



New Jersey Schools Insurance Group

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Board of Trustees Meeting of September 21, 2016

Discussion Items

Banking/Custodial/Asset Management RFP Respondents

The NJ Department of Banking and Insurance recommended that the Fund's current custodian/asset management organization amend their custodian agreement to comply with N.J.S.A. 18A:20-37-1(b) and the NAIC Financial Condition Handbook guidelines on Custodian and Safekeeping Agreements. *The current organization would not amend this agreement.* This was the primary cause for the request for proposals (RFP) for new banking, custodial and/or asset management services.

The timeline for this RFP process is stated as follows:

- | | |
|--|------------|
| - Proposal receipt by NJSIG: | 07/31/2016 |
| - Finance Committee Review/Recommendation: | 09/2016 |
| - NJSIG Board of Trustees Action: | 10/25/2016 |
| - Implementation of NJSIG Accounts: | 01/01/2017 |

NJSIG received three responses for banking services and one response for custodial/asset management services. Please see the attached summarized analysis of these responses. (Please contact Renee Johnson-Payne (RJohnson-Payne@njsig.org) if wish to review the complete RFP responses.)

Based on the responses, NJSIG is recommending the selection of Investors Bank as the banking institution. Investors Bank offers a minimum of .65% from \$1.00 of collected funds. There are no compensating balances on interest earned. In addition, the interest rate is based on the index of federal funds (less 25 basis points) for the .65% current floor rate. The other banking institution respondents offered combinations of lower interest rates, compensating balances and/or rates managed by the bank (and not by an independent, outside source).

Since there was only one custodial/asset management services respondent, NJSIG is recommending the assignment of those services to Wilmington Trust. Please see the attached analysis for a summary of their response.

This topic is open for discussion at the September meeting. Action can be taken at the meeting if the full board is in favor of NJSIG's recommendations. However, action will need to be taken at the October meeting to develop compliant contract language, to begin implementation of the respondents' systems and to develop new NJSIG procedures and internal controls in a timely manner.

Recommended Resolution: Approve Investors Bank and Wilmington Trust for NJSIG's Banking, Custodial and Asset Management Services.

Michele Carosi

Michele Carosi, Comptroller

NJSIG
RFP Responses for
Banking Services

* - All BANKING proposals are based on a NJSIG's current 12 month average collected balance of \$135M

Banking *	Banking *	Interest per RFP	Interest Calculation/ Min/Floor Rate	Compensating Balance deduction prior to interest earned	Bank Service Charges/Fees	Primary Bank Location	Check /Deposit Availability	GUDPA Certification/ Form Received	ACH Services	New System Implementation
TD Bank - Municipal Advantage Plus Accounts	Y	Tier 1 = .30%TD managed rate up to \$1M excess balance; Tier 2 = .65% TD managed rates over \$1M excess balance	TD managed rate/no floor rate indicated in RFP	Y	Possibly Requires an Investable Balance to offset cost for services; if collected balances are insufficient in any month a fee will be charged based on the deficiency	Lumberton, NJ	TD Checks - Immediate. All other deposits - next business day	Y - 10/15/16	Y - TD eTreasury	Incumbent - non needed

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Investors Bank	Y	Minimum of .65% from \$1.00 of average collected balances	Index of Fed Funds minus 25 basis points/ current floor rate = .65%	N Interest is paid on first dollar of average collected balance	Possibly No service charges/fees that impact earnings - based on 12 month average collected balance of \$135M. Fee structure could change if balances decrease over time	Mount Laurel, NJ	Next business day	Y - 7/2016	Y - On-line & ACH-EDI (Block & Filter option)	4 - 6 weeks needed

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M&T Bank - Municipal Investment NOW account	Y	Varies - currently = .05% Funds in excess of compensating balance of \$33M are transferred to integrated Wilmington Trust NJSIG Investment Fund for maximum yield opportunities	M&T managed rate - changes daily Interest varies with market conditions & is earned on average monthly balance, less a 10% reserve requirement	Compensating balance = \$33M Funds in excess of compensating balance of \$33M are transferred to integrated Wilmington Trust NJSIG Investment Fund for maximum yield opportunities	Possibly Requires compensating balance of \$33M to offset banking service fees	Cinnaminson, NJ	Next business day (on average - determined by M&T agreement)	Y - BUT - Certificate not included in hard copy	Y - On-line & ACH-EDI (Fraud Review & Approval options)	8 - 12 weeks needed

NJSIG
RFP Response for
Custodial & Asset Management Services
(Only one response was received)

Vendor	Custodial/Asset Management Fees (& includes transaction costs)	Special Information	GUDPA Certification/ Form Received	New System Implementation
Wilmington Trust	- 5 basis points or .05%	- manages laddered treasury portfolios	Y	Approx. 4 weeks
	- charged quarterly (in arrears)			
	- on average daily market value of assets	-experience with asset management of government entity and insurance program portfolios	(for M&T Bank -	(cooperation needed
	- + \$15 fee for each outgoing wire transfer	- maintain current relationships with public funds and governmental clients similar to NJSIG that	need one for	with NJSIG's partners
		range in size from \$25M to over \$1B.	Wilmington Trust?)	in legal & compliance)
		- understands liquidity needs, investment requirements and regulatory requirements that		
		influence public institutions		
		- also experienced with investment portfolios for insurance fund clients: traditional insurance		
		companies, alternative risk transfer insurers, self-insurance trusts, etc.		