QUESTIONS SUBMITTED TO RPF #13-01

Answers in Italics

1. Are the assets in each fund held in a single account at the custodian or are there multiple custody accounts underlying each fund.

   There is a separate fund per investment pool.

2. Do all of the funds require transfer agency services?

   Yes

3. Please provide the number of accounts currently tracked by the transfer agent by fund.

   1247

4. Who is the current transfer agent?

   US Bank under a contract with JP Morgan

5. What is the current fee arrangement that you have in place with your custodian and transfer agent?

   There is none, the Custodial Bank arranged the contract with the transfer agent mid-way through the current contract.

6. Please provide an estimate of the following types of transactions:
   - *a.* Buy/sell/maturity transactions: *Yearly Buys: 20,500+; Sells: 3,300: Maturities: 10,350*
   - *b.* Wires *300*
   - *c.* Derivative transactions by type *None*

7. What is your estimated average daily cash balance held in your current custodians sweep vehicle?

   $35 million

8. Do all of the accounts require audited daily valuation or are some accounts valued monthly?

   Daily pricing and market values are required for all accounts. However, the endowment funds, the two floating NAV pools and one separate account are officially valued monthly. All other accounts are valued daily. Please note, we are requiring all funds to be valued daily under proposed contract.

9. Would you please supply a sample of the required "monthly mutual fund statement" and "portfolio fact sheet."

   Examples of current monthly board of investment reports are on our web page under Board of Investment reports at www.aztreasury.gov

10. Do you require performance and analytics on a daily or monthly basis?

    Currently monthly. We are asking under this contract for the pricing of either option.

11. Do you currently participate in a securities lending program, and if so, can you please provide the most recent annual gross revenue? What is the current fee split?

    Yes, approximately $2.6 million in FY 13 (July 1, 2012 – June 30, 2013) 60/40 split

12. Please provide an asset list in excel by legal entity for the various bodies of assets that plan to participate in lending in order that we can prepare an estimate and determine pricing. Please include full security description, security identifier, market value, shares and country of issue. If this is not available, please provide the bodies/amounts, type and style of assets that are under consideration for loan.

    Please see our web page for historical fund holdings. We will email and excel file to all parties that have inquired to us on this RFP.

13. Please provide details on your collateral reinvestment guidelines. Are you in a collateral pool or a separate account for your cash collateral?

    We are in three separate accounts for cash collateral. Guidelines are as follows:

    For investment pools 3, 12, 16, 500, 201, 203, 204, and 205 (Diversified funds) Cash collateral can be invested in US Treasuries, Agencies, Agency MBS, Commercial Paper and ABS with two top ratings (A-1, P-1 or F1), Short-term corporate bonds with two ratings at least A- or higher; 2a7 prime funds, and repurchase agreements. For credit

securities, 2.5% maximum exposure per name. WAM of less than 60 days with legal final of six months. Repurchase agreements must have at least 102% collateral and can only be backed by US Treasuries, agencies including MBS. For muni repos, bonds with AA- or higher with 105% collateral
For investment pools 4 and 15 (agency only pools) cash collateral can be invested in US Treasuries, agencies, agencies MBS and repurchase agreements backed by similar product at 102%. Note: Pool 5 is restricted per its rating by S and P. WAM of 60 days and legal final maturity of six months.

For pools 2, 7, and 700: investments are limited to only instruments with the full faith and credit of the United States Government. WAM of 60 days and legal final maturity of six months.

For pool 5: investment limited to overnight repurchase agreements backed by treasuries and agencies with rated counterparty due to the fund criteria ratings by S & P.

14. Do you have any impaired legacy assets? If so, please provide specific details on each holding (e.g. amortized cost, unrealized loss, etc.) and do you plan to reimburse any collateral deficiency with your current provider before converting or have a remediation plan in place and intend on transferring assets in-kind (e.g. allocation earnings to reduce any collateral deficiencies)?

    No impaired legacy assets except for defaulted Lehman Brothers Holding Inc. debt, which has been separated from current holdings.

15. Please provide a list of acceptable non-cash collateral types (categories include US government securities, OECD debt including securities issues by their agencies and instrumentalities, supranational debt, etc.).

    Non-cash collateral securities are indemnified against loss by current provider.

16. Do you currently have any borrower or loan restrictions or caps on your lending activity?

    We restrict certain names from borrowing and approve the list of acceptable borrowers, we do not have a cap on lending activity.

17. If possible, could you please provide an account schematic and a list of transaction volumes?

Below are list of funds and total purchases and sells for FY 2013, July 1, 2012-June 30, 2013. Please note that the majority of transactions in the NAV and STFI pools are daily tri-party investments.

Asset Class	*Account Name*	*Transactions*
Domestic Equity Large Cap	*Pool 201*	*5806*
Domestic Equity Mid-Cap	*Pool 203*	*5464*
Domestic Equity Small Cap	*Pool 204*	*7003*
Endowment Fixed Income	*Pool 205*	*156*
STFI US Treasuries	*Pool 2*	*518*
STFI US Diversified	*Pool 3*	*924*
STFI US Agencies	*Pool 4*	*703*
STFI US Diversified	*Pool 16*	*338*
STFI US Diversified	*Pool 12*	*303*
STFI US Diversified	*Pool 15*	*4*
STFI US Tax-exempt	*Pool 10 external (April 1 start date)*	*74**
STFI US Diversified	*Pool 3 external*	*355**
**Externally managed*		
$1 NAV Diversified	*Pool 5*	*981*
$1 NAV US Treasuries	*Pool 7*	*507*
STFI Div. Floating NAV	*Pool 500*	*412*
STFI USTs Floating NAV	*Pool 700*	*286*

18. Could you please provide an existing performance report?

    Please see BOI reports on our web page.

19. May we obtain your current contract for review? *No.*

20. In regards to Question #6 below, which is in the Corporate Actions and Proxy Voting section of the RFP, are you referring to class actions rather that corporate actions?
    6. Please provide a sample semi-annual report that identifies corporate actions filed and settlements received.

    Both if available.

21. Can you provide a schematic of how your current online banking process works and parties that are involved to ensure the custodian receives timely information all transaction activity and the means of transmission?

    Participants requesting online banking services complete a form and send to Treasurer's Office. This form is then forwarded to Custodian. A User ID and password is created by custodian in the online banking system and then sent to Treasurer's Office, which is then forwarded to the participant. Participants are able to review historic and current balances and enter any deposit, withdrawal or transfer requests. The current and historic monthly statement of account is also available. On a daily basis, all transaction activity performed online is provided to the Treasurer's Office at 10:10 A.M. Mountain Standard time via a secure website in an excel file.

22. Can you provide a manager count (Separate vs. Commingled) complete with benchmarks and composites?

    Please see BOI reports on-line

23. Please provide the compliance tracking and reporting requirements.

    Compliance would be ensuring that securities purchased meet the requirements of the investment policy statement for the office which can be accessed on our web page.

24. Provide the State's goals in conducting this RFP - what specifically do you hope to accomplish or areas you intend to fix.

    This RFP is mandated by state law to be re-bid after a maximum of five years.

Specific Transfer Agency Questions

1. Please provide the number of participant accounts.

   1,247 TA accounts:

	Number of Accounts	
Pool 2	*26*	
Pool 3	*619*	*(Comingled with 2 custody accounts)*
Pool 4	*16*	
Pool 5	*264*	
Pool 7	*236*	
Pool 10	*1*	
Pool 12	*11*	
Pool 15	*1*	
Pool 16	*1*	
Pool 500	*39*	
Pool 700	*33*	
Endowments	*13 (comingled with 4 custody accounts)*	

2. Please provide average monthly processing volumes for the following transactions:
    a. New accounts *15 new accounts across all pools*
    b. Subscriptions
    c. Exchanges
    d. Redemptions
    e. Transfers

	Subscriptions	Exchanges	Redemptions	Transfers
Pool 2	*60*	*0*	*60*	*0*
Pool 3	*405*	*0*	*525*	*0*
Pool 4	*25*	*0*	*25*	*0*
Pool 5	*360*	*0*	*130*	*5*
Pool 7	*200*	*0*	*135*	*5*
Pool 10	*1*	*0*	*1*	*0*

Pool 12	*5*	*0*	*5*	*0*
Pool 15	*1*	*0*	*1*	*0*
Pool 16	*1*	*0*	*1*	*0*
Pool 500	*2*	*0*	*2*	*0*
Pool 700	*2*	*0*	*2*	*0*
Total	*1,062*	*0*	*887*	*10*
Endowments	*13*	*0*	*13*	*0*

f. Maintenances *5 across all pools*

g. Correspondence *5 across all pools*

h. Regular investments *N/A*

i. Call outs *only as needed*

j. Average monthly call volume *about 10 per day*

k. Transactional adjustments *5*

3. Please provide sample statement/confirm. *n/a*
4. Are digital imaging/PDF statement services required? *Yes*
5. Related to 2.6.7 Provide Average Balances for a specified time period as requested for all accounts, please provide a sample of the required reporting.

   This is currently not provided to our office. An Excel data format would be preferable by TA account. If above option exists as a data field on the monthly statement of account, the report would not be necessary.

6. What is the current TA recordkeeping system?

   US Bank under a contract with JP Morgan.

7. Please describe online banking requirements. *See answer to #21 above*
8. Are check writing services required? *No*
9. Please describe the call center requirements. *Someone to be able to answer calls for clients and resolve any issues.*
10. Is VRU required? *No*