

**MARYLAND STATE TREASURER'S OFFICE  
Louis L. Goldstein Treasury Building  
80 Calvert Street, Room 109  
Annapolis, Maryland 21401**

**QUESTIONS AND ANSWERS  
FOR  
REQUEST FOR PROPOSALS FOR  
GENERAL BANKING SERVICES FOR  
THE BOARD OF TRUSTEES OF THE  
MARYLAND TEACHERS AND STATE EMPLOYEES  
SUPPLEMENTAL RETIREMENT PLANS  
RFP #MSRP-05072013**

May 23, 2013

- Q-1. Page 2 – Section 1.08 Submission Deadline:  
It states that the Technical and Price proposals are to be submitted "each in separate sealed envelopes." Does this mean the original and copies of the Technical and Price proposals are to be grouped together in their own envelopes (for a total of two envelopes) or that each copy of the two proposals should be in its own envelope (for a total of twelve envelopes)?
- A-1. All copies of the Technical Proposal are to be in one envelope and all copies of the Price Proposal are to be in a separate sealed envelope for a total of two envelopes.
- Q-2. The small depository reserve account contains approximately \$100,000 or less in balances; what are the average daily deposit or investment balances in the remaining 3 depository accounts?
- A-2. The end-of day balance can range above \$2,500,000 on one deposit account, but the average daily balances are approximately \$625,000 and \$85,000 for the two primary depository accounts.

**Section 3.02 - Summary of Account Operations and Flow of Funds**

- Q-3. Page 10 – Are any of the accounts in a zero balance relationship today?
- A-3. Yes.
- Q-4. Page 10 - Would MSRP consider implementing a zero balance structure that would allow the automatic funding of the controlled disbursement account daily from the depository account? The funding transaction is the last transaction of the day and it will bring the balance in the disbursement account to zero each day.

A-4. Yes, a zero balance structure is the current arrangement and is preferred. The controlled deposit accounts have a zero balance each day and are funded from the deposit accounts by an automated process based on the checks presented.

### **Section 3.03 - Minimum Qualifications**

Q-5. The bank does not subscribe to Kroll Bond ratings. Is the State willing to accept a Moody's rating?

A-5. A bank is not required to have a rating from Kroll Bond Rating Agency (KBRA). A similar financial strength rating from a nationally recognized statistical rating organization is acceptable; however, the State subscribes to the KBRA service and will rely on that rating, if available. Banks without a KBRA subscription may confirm that their KBRA rating is sufficient by contacting the State Treasurer's Office.

### **Section 3.05 - Service Capabilities**

Q-6. Please clarify what the bank's obligations with respect to the custodial account will be. Will the bank be required to execute the Custody Agreement attached as Exhibit 2 only in the event that custody services are required? Are the provisions of the Custody Agreement negotiable?

A-6. See item 6 in Section 3.03 Minimum Qualifications. The successful Offeror will be required to execute a Custody Agreement in materially the same form as Exhibit 2 to the RFP. Any clarifications or comments to the form of Custody Agreement provided as Exhibit 2 must be submitted with your Technical Proposal in order to be considered.

Q-7. Page 13- Would MSRP consider leaving funds in the accounts if the earnings credit rate for the account is higher than the potential rate earned through an investment sweep?

A-7. Yes. Any earnings credit must be applied in a manner consistent with Item 2, Section 3.10.

Q-8. Can the State clarify if they would like to pay by direct fee, or compensating balances?

A-8. Our preference would be direct fee.

Q-9. Page 13, Item 3 - What is the amount of overdraft protections required? How many times have overdrafts been in excess of daylight overdrafts? What is the frequency of overdrafts?

A-9. There have been no overdrafts in the past two years. Expected procedure would require the Bank to promptly contact the Plan Administrator in the unlikely event that a check is presented and an account is not properly funded.

Q-10. What is maximum ACH line/file needed?

A-10. In the past year, we have had no more than 600 records (ACH) per day, totaling no more than \$900,000 per day

Q-11. Is the State willing to provide account analysis statements for balance/volume clarification? If not, is the State able to clarify how many accounts they have on analysis?

- A-11. Account analysis statements will not be provided. Account analysis statements are required monthly by the 25<sup>th</sup> of the month on five accounts. (MSRP expects the small depository reserve account to be closed within the next few months.) These monthly statements must provide detail on the itemized monthly fees incurred and the supporting activity counts and their unit costs that are totaled into the itemized monthly fees invoiced
- Q-12. Page 14, Item 5 (e) - Could you provide additional details about the information that is included on this monthly report? Could we receive a sample of this report?
- A-12. Amendment No. 1 deletes Item 5(e) in Section 3.05 Service Capabilities.
- Q-13. How does the report requested differ from the account analysis requested in 5(b)?
- A-13. Amendment No. 1 deletes Item 5(e) in Section 3.05 Service Capabilities.
- Q-14. Page 14, Item 5 - Is the monthly report of mutual funds shares only applicable if the Offeror acts as custodian?
- A-14. Yes.
- Q-15. Can a sample report be provided?
- A-15. The current Plan administrator maintains all custodial and participant records, conducts all participant and Plan record keeping and statement activity and performs all share transactions with respect to the Plans pursuant to its contract with MSRP. No such sample report currently exists.
- Q-16. Page 14, Item 6 - Please explain how the forgery protection will work in connection with the positive pay service for checks and ACH? If the State has approved a check through positive pay, will the State then expect to receive the funds back for that check if the State submits a forgery affidavit? Does this section apply only to checks, or does the State also expect to be able to submit forgery affidavits for unauthorized ACH transfers, wires, etc.?
- A-16. Yes. Positive pay only verifies that the check payee matches the original files. It does not guarantee the person cashing the check. The State fully expects to be reimbursed **every** time a forgery affidavit is filed.
- Q-17. Page, Item 7 - Our reading is that the Offeror has no expectation of receiving assets related to the 403(b) plan and that no plan related asset reporting is to be performed by the Offeror. Our interpretation is that this provision of the RFP is a contingency plan only by the State, in the event circumstances should require them to make a change in the duly appointed Plan Administrator.
1. Can you please confirm our interpretation is correct?
  2. Related to #1 above, should the State remove the current Plan Administrator, and implement the Custodial Arrangement contemplated under the RFP, what are the State's expectations from the Offeror, as to recordkeeping and participant level reporting?

- A-17. 1. Your interpretation is correct in that this is an interim contingency plan.
2. If the Board were to suspend or terminate the current Plan administrator's authority over the custodial account, the successful Offeror would need to serve as the custodian of regulated investment company shares and execute share transactions at the direction of MSRP.

Q-18. Will the collateral report be part of the State Treasurer's report, or will MSRP need a separate report?

A-18. Collateral will be reported to the State Treasurer's Office. MSRP will not need a separate collateral report.

Q-19. Page 15, Item 11 - Is the State willing to negotiate the form of contract included as Appendix F with the successful Offeror? Would the State be willing to negotiate the bank's termination rights under the contract?

A-19. Item 11 of Section 3.05 Service Capabilities, states that the Offeror must agree to the terms and conditions set forth in the form of standard contract included as Appendix F to the RFP. Section 4.01 Transmittal Letter further states that the Offeror must execute a contract materially the same as the form of Contract provided. The termination clauses provided in the form of Contract are mandatory contract terms pursuant to the Maryland procurement regulations and are, therefore, not negotiable and do not provide for bank's termination rights. See the Code of Maryland Regulations (COMAR) 21.07.01.

### **3.06 - Desirable Features**

Q-20. Is there data available regarding the volume of check-cashing needs for free?

A-20. No.

### **Appendix A - Price Proposal Worksheet**

Q-21. Page 27 - Depository Services  
Why is the volume 30 for "Direct DDA statement per Account"? Wouldn't there just be one statement per account per month?

A-21. See Amendment No. 1 for the revised Appendix A Price Proposal Worksheet which corrects this volume to 5.

Q-22. Page 28 - General ACH Services  
Please provide details on the ACH information provided on the ACH Standard Reports-Fax that are received by MSRP? Could we receive a sample of this report?

A-22. The State receives the NACHA standard file with all information provided.

Q-23. Page 28 - Controlled Disbursements  
"Cont Disb Cks PD-not Truncated" Does this mean checks are currently returned? Is this a requirement?

- A-23. This abbreviation means, “Controlled Disbursement Checks Paid-not Truncated.” It does not mean checks are currently returned.
- Q-24. Page 29 – Account Reconciliation  
“ARP Sub-Accounting” Please provide more detail on how this service is utilized by MSRP?
- A-24. The MSRP Plan Administrator, in conducting daily transactions and control records, uses the detail information in the ARP sub-accounting for reporting services, maintenance, previous day reporting, current day reporting and some per item storage for 12 months.
- Q-25. Page 28 – Account Reconciliation  
Could MSRP clarify if MSRP is receiving a daily reconciliation transmission file?
- A-25. Yes. The file provides information electronically on daily banking transactions.
- Q-26. Page 29 – Information Services  
What services are being provided that are designated using the “CPO” abbreviation?
- A-26. “CPO” refers to the current online system and has been deleted from the Appendix A. Please see Revised – Price Proposal Worksheet attached to Amendment No. 1.
- Q-27. Page 29 – Information Services  
Could MSRP clarify what information it is receiving by Mainframe Transmission?
- A-27. The electronic file provides detail information on daily transactions.
- Q-28. Page 29 – Information Services  
Can information be provided on “ODR” “PDR” and “CDR” Mainframe services? What information is being provided and with what frequency?
- A-28. These services refer to previous day reporting and current day reporting services, which are currently charged monthly for each of the two required accounts for providing reporting of balance and/or detail information at selected times via a machine-to-machine transmission service. Amendment No. 1 revises Appendix A – Price Proposal Worksheet.

### **Appendix I**

- Q-29. Page 67, Designation of Depository  
Does the State require the bank to monitor and confirm that checks contain two signatures, or is the two signature requirement an internal control for the State and not a requirement that the bank must monitor?
- A-29. The State requires that the bank monitor and confirm that checks contain two signatures.

### **Custody Questions**

- Q-30. Is this account subject to ERISA?
- A-30. No, the 403(b) Plan is not an ERISA plan.

Q-31. Will we be required to hold the individual accounts as sub accounts or will the assets be commingled in the Custody Account. If so, how many sub accounts?

A-31. If the Board were to suspend or terminate the Plan Administrator's authority over MSRP 403(b) Plan assets, the successful Offeror would need to serve as the custodian of those assets in each regulated investment company shares with sub account details for each participant, currently totaling about 908 individuals.

Q-32. Are we able to review an asset statement?

A-32. See A.15 above.

Q-33. The Custody Agreement refers to a Custodial Checking Account....does this mean to hold checking accounts in Custody?

A-33. See Sections 3.02 and 3.05 of the RFP for a description of the custodial relationship. Internal Revenue Code §403(b)(7) requires that the shares of regulated investment companies for a 403(b) Plan be held in a custodial account. Therefore, MSRP must maintain a custodial account for these securities.

### **General**

Q-34. The State Treasurer's Office has approved the FHLB of Pittsburgh letter of credit as a form of collateral. This is not mentioned in this RFP. Will this be a permissible form of collateral.

A-34. Yes. See Section 4.01 and Appendix H (Collateral Security Agreement) and Appendix I (Federal Home Loan Bank Letters of Credit Depository Agreement) of the RFP.

Q-35. Will the successful Offeror have the ability to market retail banking services to Plan Participants?

A-35. No.