



Texas Municipal Retirement System Custody Bank Search Recommendation

May 27, 2021



Custody Bank: Role and Responsibilities

- **Holding Assets**
 - Custody and Safekeeping of Global Assets
- **Servicing Assets**
 - Processing and Settling Trades, as directed
 - Collecting Income, as received
 - Independent Security Pricing and Reporting
 - Foreign Exchange Services, as directed
 - Class Action Monitoring and Filing Services
 - Payment Facilitation Services, as directed
- **Enriching Asset Information**
 - Accounting Services
 - Performance/Analytics/Risk Services
- **Other Services**
 - Securities Lending
 - Investment Management (typically cash management and passive investments)
 - Alternative Asset Servicing

Custody Bank RFP Process Overview: Timeline

- The TMRS Board of Trustees approved the Custody Search process in December 2019.
- Preparation for the search process began in mid-2020 with the development of the Request for Proposal (“RFP”) project scope, questionnaire, legal terms and timeline listed below.
- The Evaluation Committee included nine TMRS staff members from Investments, Finance, Risk, Operations and TMRS’ investment consultant, RVK.
- The RFP was posted on the TMRS website and sent to four candidates:
 - BNY Mellon
 - JP Morgan
 - Northern Trust
 - State Street

RFP Action	Date
RFPs Issued	December 11, 2020
Initial Evaluation Discussion and Review	March 1, 2021
Candidate Due Diligence	March 2021
Final Evaluation Committee Recommendation	April 6, 2021
SIC Meeting	April 27, 2021
Board Meeting Presentation	May 27, 2021

Initial Evaluation Scoring & Finalist Selection

- Independent evaluation/scoring was done by each Evaluation Committee member.
- The scores for every Evaluation Committee member were combined to determine the total score for each candidate.

	Weight
1. Ability to Provide Scope of Services, Servicing Approach & Experience, and Financial Stability of Firm	25
2. Technology Infrastructure: Core Accounting & Performance Analytics Platforms / Alternative Investment Services	40
3. Quality of Responses and Evidence of Capability	10
4. Competitiveness and Reasonableness of Pricing	25
Total Score	100

- Based on the average scores of the Evaluation Committee, the two highest scoring were candidates:
 - State Street
 - BNY Mellon

Finalist Evaluation Process and Scoring Updates

- Virtual due diligence interviews were conducted with each finalist:
 - Finalist interviews consisted of an in-depth discussion of the firm organization, service team, technology, compliance, performance analytics, alternative investment services, and the firm's product and service differentiation.
- Additional clarifications and updated pricing were obtained from both finalists.
- After the due diligence interviews, each Evaluation Committee member had the opportunity to update the finalists' scores and provide additional feedback.
- The Evaluation Committee members' scores were again combined, and a final total score was determined for each candidate to arrive at the recommendation.

Recommendation

The Evaluation Committee recommends that the TMRS Board retain State Street as TMRS' Custodian Bank:

- The State Street RFP response offers TMRS:
 - Lowest fees
 - Increasing service levels
 - Continues a long-term successful partnership
 - Eliminates the costs and risks of a transition
 - Avoids changes to complex operating processes and maintains the integrity of historical data