

Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

MEETING DATE:	December 6, 2023		Agenda Item 17
SUBJECT:	Custody Agreemen	t	
SUBMITTED FOR:	ConsentX	Deliberation and Action	Receive and File

RECOMMENDATION

Authorize the Chief Executive Officer to negotiate terms and extend SCERS' custody agreement with State Street Bank and Trust for a period not to exceed three years.

PURPOSE

This item contributes to the effective management and oversight of SCERS' plan. The Board is responsible for approving contracts with SCERS' custodians, consultants, auditors, and actuaries.

DISCUSSION

SCERS' current contract with State Street Bank and Trust (SSBT) expires on December 31, 2023, and the recommended renewal will extend the contract up to December 31, 2026.

In September 1989, SCERS and SSBT began a custodial relationship and entered into an agreement that has been extended several times, mostly through amendments to the original contract, with the last extension and a more substantive contract update occurring in 2019.

As the custodian, SSBT is generally responsible for safeguarding SCERS' financial assets. It does so by:

- Safekeeping assets/securities such as stocks, bonds, commodities, and currency;
- Processing transactions and arranging settlement of purchases and sales in and out of securities and currency;
- Collecting information on income from investments, administering tax withholding documents, and arranging foreign tax reclamation;
- Maintaining currency/cash bank accounts, effecting deposits and withdrawals, and managing other cash transactions; and

December 6, 2023 Page 2 of 2 Agenda Item 17

Performing foreign exchange transactions.

The recommended renewal for a three-year term is being crystallized with an amendment to the current contract that was signed in 2019. The scope of the services offered by SSBT will remain the same, as well as the fee schedule. SCERS currently pays a flat annual fee of \$235,000 to SSBT in addition to other variable fees. SCERS discontinued SSBT's Performance & Analytics Service earlier this year as SCERS onboarded a new third-party software provider, Caissa. SSBT also provides securities lending services, which are covered under a separate agreement.

The following table provides a historic summary of SSBT expenses in recent years:

	2021	2022	YTD 2023*
Custody Services	\$235,000	\$235,000	\$117,500
Performance & Analytics Service	175,425	175,425	87,713
Compliance Monitoring	38,750	40,000	20,000
Other Fees, Charges, and Expenses	44,596	49,000	24,027
Total	493,771	499,425	249,240

*through 6/30/2023

Finally, SCERS has not issued an RFP for custodian services in many years. While SCERS has a good relationship with SSBT, the complexity of institutional investor portfolios continues to evolve, as do the services and technology offered by custodial providers. Therefore, it is prudent for SCERS to survey the market of custodial providers to ensure that SCERS is receiving well aligned custodial services. During the term of this three-year contract with SSBT, Staff plans on reviewing options to issue an RFP for custodial services.

Aleph Granados, who is a Vice President at SSBT and SCERS' relationship manager, will be present to provide an overview presentation related to State Street's custodial services.

ATTACHMENTS

- Board Order
- State Street Custody Overview Presentation

Prepared by:	Reviewed by:		
/S/	/S/		
Steve Davis Chief Investment Officer	Eric Stern Chief Executive Officer		



Retirement Board Order Sacramento County Employees' Retirement System

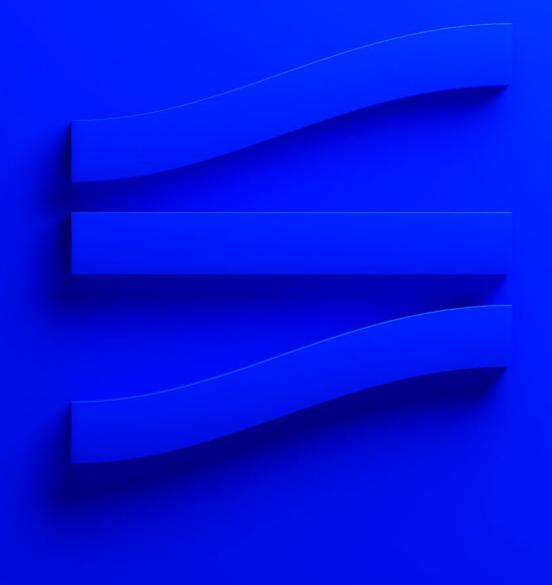
Before the Board of Retirement December 6, 2023

AGENDA ITEM:				
Custody Agreement				
THE BOARD OF RETIREMENT hereby accepts the recommendation of staff to authorize the Chief Executive Officer to negotiate terms and extend SCERS' custody agreement with State Street Bank and Trust for a period not to exceed three years.				
I HEREBY CERTIFY that the above order w December 6, 2023 by the following vote of the	•			
AYES:				
NOES:				
ABSENT:				
ABSTAIN:				
ALTERNATES: (Present but not voting)				
Board President	Eric Stern Chief Executive Officer and Board Secretary			



Sacramento County Employees' Retirement System (SCERS)

Service Overview December 6, 2023



State Street at a Glance



Servicing

\$39.6T

in assets under custody and/or administration¹

\$3.8T

in assets under management¹

Responsible for

close to **10%**

of the world's assets²



4_{th}

largest asset manager globally⁵



~43,000 employees

worldwide4





3_{rd}

largest global ETF provider⁵



2_{nd}

US Defined Benefit manager⁵



No. 1

Manager of passive global equity⁵

Presence in

100 geographic
markets⁶



230

Years of experience

No. 1

in ETF servicing⁷

- 1. As of June 30, 2023
- Represents State Street AUC/A divided by Global Financial Assets, including Global Equity, Global Debt Securities and Global Broad Money (M3), as of December 31, 2022. Sources: SIFMA, OECD, World Bank
- Based on State Street mutual fund assets as of December 31, 2022, as compared to total mutual fund assets as reported by

the ICI Monthly Trends Report for December 2022.

- 4. As of June 30, 2023
- Pensions & Investments Research Center, as of December 31, 2022
- 6. As of June 30, 2023
- 7. State Street analysis of ETFGI Global Insights Report November 2022

Integrated Solutions Delivered Across Client Segments

State Street Institutional Services



Asset servicing

- A leading financial service provider, with \$39.6 trillion AUC/A¹
- · Expert fund accounting and administration, custody, investment operations outsourcing
- · Covering alternative asset classes, including hedge funds, real assets, private equity and derivatives



Research and trading

- · A leading provider of market liquidity, funding and collateral management, and securities lending
- · Leveraging market insights and academic partnerships to offer investment indicators and analytics
- \$29 trillion in foreign exchange traded, including interbank volume²



State Street AlphaSM

- First fully open, front-to-back investment platform offered from a single provider
- · Delivering real-time views of investments, exposures and investable cash on a single desktop
- Alpha Data Platform streamlines the data environment for deeper insights



State Street Digital

- Launched a dedicated division to deliver full-service support for digital assets
- Strong partnerships with technology platforms, industry regulators and disruptors
- Developing a 'GSIFI-grade' digital trading infrastructure for the institutional space

State Street Global Advisors



Asset management

- World's fourth-largest asset manager, with \$3.8 trillion AUM³
- · Creator of the first exchange traded fund and a pioneer in index investing
- Offering investment strategies across the risk / return spectrum
- · A leading provider of ESG-focused investment strategies

Client Segments



Asset Owners



Alternative Asset Managers



Asset Managers



Insurance Companies



Official Institutions and Sovereign Wealth Funds



¹As of June 30, 2023

²Annual volume as of December 31, 2021

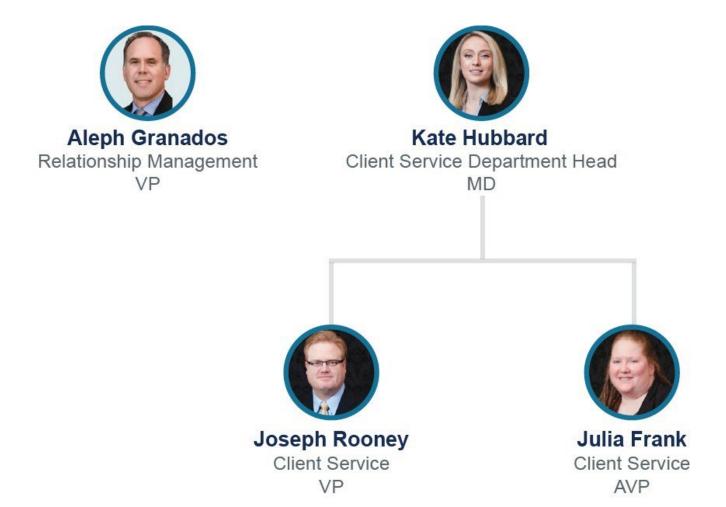
³Assets under management as of June 30, 2022 includes approximately \$64 billion of assets with respect to SPDR® products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Global Advisors are affiliated.



Custody & Service Overview



Sacramento County Employees' Retirement System Coverage Team



Sacramento County Employees' Retirement System Coverage Team

Client	Client Servicing Team			Years of Experience and Credentials
	Joseph Rooney Vice President Kansas City	Client Service	16	16
	Julianna Frank Asst. Vice President Kansas City	Client Service	12	12
	Aleph Granados Vice President Sacramento	Relationship Management	10	30
P	Kate Hubbard Managing Director Kansas City	Client Service Department Head	17	17

Relationship Management: Engagement

Executive Engagement

Participation of senior business leaders aligned with our clients

Engagement Framework

Delivering the State Street enterprise to our clients

- Service, Initiatives, Governance & Strategy
- Relationship team, led by the Relationship manager is tasked with developing and nurturing the client partnership



Enhanced Governance Model

Client Sentiment – Account ownership and oversight through our Net Promotor scores and overall sentiment monitoring

Commercial and Contractual – essential partner for delivering the enterprise to facilitate solutions to clients strategic solutions

Strategic Account Planning

Your Relationship Manager solidifies a deep understanding of your strategy and goals. This is then aligned with specific action items, due dates and owners

Industry Best Practice

Sharing with our clients:

 Best Practice, research, solutioning, product & industry insights

Client Service: Creating Better Outcome of Our Clients

PROACTIVE ENGAGEMENT



- Central point of contact into State Street
- Proactive Outreach (reach out rather than respond)
 - Formal client communication where appropriate, operational matters, regulatory driven matters
 - · Status reporting of open items/current activities
- Product training & facilitate demos, webinars, regulatory updates, etc
- Client satisfaction monitoring
- Structured client engagement forums & best practice sharing sessions

ONE STATE STREET SOLUTION



- Change Management co-ordination
 - Fund openings / closures / transitions
 - Client strategic initiatives
 - Continuous improvement
- Client solutioning
 - Support for new client products and fund structures
 - Leverage best practice reviews and client solutions with other clients
- Client operating model review to identify improvements
- Query management and resolution
- Strategic projects

GOVERNANCE



- Client Key Performance Indicator and Service Level Agreement
 - · Monthly review of metrics
 - Annual review/update of SLA
- Year end timetable and other periodic planning
- Support annual audits
- Client Documentation maintenance
- Due Diligence documents and sessions

Comprehensive Service Lifecycle Overview



Product Definitions

- Account Opening and Maintenance
- Transaction ProcessingTransaction Settlement
 - Single Integrated general ledge based multi-currency accounting system
 - · Access to data on-line
 - Corporate Actions
- Income Collection
- Proxy Voting
- Reconciliation
- Tax Services
- Class Actions
- Automated Cash Sweep
- · Cash / FX Reporting
- Cash Initiation & Instruction
 - Client DDA Accounts
 - Contractual Settlement
 - Foreign Exchange
 - Money Transfer
- Digital cash Settlement and Custody for Digital Tokens
 - Client Data Solutions



Global Operating Model Overview*

The State Street entity with which you contract remains responsible for the delivery of services to you. Your State Street Client Service Team provides operational oversight for your suite of products.



*Does not Include: Global Advisors, Global Markets, Global Exchange, Charles River, or Corporate Functions

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