

July 1, 2025

| Service Item  | Quality Assessment  | Penalty if not met   | Contract or SLA Reference              | Items to Track in Quarterly KPI Metrics Reporting Package |
|---|---|--|--|---|
| <b>Month end deliverable timeliness</b>                     |   |  |  |   |
| Resolution of differences between Custody Bank and managers | NMERB investment managers to perform monthly position reconciliations to Custody Bank by BD 3. IM recons are typically received on 3rd-5th business day. Custody Bank to track when IM recons are received.   | Not Applicable   | C-26-L-4<br>S-6.3<br>S-4.1<br>C-26-E-4 | Track in KPI  |
| Resolution of differences between Custody Bank and managers | Custody Bank to review position breaks and work with the investment manager to resolve differences prior to closing the month end accounting records. For variances > 10 basis points of the account's NAV, Custody Bank to provide a detailed explanation of the variance to the manager. ACOE to provide detailed update of the issues on business day 7.   | \$1000 per month per manager. Penalties per manager not to exceed \$1000 per month for both items in this section.   |  | Track in KPI  |
| Resolution of differences between Custody Bank and managers | Custody Bank will accept price challenges from NMERB or its investment managers for prices that are out of tolerance +/- 3% per security. Custody Bank will provide a status within a 72 hours timeframe of receiving the price challenge. (Custody Bank has a 48 hour vendor turnaround time). Custody Bank to also provide pricing vendor used.   | \$1000 per month per manager. Penalties per manager not to exceed \$1000 per month for both items in this section.   |  | Track in KPI  |
| <b>Month end Timeliness</b>                                 | Month end close targets are 5th BD - Externally managed and Cash accounts; 10th BD - Internally managed and commingled funds and 15th BD - Alternative Investment accounts. Books closed without client consent on internally managed, commingled funds and AIS accounts will be considered a fail.   | If there are numerous instances, (2 or more within a 6 month period) Custody Bank will produce a remediation plan for meeting the quality assessment goal.   |  | Track in KPI  |
| <b>Month end Accuracy</b>                                   | If any Custody Bank month-end error(s) creates more than 5 basis points market value and/or performance difference on the overall portfolio, or breaches the Investment Policy Statement, this will be considered a fail.   | If there are numerous instances, (2 or more within a 6 month period) Custody Bank will produce a remediation plan for meeting the quality assessment goal.   | Investment Policy Statement            | Track in KPI - Books re-open and corrected                |
| <b>Private market assets - Cash Transactions</b>            | Custody Bank to track the number of LP capital calls where Custody Bank failed to deliver a wire on a requested and approved payment date in eCFM (i.e., a missed capital call - wire not sent).  | If there are numerous instances, (2 or more within a 6 month period) Custody Bank will produce a remediation plan for meeting the quality assessment goal. Custody Bank to pay any penalties assessed by the investment manager for late payment.                                |  | Track in KPI  |
| <b>Internally managed accounts:</b>                         |   |  |  |   |
| <b>Fiduciary Status of Contractor; Standard of Care</b>     | Contractor shall exercise fiduciary responsibility with respect to the safekeeping of the Fund, and shall discharge its custodial duties and exercise each of its powers with respect to the safekeeping of the Fund with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent professional custodian engaged in the banking or trust company industry and having professional expertise in financial and securities processing transactions and custody, and acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims ("Fiduciary Care"). | NMERB to have the ability to request removal of unprofessional staff from their account.   | C-5-11                                 |   |
| <b>Security Settlement</b>                                  | As it relates to trading on NMERB internally managed accounts and its externally separately managed accounts in custody at Custody Bank, Custody Bank CTS shall provide timely processing of custody trades and electronic access to on-line custody holdings and transactions.   | Items determined to be Custody Bank error will be assessed a penalty \$2,500 per occurrence. Custody Bank will reimburse any charges incurred as a direct result. (i.e., broker claims due to fail trades caused by Custody Bank). Penalty not to exceed \$2,500 per occurrence. | C-26-B-3                               | Track in KPI  |
| <b>Payments of Account Moneys</b>                           | Manual cash payments to be made only upon receipt of instructions by authorized parties at NMERB or its agents. Custody Bank to follow agreed upon security procedures and/or FTTOP. (i.e., payments made to brokers without authorization will be considered a fail).  | A penalty of \$2,500 will be assessed.   | C-26-C-8                               | Track in KPI  |
| <b>Income Settlement and Income Crediting</b>               | As it relates to NMERB internally managed accounts and its externally separately managed accounts in custody at Custody Bank, if Custody Bank is responsible for the failure to settle the trade, then Custody Bank agrees to pay sale fail compensation for that trade.  | \$2,500 per occurrence plus reimbursement of all overdraft and/or interest charges, as well as sale fail charges with the broker.  | C-26-D-2<br>C-26-F-3-I                 | Track in KPI  |

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| <b>Accounting and Auditing</b>                                  | Corporate action processing: Custody Bank to provide timely processing of corporate action activity: recording of capital changes, mergers, acquisitions, stock splits, etc..  | Custody Bank to help Agency understand timing and source documents. If same day recording is actually late, Custody Bank to provide proof of delay (when did Custody Bank receive notification). \$2,500 per occurrence if Custody Bank error.  | C-26-E-2-b                | Track in KPI  |
| <b>Performance and Analytics</b>                                |  |   |                           |   |
| <b>Timeliness</b>   | Performance reporting to be delivered 5 business days after the monthend close cycle.  | If there are numerous instances, (2 or more within a 6 month period) Custody Bank will produce a remediation plan for meeting the quality assessment goal.  |                           | Track in KPI  |
| <b>Accuracy</b>   | Performance revision > 5 bps to the overall portfolio due to internal Custody Bank error.  | If there are numerous instances, (2 or more within a 6 month period), Custody Bank will produce a remediation plan for meeting the quality assessment goal.   |                           | Track in KPI  |
| <b>Invoices</b>   |  |   |                           |   |
| <b>Charges and Compensation</b>                                 | Custody Bank monthly asset servicing Invoices to be delivered no later than 60 days post prior period-end.   | Invoice to be reduced by 2% per month beyond its due date.  | C-36-C-1                  | Track in KPI  |
| <b>Issue Acknowledgement &amp; Resolution</b>                   |  |   |                           |   |
|   | Custody Bank to respond to queries from NMERB within 24 hours including timeline for resolution.   | \$500 per day for responses not received in a timely manner. Additional \$500 per day if issue not resolved within 5 business days or within a mutually agreed upon time.   | S-2.1                     | Track in KPI  |
| <b>Reporting</b>  |  |   |                           |   |
|   | Customized reporting. New report development will be assessed to determine Custody Bank's ability to provide report. Custody Bank shall provide and estimate to NMERB how much it would cost to develop.   | Custody Bank to collaborate with ERB to build queries that can be downloaded to excel, if not available in interactive views. Other customized reporting outside of Custody Bank platform that requires system programming and development to be assessed for feasibility, and Custody Bank to provide development cost estimate. | C-26-F-6-k<br>S-1.8       |   |
| <b>Accuracy</b>   | Monthly statements for each account must roll up to the monthly composite report and working trial balance report. There cannot be any reconciling items or breaks in any monthly statement/report.  | \$1,000 per occurrence for an incorrect composite report; \$500 per occurrence for an incorrect individual account statement. If there are numerous instances, (2 or more within a 6 month period) Custody Bank will produce a remediation plan for meeting the quality assessment goal.  |                           | Track in KPI  |
| <b>KPI reporting</b>  | Custody Bank to create, track, and report mutually agreed upon KPI performance metrics on a quarterly basis.   | \$2,500 penalty for quarterly report on KPIs not provided by 30 days after quarter end.   | S-1.3                     | Track in KPI  |
| <b>KPI Reporting to include:</b>                                |  |   |                           |   |
|   | List of accomplishments / major milestones   |   |                           | Track in KPI  |
|   | Action item report/list (continuation of the monthly report)   |   |                           | Track in KPI  |
|   | Annual reporting task list   |   |                           | Track in KPI  |
|   | Annual reporting timeliness metrics  |   |                           | Track in KPI  |
| <b>Communication of Changes in Relationship Management Team</b> |  |   |                           |   |
|   | Custody bank will notify Agency at least ten (10) business days prior to any change in the relationship management team, including but not limited to the relationship manager, client services manager, along with any primary staff related to the former and those associated with performance and analytics, compliance, client trade support (publicly traded securities), private market operations, and accounting. | \$2,500 per occurrence for either the relationship or client services manager; \$1,000 per occurrence for any staff manager/supervisor; \$500 per occurrence for any support staff. If this KPI is violated more than once, the penalties will double each time for each staff classification.                                    | C-30-C-31                 | Track in KPI  |