

TEXAS TREASURY SAFEKEEPING TRUST COMPANY

PLAN OF OPERATION

(FOR THE PROCUREMENT OF GOODS AND SERVICES)

The Texas Treasury Safekeeping Trust Company (“Trust Company”) is a special-purpose corporation incorporated by the Texas Comptroller of Public Accounts (“Comptroller”) in accordance with Section 404.101-.116 of the Texas Government Code (the “Act”). The Trust Company is a fiduciary organization that is responsible for the management, safekeeping, investing, and disbursing of funds and securities that belong to the state or the various agencies and local political subdivisions of the state or charitable organizations created on behalf of the state or an agency or local political subdivision of the state authorized to deposit money and securities with the trust company. It provides the Comptroller direct access to services provided by the Federal Reserve System and enables the Comptroller to manage, disburse, transfer, safekeep, and invest funds and securities more efficiently and economically. In performing these functions, the Act requires that the Trust Company utilize established and reasonable financial practices.

Pursuant to section 404.103(g) of the Act, the Trust Company is exempt from other state laws regulating or limiting state purchasing or a purchasing decision if the purchase or decision relates to its fiduciary duties. In those cases, the Trust Company shall make all purchases of goods and services using purchasing methods that ensure the best value to the Trust Company and its participants. The Trust Company is required to develop a plan of operation that includes the procedures and standards for the purchase of goods and services using best value methods. This document constitutes the Trust Company’s Plan of Operation and supersedes the 2009 Plan of Operation and Procedures and Guidelines adopted on September 30, 2009. This Plan will be located on the Trust Company’s website or will be available upon request. The Trust Company will maintain policies, procedures, and standards necessary to implement this Plan.

Investment assets and securities are not goods and services and, therefore, are not subject to the general state procurement laws and section 404.103(g) of the Act. The Trust Company may purchase such investment assets and securities consistent with industry best practices. Additionally, certain contracts for services specifically authorized by the Act are not governed by section 404.103(g), the Plan, or these Procedures, such as contracts with the Texas Comptroller of Public Accounts (the “Comptroller”), the Federal Reserve System, the Depository Trust Company, or similar financial institutions as outlined in section 404.103(b) of the Act.

I. PURCHASES RELATED TO THE TRUST COMPANY'S FIDUCIARY DUTIES

A. GENERAL RULE

As a fiduciary organization, Trust Company has few, if any, functions that do not relate to meeting its fiduciary duties. In accordance with the Act, unless a purchase is not related to the Trust Company's fiduciary duties, purchases of goods and services will be made in accordance with the best value methods referenced herein.

B. DEFINITIONS

1. **"Fiduciary duties"** means the legal and ethical obligations of the Trust Company to manage, safekeep, and invest assets in the best interest and for the exclusive benefit of the entities for which the Trust Company holds the assets or acts with respect to the assets.
2. **"Goods and services related to"** the fiduciary duties of the Trust Company refer to goods and services determined by Trust Company to be necessary, appropriate, or incidental to the discharge of its fiduciary duties.

C. EXAMPLES

The following examples are for illustration purposes only and are not intended to be exclusive or exhaustive.

- "Goods and services related to the fiduciary duties" of the Trust Company would include information technology systems and consultants.
- "Goods and services related to the fiduciary duties" of the Trust Company would include the selection and engagement of custodial and asset management services (e.g., State Street and Federated Investors, Inc.).

D. BEST VALUE

The Trust Company shall make all purchases of goods and services using purchasing procedures that ensure "best value" to the Trust Company and its participants. "Best value" means the optimum combination of economy and quality that is the result of fair, efficient, and practical procurement decision-making. The Trust Company shall consider the best value standards enumerated in section 2155.074 of the Texas Government Code, which are as follows:

1. purchase price;
2. whether the goods or services meet required specifications;
3. installation costs;
4. life cycle costs;

5. quality and reliability of the goods and services;
6. delivery terms;
7. indicators of probable vendor performance, such as the vendor's past performance, financial resources, ability to perform, experience or demonstrated capability and responsibility, and ability to provide reliable maintenance agreements and support;
8. cost of any employee training;
9. effect of purchase on the Trust Company productivity;
10. the vendor's anticipated economic impact to the state or a subdivision of the state, including potential tax revenue and employment; and
11. any other relevant factors in determining the best value to the Trust Company and its participants.

E. COMPTROLLER NOTIFICATION PROCEDURE

Prior to entering into a contract for goods and/or services related to its fiduciary duties, the Trust Company shall provide the Comptroller, the Deputy Comptroller or his designee with written notice including a justification supporting the method of purchase.

The notice shall be signed by the Trust Company's CEO and must include the following:

1. A brief description of the goods and/or services being purchased, including the purpose of the goods and/or services and any necessary or helpful background information;
2. The name of the vendor providing the goods and/or services and any relevant vendor performance history;
3. The Trust Company's determination on how the purchase of the relevant goods and/or services is related to its fiduciary duties and why it is necessary, advisable, or preferable to use the best value method; and
4. A brief summary of contractual terms which evidence best value standards (e.g., cost, estimated effective date, duration, product or service specifications, etc.).

F. RIGHT TO EXTEND CERTAIN CONTRACTS

Subject to the approval of the Comptroller or the Deputy Comptroller, the Trust Company may extend contracts previously awarded through an RFP process (a) for a period necessary to (i) complete an ongoing review of asset allocation or investment strategies; or (ii) preclude interim transition costs or losses to portfolio assets; or (b) to comply with its fiduciary obligations.

II. PURCHASES NOT RELATED TO FIDUCIARY DUTIES

Under section 404.103(g), the Trust Company is subject to other state laws regulating or limiting state purchasing or a purchasing decision if the Trust Company determines that a

purchase or decision regarding goods or services is unrelated to its fiduciary duties. Accordingly, for this category of purchases, the Trust Company shall comply with all applicable state laws and regulations that ensure the best value to the Trust Company and its participants. With respect to such purchases, the Trust Company shall also comply with the contract and procurement processes of the CPA; therefore, the Trust Company hereby adopts by reference the contract and procurement procedures of the CPA.

EFFECTIVE AS OF: September 1, 2015