient to reduce the system's exposure to not more than eighty per cent of the value of the real estate and improvements mortgaged to secure it. The insurance coverage shall remain in force until the principal amount of the obligation is reduced to eighty per cent of the market value of the real estate and improvements mortgaged to secure it, at which time the coverage shall be subject to cancellation solely at the option of the board. Real estate shall not be deemed to be encumbered within the meaning of

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

- this subparagraph by reason of the existence of any of the restrictions, charges, or claims described in section 431:6-308;
- (E) Other obligations secured by first mortgages of leasehold interests in improved real estate; provided that:
 - (i) Each leasehold interest at the time shall have a current term extending at least two years beyond the stated maturity of the obligation it secures; and
 - (ii) The amount of the obligation at the time investment is made therein shall not exceed eighty per cent of the value of the respective leasehold interest and improvements, and except that the amount of the obligation at the time investment is made therein may exceed eighty per cent but no more than ninety per cent of the value of the leasehold interest and improvements mortgaged to secure it; provided further that the obligation is insured or guaranteed against default or loss under a mortgage insurance policy issued by a casualty insurance company licensed to do business in the State. The coverage provided by the insurer shall be sufficient to reduce the system's exposure to not more than eighty per cent of the value of the leasehold interest and improvements mortgaged to secure it. The insurance coverage shall remain in force until the principal amount of the obligation is reduced to eighty per cent of the market value of the leasehold interest and improvements mortgaged to secure it, at which time the coverage shall be subject to cancellation solely at the option of the board;
 - (F) Obligations for the repayment of home loans guaranteed by the department of Hawaiian home lands pursuant to section 214(b) of the Hawaiian Homes Commission Act, 1920; and
 - (G) Obligations secured by second mortgages on improved real estate for which the mortgagor procures a second mortgage on the improved real estate for the purpose of acquiring the leaseholder's fee simple interest in the improved real estate; provided that any prior mortgage shall not contain provisions that might jeopardize the security position of the retirement system or the borrower's ability to repay the mortgage loan. The board may retain or dispose of the real estate, including leasehold interests therein, as it may acquire by foreclosure of mortgages or in enforcement of security, or as may be conveyed to it in satisfaction of debts previously contracted in the same manner as other investments in interest in real property authorized by this section;
- (2) Government obligations, etc. Obligations of any of the following classes:
- (A) Obligations issued or guaranteed as to principal and interest by the United States or by any state thereof or by any municipal or political subdivision or school district of any of the foregoing; provided that principal of and interest on the obligations are payable in currency of the United States; or sovereign debt instruments issued by agencies of, or guaranteed by foreign governments;
 - (B) Revenue bonds, whether or not permitted by any other provision hereof, of the State or any municipal or political subdivision thereof, including the board of water supply of the city and county of Honolulu, and street or improvement district bonds of any district or project in the State; and

**Employees' Retirement System of the State of Hawaii
Request for Global Custody Services and Securities Lending Expression of Interest 2024**

- (C) Obligations issued or guaranteed by any federal home loan bank, including consolidated federal home loan bank obligations, the Home Owner's Loan Corporation, the Federal National Mortgage Association, or the Small Business Administration;
- (3) Corporate obligations. Below investment grade or nonrated debt instruments, foreign or domestic, in accordance with investment guidelines adopted by the board;
- (4) Preferred and common stocks. Shares of preferred or common stock of any corporation created or existing under the laws of the United States or of any state or district thereof or of any country;
- (5) Obligations eligible by law for purchase in the open market by federal reserve banks;
- (6) Obligations issued or guaranteed by the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, or the African Development Bank;
- (7) Obligations secured by collateral consisting of any of the securities or stock listed above and worth at the time the investment is made at least fifteen per cent more than the amount of the respective obligations;
- (8) Insurance company obligations. Contracts and agreements supplemental thereto providing for participation in one or more accounts of a life insurance company authorized to do business in Hawaii, including its separate accounts, and whether the investments allocated thereto are comprised of stocks or other securities or of real or personal property or interests therein;
- (9) Interests in real property. Interests in improved or productive real property in which, in the informed opinion of the board, it is prudent to invest funds of the system. For purposes of this paragraph, "real property" includes any property treated as real property either by local law or for federal income tax purposes. Investments in improved or productive real property may be made directly or through pooled funds, including common or collective trust funds of banks and trust companies, group or unit trusts, limited partnerships, limited liability companies, investment trusts, title-holding corporations recognized under section 501(c) of the Internal Revenue Code of 1986, as amended, similar entities that would protect the system's interest, and other pooled funds invested on behalf of the system by investment managers retained by the system;
- (10) Other securities and futures contracts. Securities and futures contracts in which in the informed opinion of the board, it is prudent to invest funds of the system, including currency, interest rate, bond, and stock index futures contracts and options on the contracts to hedge against anticipated changes in currencies, interest rates, and bond and stock prices that might otherwise have an adverse effect upon the value of the system's securities portfolios; covered put and call options on securities; and stock; whether or not the securities, stock, futures contracts, or options on futures are expressly authorized by or qualify under the foregoing paragraphs, and notwithstanding any limitation of any of the foregoing paragraphs (including paragraph (4)); and
- (11) Private placements. Investments in institutional blind pool limited partnerships, limited liability companies, or direct investments that make private debt and equity

investments in privately held companies, including but not limited to investments in Hawaii high technology businesses or venture capital investments that, in the informed opinion of the board, are appropriate to invest funds of the system. In evaluating venture capital investments, the board shall consider, among other things, the impact an investment may have on job creation in Hawaii and on the state economy. The board shall report annually to the legislature on any Hawaii venture capital investments it has made; provided that if the board determines it is not prudent to invest in any Hawaii venture capital investments the board shall report the rationale for the decision. The board, by January 1, 2008, shall develop criteria to determine the amount of funds that may be prudently invested in Hawaii private placement investments.

§88-119.5 Investment guidelines. Notwithstanding any other law to the contrary, real estate loans and mortgages made pursuant to section 88-119(1)(D) and (E) shall be in accordance with conditions and restrictions set forth by the board of trustees; provided that the board may establish the minimum and maximum loan amounts and interest rates for these real estate loans and mortgages by motion, at any duly noticed meeting of the board. The board of trustees, subject to chapter 91, shall adopt, amend, and repeal rules having the force of and effect of law to implement all provisions of this section other than those relating to loan amounts and interest rates for its real estate loans and mortgages.

§88-120 Service charges. The board of trustees may pay out of any of the several funds held for investment, a reasonable amount to any person for servicing and handling of mortgages purchased by the board or for supplying investment advisory or consultative services; and to meet such other costs incident to the prudent investment of system funds as the board may approve.

§88-121 Power to make agreements to protect securities on reorganization or otherwise. Anything in this part to the contrary notwithstanding, the board of trustees may enter into an agreement or agreements for the purpose of protecting the interests of the system in securities held by the system, or for the purpose of reorganization of a corporation which issued securities so held, and deposit of securities thereunder with a committee or depositories appointed under the agreement, but the agreement and deposit must first be approved in writing by a majority of the members of the board with a statement of their reasons for such approval. The board may accept corporate stock or bonds or other securities, which may be distributed pursuant to any such agreement approved as aforesaid or to any plan or reorganization approved in writing by a majority of the members of the board with a statement of their reasons for such approval. But if securities so received consist in whole or in part of stock in any corporation or of bonds or obligations which are not secured by adequate collateral security or where less than two-thirds of the total value of the required collateral security therefor consist of collateral other than stock, then any stock and any such bond or obligation so received shall be disposed of within five years from the time of acquisition or before expiration of such further period or periods of time as may be fixed in writing for that purpose by the governor.

§88-121.5 Power to enter into security loan agreements. Anything in this part to the contrary notwithstanding, the board of trustees may enter into an agreement or agreements with a financially responsible stock or bond brokerage firm, bank, or similar financial institution ("borrower") authorized to do business under the laws of any state or the United States, for the purpose of lending to the borrower securities held by the system, subject to the following conditions:

- (1) The securities shall be loaned to the borrower for a period not to exceed one year;
- (2) At the termination of the loan period, the borrower shall deliver to the board of trustees certificates for identical securities which are of the same class and issue as the loaned securities;
- (3) For the protection of the system, the borrower shall deliver to the board of trustees or its agent, collateral in the form of cash, letters of credit, bonds, or other interest-bearing notes and obligations of the United States or federal instrumentalities which are eligible for investment by the board of trustees, in an amount not less than one hundred two per cent of the market value of the loaned securities, as determined by the board of trustees. The system shall have a security interest in the collateral to secure borrower's obligations under the agreement. The board of trustees shall not be obligated to return the collateral or any part thereof to the borrower, except upon borrower's delivery to the board or its agent of securities identical to the loaned securities, as provided in paragraph (2). The board of trustees or its designated agent shall monitor the market value of the loaned securities daily, and if, on any business day, the amount of the collateral deposited by the borrower is less than one hundred two per cent of the market value of the loaned securities on that day, the borrower shall immediately deposit with the board or its agent additional collateral in the form of cash, letters of credit, bonds, or other interest-bearing notes and obligations of the United States or federal instrumentalities which are eligible for investment by the board of trustees. Such additional collateral, together with the collateral previously on deposit, shall be in an amount not less than one hundred two per cent of the market value of the loaned securities at the time of such deposit;
- (4) The board of trustees, at its election, may use or invest any collateral delivered by a borrower to the board or its agent pursuant to the agreement, and any income and profits earned on the collateral shall be retained for the benefit of the system. Any investment of the collateral shall be subject to section 88-119;
- (5) Until the termination of the loan, the borrower may exercise all the incidents of ownership of loaned securities, including the right to transfer the loaned securities to others and vote or otherwise consent as a holder of such securities; provided that the borrower shall be obligated to the board of trustees for all dividends and distributions made with respect to the loaned securities during the period of the agreement, including, without limitation, cash, stock or property dividends or distributions, interest payments, and subscription rights;
- (6) In the event that the borrower, at the termination of the loan period, fails to deliver to the board of trustees certificates for identical securities which are of the same class and issue as the loaned securities, the borrowers shall forfeit to the system the collateral deposited.

Attachment 8: ERS Board of Trustees Investment Practices

Please refer to ERS website at <http://ers.ehawaii.gov/investments/program> for Investment Practices.

Attachment 9: ERS Investment Statistics

Please refer to Attachment 4 – Asset Holdings of ERS for the detailed listing of securities at March 31, 2024 and the table in the overview for totals by manager and type of account. The following summarizes the number of ERS investment transactions past year ending March 31, 2024. Future transactions volumes may differ from the estimates provided.

Transactions	Count
Trades - Buys	31,000
Trades - Sales	29,000
Checks and Money Transfers Wire Out	Approx 1,500
Money Transfers Wire In/Checks Received	Approx 1,500
Currency Exchange Contracts (Buy/Sell) (25% with Custodian / 75% with 3rd Party)	2,700
Write Options/Futures	3,000

Trades Others Country			
AUSTRALIA	471	ISRAEL	234
AUSTRIA	82	ITALY	198
BELGIUM	232	JAPAN	2,758
BERMUDA	252	LIBERIA	61
BRAZIL	384	LUXEMBOURG	150
CANADA	1,277	MEXICO	136
CAYMANISLANDS	264	NETHERLANDS	658
CHINA	459	NORWAY	77
CURACAO	103	SINGAPORE	156
DENMARK	276	SOUTHKOREA	207
FINLAND	99	SPAIN	195
FRANCE	597	SWEDEN	300
GERMANY	929	SWITZERLAND	802
HONGKONG	185	TAIWAN	307
INDIA	183	UNITEDKINGDOM	881
IRELAND	630	Others	<50