



# Board of Retirement Regular Meeting

## Sacramento County Employees' Retirement System

---

### Agenda Item 17

**MEETING DATE:** October 15, 2025

**SUBJECT:** Custodial Bank Agreement

**SUBMITTED FOR:**  X  Action          Information

---

### RECOMMENDATION

Approve custodial bank services agreement with Northern Trust for a period of 5 years plus a 5-year option, with expenditures not to exceed \$375,000 for each fiscal year, subject to the successful completion of contract negotiations in the judgment of the Chief Executive Officer, on terms consistent with the relevant Request for Proposal and Northern Trust's proposal in response thereto, and authorize the Chief Executive Officer to execute any necessary documents.

### PURPOSE

This item contributes to the effective management and oversight of administrative activities.

### DISCUSSION

On August 20, 2025, the Board approved staff's recommendation to award the custodial services contract to Northern Trust and authorized the Chief Executive Officer to enter into final contract negotiations. As contract negotiations are nearing completion, Staff is now seeking approval to enter into an initial five-year agreement with Northern Trust Bank.

The custodial banking services agreement includes a combination of fixed fees and percentage-based fees, summarized below. Northern Trust's proposed base fee is \$350,000 annually. After applying a \$20,000 transition credit in Year 1 and adding \$5,500 for the financial reporting package, the total Year 1 cost is \$335,500. Fees are subject to a 1.5% annual inflation adjustment, compounded, and the financial reporting package cost decreases to \$3,000 in subsequent years.

### **Fee Structure Details:**

- **Flat Fee:** \$350,000
- **Financial Reporting Package:** \$5,500 in Year 1; \$3,000 thereafter
- **Compliance Services & Others:** Included
- **Additional Reporting Services:** Not required

- **Transition Credit:** \$100,000 total (\$20,000 annually for 5 years)
- **Securities Lending:** Northern Trust retains 20% of revenues; SCERS keeps 80%

As shown in the chart below, the estimated costs range from approximately \$335,000-\$350,000 for the initial 5-year engagement; providing expenditure authority up to \$375,000 per fiscal year allows flexibility due to variable pricing. Staff will seek Board approval before exercising the 5-year extension.

**Annual Cost Schedule (Net of Credits):**

| Year | Annual Cost | Year | Annual Cost |
|------|-------------|------|-------------|
| 1    | \$335,500   | 6    | \$380,281   |
| 2    | \$337,995   | 7    | \$385,985   |
| 3    | \$343,065   | 8    | \$391,775   |
| 4    | \$348,211   | 9    | \$397,652   |
| 5    | \$353,434   | 10   | \$403,617   |

SCERS remains under contract with State Street Bank until December 31, 2026. Upon execution of the Northern Trust agreement, staff will begin the custodial transition process. The transition is expected to conclude by May 2026, ensuring full operational transfer prior to the expiration of the State Street contract.

**ATTACHMENTS**

- Board Order

Prepared by:

/S/

\_\_\_\_\_  
Margo Allen  
Chief Operations Officer

Reviewed by:

/S/

\_\_\_\_\_  
Eric Stern  
Chief Executive Officer



# Retirement Board Order

## Sacramento County Employees' Retirement System

---

Before the Board of Retirement  
October 15, 2025

AGENDA ITEM:

### **Custodial Bank Agreement**

THE BOARD OF RETIREMENT hereby approves the Staff recommendation to approve custodial bank services agreement with Northern Trust for a period of 5 years plus a 5-year option, with expenditures not to exceed \$375,000 for each fiscal year, subject to the successful completion of contract negotiations in the judgment of the Chief Executive Officer, on terms consistent with the relevant Request for Proposal and Northern Trust's proposal in response thereto, and authorize the Chief Executive Officer to execute any necessary documents.

I HEREBY CERTIFY that the above order was passed and adopted on October 15, 2025 by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES (Present but not voting):



# Retirement Board Order

## Sacramento County Employees' Retirement System

---

---

Chris Giboney  
Board President

---

Eric Stern  
Chief Executive Officer and  
Board Secretary