

Memorandum

TO: Police and Fire Department Retirement Plan
Board of Administration

FROM: Ron Kumar

SUBJECT: Bank of New York Contract Renewal

DATE: August 26, 2025

Approved

Date August 26, 2025

Recommendation

Discussion and approval for the Secretary to negotiate and execute a five-year extension to the custodian banking services agreement with the Bank of New York for:

- Police and Fire Department Retirement Plan not-to-exceed \$2,720,000.
- Police and Fire Retiree Health Care Trust Fund not-to-exceed \$275,000.

Background

In October 2020, following a formal Request for Proposal (“RFP”) process, The Bank of New York (“BNY”) was appointed custodian bank for the Police and Fire Department Retirement Plan and the Police and Fire Retiree Health Care Trust Fund (“Plan”), as well as for the Federated Pension and Health Care plans. BNY succeeded State Street Bank & Trust, which had served in that capacity since the 1990s. This change was driven by the need to enhance technology, broaden service offerings, and achieve cost efficiencies—key priorities outlined in the RFP.

Custodian banks play a critical role in safeguarding the Plan’s assets, facilitating transactional settlement, maintaining accurate records, and ensuring regulatory compliance. Transitions between custodians can be complex and risk-prone—ranging from data-transfer errors and processing delays to participant confusion and regulatory challenges—making continuity essential for operational stability.

The engagement with BNY commenced in October 2020 under a five-year service contract, set to expire on October 1, 2025. This term mirrors industry norms, allowing ample time to assess the custodian’s performance, technological compatibility, service effectiveness, and cost efficiency, while planning for renewal or strategic alternatives. Notably, clients tend to maintain relationships with their custodians—on average—for 10 years or more when there are no significant issues, underscoring the value of continuity and trust in these partnerships.

Analysis

The following chart provides the fees associated with custody services over the past five years.

Current Period	P&F Pension	P&F HCT
2021	\$ 507,330	\$ 53,820
2022	510,145	57,647
2023	515,560	40,427
2024	523,255	50,807
2025	531,104	55,427
Five Year Total	\$ 2,587,394	\$ 258,128
Renewal Period	P&F Pension	P&F HCT
Est. Annual	\$ 544,000	\$ 55,000
Est. 5-year NTE	\$ 2,720,000	\$ 275,000

Over the past five years, the Pension and Health Care Trust portfolio value has increased by 41% and the account base has expanded by 70%, rising from 110 to 187 accounts. This growth is projected to increase custody service fees by approximately 5% in the next contract period. Managing a larger number of accounts increases operational costs, including those for recordkeeping, monitoring, and reporting systems. In addition, more accounts generate higher transaction volume—trades, distributions, and rebalancing—for which custodians charge per transaction. Together, these operational demands and per-transaction fees elevate total costs.

Conclusion

At the August 26th Investment Committee meeting, Trustees reviewed staff recommendation and voted to forward the recommendation to the Board. Meketa Investment Group and Verus Investments also support staff recommendation of renewing the custody agreement with BNY for an additional five years, which includes a 90-day termination clause for either party. The consultants noted that, in the absence of significant service issues, maintaining the relationship with BNY is a prudent course of action.

Ron Kumar
Investment Officer