

SBCERS

Santa Barbara County Employees' Retirement System

DATE: May 22, 2024

TO: SBCERS BOARD OF RETIREMENT

FROM: SBCERS Investment and Accounting Staff

RE: **Custodial Banking RFP Recommendation**

Recommendation

That the Board of Retirement receive and file the presentation from Lindsey Longwell, Investment Operations Consultant of RVK, Inc. along with Rico Pardo, Controller, and Rebecca M. Valdez, Investment Officer, of SBCERS Staff regarding the Custodial Banking Request for Proposal Recommendation and take one of the following actions:

- A. Approve the recommendation to retain Bank of New York Mellon as its Custodian Bank.
- B. Take other action the Board deems appropriate.

Summary

After the March 20th, 2024, Board of Retirement Meeting, in which the finalists, Bank of New York Mellon and Northern Trust were announced, the committee began the due diligence portion of the Custodial Banking RFP (RFP). The due diligence portion was broken down into three phases for both finalist firms. Phase 1, technology security, took place during the week of April 8th via web conference. Aaron Skinner of SBCERS Staff conducted web conferences with both Bank of New York Mellon and Northern Trust in order to evaluate their cyber security protocols. Phase 2, on-site visits, took place during the week of April 15th. Trustees Cholmondeley, Lee, and Uhl joined SBCERS staff for in person meetings in Chicago and Pittsburgh, for Northern Trust and Bank of New York Mellon, respectively. Finally Phase 3, client reference checks, were completed over the course of April 29th through May 9th by Rico Pardo and Rebecca Valdez.

Upon completion of the due diligence portion of the RFP, the Ad Hoc Committee met with SBCERS Staff to finalize the scoring of the finalists. The Ad Hoc Committee found that both finalists were highly qualified and competitive for the Custodial Banking contract. While SBCERS would be satisfied with either finalist as the Custodial Bank of the system, ultimately Bank of New York Mellon scored slightly higher than Northern Trust after all due diligence was completed.

Bank of New York Mellon demonstrated that:

- The organization is large and stable, in a strong financial position, reasonably insured, and continues a deep commitment to asset servicing business.

- The key contacts from Bank of New York Mellon for SBCERS relationship are capable and experienced professionals.
- The Cybersecurity program, policies and controls are robust and resilient.
- Fees were competitive and reasonable based on the current market.

Based on a thorough and competitive Request for Proposal process, the Ad Hoc Committee is satisfied that Bank of New York Mellon should be maintained as SBCERS Custodian Bank.

Attachments

- SBCERS Custodial Banking RFP Final Recommendation Board Summary