

REQUEST FOR PROPOSALS
FOR
MIDDLE AND BACK OFFICE SERVICES SOFTWARE SYSTEM
TO INCLUDE

Investment Accounting, Fund Accounting, Reconciliation, Plan Accounting,
And Performance Measurement & Analytics

FOR THE
Retirement Systems of Alabama

RFP 1600000011

RESPONSES TO QUESTIONS FROM POTENTIAL PROPOSERS

Note: Some questions have been altered from their original form as necessary to protect the anonymity of all Potential Proposers

Question 1: Can you expand upon your Plan Accounting accounts and structure?

Answer: Please refer to pages 3 and 4 of the RFP for all available public information regarding the accounts and structure of the RSA.

Question 2: How many users will be using the new solution? Full access vs read only?

Answer: Please see the last paragraph of §1.B on page 4 of the RFP which details the current usage of the investment accounting system.

Question3: Please elaborate on what is meant by “changes in investment strategies” and how that is expected to be captured in the accounting system?

Answer: As discussed on page 4 of the RFP, “an important component of any investment strategy is the decision regarding allocation of investments among the various asset classes. The purpose of formulating asset allocation guidelines is to maximize investment returns within the standards of prudence established for the whole portfolio.” The accounting system selected should be capable of assisting in tracking and monitoring the asset allocation and other components of the investment strategy through its reconciliation and performance platforms.

Question 4: The RFP instructions state that only hard copy submissions are to be sent. There are certain pieces of documentation (i.e. Report manual) that are too large or not in a format acceptable for printing. We would like to send a CD containing these documents. We can reference what is contained on the CD and send 6 CDs for each hard copy submission. Please confirm this is acceptable. Further, does RSA seek any emailed submission to accompany the hard-copy submission?

Answer: Additional information on a CD may be provided with each copy of the response. RSA does not seek an email submission in addition to the hard-copy submission at this time.

Question 5: Is the solution going to replace an existing solution, or is this a new solution?

Answer: As discussed in §II.B on page 8 of the RFP, "RSA is currently a client of FIS AvantGard, LLC, using APS2 applications to record and capture investment data for the purpose of verifying and validating custodial bank investment transactions and holdings."

Question 6: How is FIS AvantGard, LLC's APS2 Treasury Management System, formerly Sungard AvantGard, LLC's APS2 Treasury Management System used within RSA and what information are you looking to feed to or from the investments accounting system? Is there a standard data format that can be provided for review? Please clarify what aspects of APS2 you plan to continue to use.

Answer: Please see previous response. No additional information will be given at this time.

Question 7: Will the new solution be the official books and records of RSA, or will that be done by the custodian?

Answer: The new solution will be the official book of record for the RSA.

Question 8: Can the RSA confirm there exists an automated interface (API) existing between CGI's Advantage ERP Software, STAARS, and FIS AvantGard APS2 Treasury Management System? If affirmative, will the RSA provide the successful proposer with documented business rules that describe the interface requirements?

Answer: There is not currently an automated interface (API) existing between STAARS and APS2. However, there is an interface existing for non-investment related processes.

Question 9: Can the RSA confirm that direct access to, and authority for exporting, position, transaction, security master, market data, general ledger journals and ledgers data, etc. from the FIS AvantGard APS2 Treasury Management System? Would such tasks require the participation of FIS AvantGard staff or may these tasks be performed by RSA staff under the existing license agreement?

Answer: The RSA does have rights to historical data.

Question 10: The RFP mentions the use of Eze Castle as its Order Management System. Please provide detail as to which asset classes (as noted on page 9 of the RFP) are managed in house on Eze vs. outsourced to 3rd party managers.

Answer: RSA is 100% internally managed. All assets flow through the Eze OMS.

Question 11: If possible provide AUM break down of the split between internally managed and 3rd party managed funds.

Answer: N/A

Question 12: Are the 3rd party mandates hired for separate accounts or only invest in existed commingled products?

Answer: N/A

Question 13: Is there a specific bent in the organization, or a mandate from the state, to move away from “on premises hosted technology” or is the RSA open to both on premises and ASP solutions?

Answer: Although open to both, we are primarily looking for a fully hosted solution.

Question 14: Would the RSA respectfully identify the version of the Eze OMS trading system currently in operation/use?

Answer: As of the date of the RFP, the RSA is utilizing Version 5.7 of the Eze OMS.

Question 15: Can the RSA provide any sort of system matrix for any current tools used to inform the business, like data sources for pricing/corporate actions, recon tools, etc.?

Answer: Currently prices are loaded directly into the System from State Street (SSB). Automated corporate actions such as dividends and factors are loaded from a third party service through the current Vendor, FIS. Manual corporate actions are processed using systems and tools provided by SSB.

Question 16: Is corporate action information independently sourced from multiple locations and a golden copy created or does the RSA rely on the custodian or a specific industry source?

Answer: Please see previous response.

Question 17: Is the RSA currently using a proprietary reconciliation tool for custodial reconciliation or vended software? If vended, can this be detailed?

Answer: Reconciliations are currently performed in excel using macros and advance functionality via downloaded files from the custodian, the GL system and the current vendor. Ideally the reconciliation process and reporting would be performed within the new system.

Question 18: Are there any specific areas of the business currently where a significant amount of manual work done is completed off line or in Excel that the RSA would like to see brought into the core platform to reduce risk and achieve economies?

Answer: The reconciliation process mentioned above, the ability to integrate system entries to the STAARS GL, and the ability to record and report FX transactions in base and local currencies. Additionally, please see response to Question 21.

Question 19: Would the RSA respectfully define the scope of the conversion of historical data from the FIS AvantGard APS2 Treasury Management System in terms of time (e.g., number of years of historical data), type (e.g., position balances, investment transactions, general ledger journal entries and ledger balances, etc.), and conversion requirements (e.g., posting of historical transactions and balances for reference only; posting of historical transactions and balances and a complete accounting reconciliation of the historical data to the defined 'balance forward' date). Also, please be specific in your recommendation of the number of years, the plan you would implement and your reasoning behind your recommendation.

Answer: Historical data necessary for producing required reporting and performance data should be converted to the extent possible, and as such the RSA would like to have as much historical data as possible available, within reason. Please respond to inquiries in this regard as you deem appropriate.

Question 20: Can an example be provided to illustrate the type of configuration sought allowing the client to associate each of the broker levels to the other through many-to-one relationships?

Answer: Please respond to inquiry as you deem appropriate.

Question 21: Related to the need for manual entry, can you please describe what scenarios (asset classes, etc.) are manual for RSA today? Are these the result on non-STP asset classes or are they the result of the current system's inability to interact with market STP convention?

Answer: These are related to non-market traded instruments. For example, privately placed debt and equity securities, directly owned Real Estate, and limited partnerships, etc. Ideally the system would be able to track initial and subsequent commitments, draws on the commitments, income and ROC distributions and the pricing and valuation of the security.

Question 22: Please clarify the requirement – are you looking to change the accrued interest by changing the day count convention but not change the resulting cash? What is the scenario that triggers such a change?

Answer: Can the system allow for a subsequent day count method change and it not affect previously posted amounts.

Question 23: Can the RSA specify if current accounting methods are average cost, tax lot, or a combination of both? Does accounting method vary by asset class? Is this considered to be a limitation of the FIS AvantGard APS2 Treasury Management System?

Answer: The RSA currently uses average cost accounting method.

Question 24: Can the RSA please state what are the average daily trade volumes and peak daily trade volume over the last year? Are those peaks the result of index rebalances? What business factors drive days of large volume?

Answer: The high volume days are a result of index rebalancing. RSA owns all securities that make up the S&P 500 and the Mid Cap in 7 funds, and these would be the peak volume if both rebalance on the same day. Trading in the actively managed funds would not surpass this material peak in volume on any given trading day.

Question 25: With regard to the system's capability to capture program and trade desk commission data in addition to the ultimate trading partner parent, are you looking to bucket/categorize fees and commissions? Would there be multiple fee types/codes for a single investment?

Answer: This describes a situation with multiple fees which need to be segregated for individual and combined reporting as necessary.

Question 26: Can you please provide an example of multi-level commission splits?

Answer: This would occur and need to be captured when there is a parent broker and child broker relationship. The trade would be with the parent broker and the child broker would be allocated a portion of the commission.

Question 27: What is meant by capitalization transactions in this context? A cost associated that is capitalized, a capitalization of interest on a fixed income security or is this in regard to private equity? An example would be helpful.

Answer: This would be related to private debt and equity securities where interest accrues and capitalizes up to a certain date when the security will actually begin making principal and interest payments from that date forward. During this initial period the balance in the security would increase and interest income would be recognized.

Question 28: Can you explain or give an example of a scenario where it would be necessary to post to a sold security but show that it has a missing payment?

Answer: For instance, if you have a full disposal of a security and you still have outstanding income related to a normal days delay, security on loan, or just a delay in the receipt of income, can you still post this open income once it is received and have this income record attached to the fully disposed security?

Question 29: Can you explain or give an example of a scenario wherein the system would generate an erroneous payment which would need to be changed with a reportable comment?

Answer: For instance, if a full disposal is recorded subsequent to the system generating a payment record, e.g. a sale between the announcement and ex-date of an income record, leaving a payment record on the system, which is not due.

Question 30: Please provide an example of the functionality sought to preview a transaction with totals before it is posted in the system. Assuming trades originate in Eze, can you elaborate on the preview you require?

Answer: For all transactions, both those imported and those manually entered, a report with totals available after import, but before posting, would be utilized to validate that complete and correct information has been imported or entered.

Question 31: Should the Proposer interpret “write downs” to mean cost impairments, or is this referring to something different?

Answer: Yes, this would be an impairment of cost forcing a realized loss.

Question 32: How does loading trades as described in §II.D.4.a differ from the automated trade loads covered in §II.D.2? Is it possible to share a diagram/overview of your current and target trade and data processing flow?

Answer: Please answer as you deem appropriate.

Question 33: Please provide additional detail on trade messages received from Eze OMS – format, timing, etc. What and how do they differ from a trade feed?

Answer: The inquiry is referring to SWIFT messages included in trade feeds. This is related to the questions in §II.D.2, Trade Streams.

Question 34: Please provide an example of the drilldown required for alternative investments.

Answer: This would include the ability to track and quickly report distinct phases, projects and/or budget years within a specific project or investment. Additionally see response to Question 21.

Question 35: Please provide examples of look through reporting based on external data sources for alternative investments.

Answer: See response to Question 34.

Question 36: With regard to §II.F.6 discussing reporting price information with actual dollar difference and percent difference by security and by fund/plan, is this referring to comparison of prices for the same securities from multiple vendors? Please provide an example of this comparison by fund/plan.

Answer: Yes, this is a comparison between or among SSB and other vendor(s). Additionally, due to the timing demands for various funds monthly reporting, there are occasionally times when a security may be recorded at different month end prices on each fund/plan. This difference, if material, is left as is on that particular security in the related fund. As a result, we need to be able to report the price difference in dollar value and percentage on each individual fund/plan.

Question 37: How many derivatives will be on the new platform? Please specify the number of open derivative positions.

Answer: Due to changing market conditions and investment strategies, the number of derivative positions will vary from one reporting period to the next, and from one fund to the next. Please respond to the inquiries as you deem appropriate.

Question 38: How does the system define “best price” in this context, are there specific asset classes where price evaluations are consistently applied using multiple vendor or market inputs?

Answer: Basically, does the system have any functionality for modeling based on related data feeds or is it solely pulling in just a price from a vendor source?

Question 39: What does “available for trade” mean in this context as opposed to traded or settled? Is this the typical fixed income accounting convention of held to duration vs available for sale or another RSA specific requirement?

Answer: Can securities in the system be marked as being on loan, held as collateral or free for trading?

Question 40: Is there a specific treatment you are looking for related to plan accounting for collateralized mortgage obligations, options/futures, swaps, derivatives, and short sales accounting, or is this a general question of how the asset types listed are accounted for in the system?

Answer: This question refers to the general accounting on the system and the system's ability to calculate realized and unrealized gains and losses and utilize applicable regulatory guidelines for proper treatment.

Question 41: Does the RSA currently use equitable share accounting for the allocation of balances across sub plans underlying the 3 master DB plans while utilizing NAV/unitization accounting for its DC plans?

Answer: All Plans are separate legal standalone entities. Currently there is no pooling or unitization. The need may arise in the future for this functionality specifically to unitize the DC plans after the implementation of a new DC platform.

Question 42: Does the RSA utilize a 3rd party recordkeeper as its defined contribution trustee?

Answer: No

Question 43: Are the NAVs for DC funds also struck by State Street or done in-house on APS2?

Answer: The NAVs are struck by SSB, reconciled by investment accounting, and verified for reasonableness by RSA Investment Staff.

Question 44: Specifically related to §II.L.2.d – does the RSA strike these NAVs independently and deliver them downstream to the recordkeeper or do they merely shadow the work of the custodian?

Answer: Please see previous response.

Question 45: If done by the custodian what work is done in APS2 to shadow those NAVs?

Answer: Currently the SSB prices are loaded directly into APS2. RSA is looking for a system that can maintain multiple pricing sources and hierarchies in order to validate the SSB pricing. Ideally these sources would be reconciled and those differences above or below a defined tolerance would be reportable to RSA Staff.

Question 46: What unique functionality/support for Life Cycle fund investments are you looking for? Please provide an example of the treatment you need.

Answer: Life Cycle, Target-Date, or Target-Risk funds may be utilized in the future by certain funds/plans under the RSA. Does your system have capability to process, report and track investments based on this model of investing?

Question 47: Will the funds be Daily NAV, monthly NAV, or a combination?

Answer: The RSA currently utilizes both daily and monthly NAV for various funds.

Question 48: In §III.7, please further expand the meaning of "...member you employ...."

Answer: Any individual employed by the Proposer who will be involved with the RFP process, implementing, or maintaining the contract with the RSA.

Question 49: Is the RSA open to amended language in the NDA that will make the document mutual instead of one-sided?

Answer: Proposers should submit all variances or alternatives that will be requested from RSA in their proposal. RSA is unable to commit to the acceptance or rejection of proposed variances at this point.

Question 50: Through the RFP process, the Proposer will be sharing with RSA a great deal of information and documentation with respect to our organization, our products and the various services we offer. The proposed Non-Disclosure Agreement as set forth from RSA is not mutual and therefore does not serve to protect the confidentiality of any of the Proposer's information. We would request RSA send forth an NDA which is mutual and protects the interests of both parties. If this option is not acceptable, the Proposer will mark-up the proposed unilateral form but it will essentially to be, in large part, to make it mutual and add in those clauses required by the Proposer. Further we would like to request that the NDA be put in place prior to the submission of the RFP response.

Answer: Proposers should submit all variances or alternatives that will be requested from RSA in their proposal. RSA is unable to commit to the acceptance or rejection of proposed variances at this point. RSA is unable to execute an NDA prior to proposal submissions.

Question 51: For a global organization with product development resources outside of the U.S., would RSA be amenable to executing an NDA with the global umbrella entity, such that information can be shared with product and development employees outside the U.S. to provide the best service possible to the RSA?

Answer: Proposers should submit all variances or alternatives that will be requested from RSA in their proposals. RSA is unable to commit to the acceptance or rejection or proposed variances or alternatives at this point.

Question 52: Will only the selected provider's responses and pricing be made public or will all the respondents?

Answer: RSA will comply with all applicable state laws relating to the competitive procurement of services and open records. The extent of disclosure depends upon multiple factors which are currently unknown as they relate to this situation. Proposers should know that there is a possibility that any given proposer's response and pricing information may be required to be disclosed to third parties.

Question 53: In the past, other state entities have allowed the Proposer to provide items in the proposal that, for competitive concerns, can be marked as "not to be disclosed." Is the RSA open to such?

Answer: Proposers may identify items as confidential or not to be disclosed in the event proposers deem such items to be confidential proprietary information. However, please refer to our response to Question 52.

Question 54: "In Section V of the RFP is a Contract Shell which includes contract terms required in all State of Alabama contracts. ..." What does "required" means in this context? Is this a mandatory contract according to statutory law not being subject to negotiation? Or are these able to be fit for purpose to the type of service and systems being contracted?

Answer: Portions of the contract shell are required by law in the form in which they are presented in the contract shell and may not be negotiated or altered. Other provisions, however, may be negotiable or otherwise able to be tailored to the service being contracted. Proposers should submit all variances or alternatives that will be requested from RSA in their proposals.

Question 55: In §III.40.d, it is noted that a form entitled “E-Verify Memorandum of Understanding” – this form is not attached to the proposal.

Answer: This is a form provided and executed by the U.S. Department of Homeland Security for employers in the U.S. Information and a copy of the form can be found at www.uscis.gov.

Question 56: Please provide a diagram including integration points you currently have and are targeting to have.

Answer: No additional information will be provided at this time.

Question 57: Please provide more clarity on your NAV requirements.

Answer: Please see responses to applicable questions above. No additional information will be provided at this time.