Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 16

MEETING DATE: **September 16, 2026**

SUBJECT: **Commercial Banking Services**

SUBMITTED FOR: **__X__ Action** **___ Information**

RECOMMENDATION

Approve the following actions in furtherance of Government Code Section 31590: Approve a commercial banking services agreement with BMO for a period of 5 years, 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 BMO's proposal in response thereto and authorize the Chief Executive Officer to execute any necessary documents; designate the Chief Executive Officer and Chief Operations Officer as authorized signatories to approve all warrants, checks, and electronic fund transfers through BMO; direct Staff to establish internal controls and procedures for payments; and authorize the payment of benefits to be directly deposited by electronic fund transfer.

PURPOSE/STRATEGIC PRIORITY

This item supports Strategic Management Plan objectives to modernize SCERS' technology infrastructure and evolve SCERS' operational model by strategically aligning responsibilities to balance independent functions in a way that best serves members and beneficiaries.

DISCUSSION

In January 2026, the Board authorized an amendment to SCERS' contract with Segal Marco to provide specialized consulting support for competitive procurement of commercial banking and treasury services. The engagement was intended to provide SCERS with specialized expertise in developing the RFP, identifying key risk, control, and service considerations, evaluating proposals and fee structures, and supporting contract negotiations and transition planning.

Working with Segal Marco, SCERS developed a Banking and Treasury Services RFP designed around SCERS' future-state banking, accounting, and payment operations. SCERS issued the RFP on June 22, 2026, with responses due July 31, 2026. Nine banks submitted proposals. SCERS and Segal Marco reviewed the proposals for responsiveness and evaluated the respondents based on the requirements established in the RFP. Following the initial evaluation, three banks were selected to advance to the finalist stage:

- Bank of Montreal (BMO)
- JPMorgan Chase Bank
- Wells Fargo Bank

The three finalists were invited to participate in interviews and demonstrations conducted between August 24 and September 2, 2026. For the finalist evaluation, SCERS established a scoring framework focused on six areas considered important to the successful establishment and ongoing operation of SCERS' commercial banking environment:

- Core treasury services fit
- Technology, integration, and reporting
- Security, risk, and compliance
- Fees, interest, earnings credit, and contract terms
- Client service and support model
- Implementation and transition plan

In addition to discussing the proposed service and implementation models, SCERS reviewed the functionality of each bank's treasury platform, reporting and data capabilities, user-access administration, payment authorization and fraud-prevention controls, service and escalation model, and approach to implementation, training, testing, and transition. The evaluation placed particular emphasis on implementation and transition readiness because SCERS is establishing a commercial banking environment rather than replacing an existing commercial banking relationship. SCERS therefore considered each bank's ability to support the initial establishment of banking operations, coordinate implementation activities, establish appropriate controls, minimize operational disruption, and provide SCERS staff with the tools and support necessary to assume direct responsibility for banking activities.

The evaluation also considered how each proposed banking solution would operate within SCERS' broader financial modernization efforts. SCERS is concurrently implementing Microsoft Dynamics 365 Business Central as its accounting system and preparing to transition selected payment activities currently supported by the Sacramento County Department of Finance (DOF). Alignment among the banking platform, Business Central, payment processes, reconciliation activities, and internal controls is therefore an important component of implementation readiness.

Based on the results of the competitive procurement and evaluation process, Bank of Montreal (BMO) was identified as the strongest overall respondent and the institution best positioned to provide SCERS with secure, cost-effective banking and treasury management services that meet SCERS' current operational requirements and support its future banking and accounting environment. BMO distinguished itself across the established evaluation criteria and demonstrated the strongest overall combination of banking capabilities, financial terms, operational fit, and implementation support.

This determination was supported by a comprehensive evaluation process that included Segal Marco's targeted due diligence of the finalist banks, finalist interviews and demonstrations, and evaluation of each proposal against the aforementioned established criteria. Segal Marco's due diligence further assessed the operational, security, implementation, and service considerations associated with each finalist and informed the overall evaluation and selection. Segal Marco's due diligence executive summary is attached for the Board's review.

CERL AUTHORITY AND PAYMENT CONTROLS

Implementation of SCERS' commercial banking relationship will be consistent with the County Employees Retirement Law of 1937 (CERL), Government Code section 31590, which establishes the statutory framework governing warrants, checks, and electronic fund transfers drawn on the retirement fund, including the authorization of such payments by Board-designated officers or employees.

Section 31590 also provides authority for the direct deposit of benefit payments through electronic fund transfer and addresses the Board's authority to authorize qualifying banking institutions to process and issue payments by check or electronic fund transfer. These provisions provide an important statutory foundation for SCERS' transition to direct administration of commercial banking and payment activities.

Consistent with this authority, SCERS will establish a formal banking and payment-control structure as part of implementation. This will include designation of appropriate payment authorities, segregation of duties, user-access and approval controls, electronic payment authorization, fraud-prevention controls, payment documentation, reconciliation, and ongoing management oversight. The banking environment will also be coordinated with Business Central to ensure that payment initiation, authorization, accounting, and reconciliation processes operate within an integrated internal-control framework.

Following Board approval and subsequent execution of an acceptable agreement with BMO, the Chief Executive Officer will work with BMO, SCERS staff, Department of Finance, and its Business Central implementation partner, as appropriate, to establish the new banking environment and transition applicable banking and payment functions. Implementation will include establishing bank accounts and services, configuring authorized users and payment authorities, implementing fraud-prevention and security controls, developing banking and accounting interfaces, establishing reconciliation and reporting processes, and completing testing and operational readiness activities before SCERS assumes responsibility for applicable payment functions.

Fiscal Impact

As part of its Best and Final Offer, BMO's proposed 3.66% Earnings Credit Rate (ECR), the highest among the finalists, provides SCERS an ongoing mechanism to offset eligible banking service fees based on balances maintained with the bank. Under the modeled assumptions, the earnings credit generated by SCERS' balances is sufficient to fully offset estimated annual banking service fees, resulting in no modeled annual fees after application of the ECR. Combined with estimated interest earnings on excess balances, BMO's proposal produces

estimated annual banking net cash flow of approximately $260,000. Actual ECR and interest earnings will vary based on balances and the prevailing interest-rate environment.
BMO also waived implementation, onboarding, conversion, setup, and project management fees; waived all recurring treasury management service charges for 12 months; and maintained a five-year fee guarantee, subject to material changes in transaction volumes, services, or account structure.

ATTACHMENTS

- Board Order
- Segal Marco Due Diligence Executive Summary

Prepared by:	Reviewed by:
/S/	/S/
Margo Allen Chief Operations Officer	Eric Stern Chief Executive Officer

Retirement Board Order

Sacramento County Employees' Retirement System

Before the Board of Retirement
September 16, 2026

AGENDA ITEM:

Commercial Banking Services

THE BOARD OF RETIREMENT hereby approves the Staff recommendation to **a**pprove the following actions in furtherance of Government Code Section 31590: Approve a commercial banking services agreement with BMO for a period of 5 years, 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 BMO's proposal in response thereto and authorize the Chief Executive Officer to execute any necessary documents; designate the Chief Executive Officer and Chief Operations Officer as authorized signatories to approve all warrants, checks, and electronic fund transfers through BMO; direct Staff to establish internal controls and procedures for payments; and authorize the payment of benefits to be directly deposited by electronic fund transfer.

I HEREBY CERTIFY that the above order was passed and adopted on September 16, 2026 by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES (Present but not voting):

Chris Giboney
Board President

Eric Stern
Chief Executive Officer and
Board Secretary

Sacramento County Employees’ Retirement System

Best and Final Executive Summary

September 8, 2026

Rosa Limas, Vice President

Segal Marco Advisors

Executive Summary

After careful and thorough deliberation, the SCERS Evaluation Panel has narrowed the banking and treasury management search to BMO, J.P. Morgan and Wells Fargo and has completed interviews with each institution. All three finalists are well capitalized, financial stable organizations that meet the core service requirements. Differentiated areas include centers on economics, implementation support and operating fit.

Best-and-Final Economics

- BMO has provided a compelling, durable concessions with strong earnings. Offered a $35,000 transition bonus, waived recurring service charges for 12 months, covered implementation and setup costs, included RDC equipment and supplies, and guaranteed fees for five years, subject to stated conditions. Its 3.66% ECR is the highest among the finalists, eliminates modeled annual fees after ECR and supports estimated annual banking net cash flow of $258,383 (after fees and interest).
- J.P. Morgan has provided the lowest earnings offering and concessions compared to BMO and Wells Fargo. Modest 2.3% ECR and 2.2% interest and a ten-month fee waiver capped at $25,000 to offset implementation, set-up charges and monthly fees and guaranteed fees for five years.
- Well Fargo offered compelling earnings at 3.5% ECR and 3.5% interest resulting in an annual estimated net cash flow of $416,500 with a five-year fee guarantee. The concessions are relatively modest compared to BMO yet more attractive compared to J.P. Morgan, offering $10,000 for supply fees, $20,000 for set-up and programming costs up to 24-months and a twelve-month fee waiver for monthly service charges.

Operating Fit

- BMO combines a strong local presence with an experienced delivery team. Its Sacramento-based government-banking presence, 27 years of public fund team experience, and familiarity with County banking operations reduce transition and execution risk. Robust quality controls including an additional approval layer for transmitted files which is a key differentiator from J.P. Morgan and Wells Fargo.
- J.P. Morgan brings the greatest scale, strongest overall credit profile and a 230+ professional public-sector team. The banking portal, ACCESS is designed for mega-global institutions with complex interfaces that require extended customization and technical support.
- Wells Fargo combines the largest public-sector portfolio, in-house check printing, county retirement-system experience and the broadest Sacramento branch presence. Full integration of Business Central is in the process of launching, presenting beta testing and implementation integration risk for SCERS due to the infancy of the product launch.

Overall Observations

- BMO offers the most balanced combination of operating continuity, financial strength and protected economics. BMO's local team, implementation support, pricing protection and zero modeled fee after ECR make it the strongest overall risk-adjusted choice.
- J.P. Morgan's banking platform is robust requiring extended technical set-up, and training for SCERS' staff, they offer the lowest incentives, waivers and earning rates with higher unit charges across all banking services compared to BMO and Wells Fargo.
- Wells Fargo shows higher modeled net cash flow, but the comparison reflects differing volume, balance and rate assumptions.

Finalist Company Profile

	BMO	J.P. Morgan	Wells Fargo
Headquarters	Montreal, Quebec, CAN	New York, NY	San Francisco, CA
Year founded	1817	1799	1852
Total assets	C$1.5 trillion	$4.9 trillion	$2.2 trillion
Total deposits	C$967.0 billion	$2.7 trillion	$1.4 trillion
California locations	226	860+	758
Public-sector relationships	2,000+	2,100+	3,000+
Primary treasury platform	OLBB + BMO Sync	J.P. Morgan Access	Wells Fargo Vantage
Sacramento presence	Main office	18 branches	21 branches

- As of 3/31/26 unless otherwise stated.
- [1] BMO data as of 4/30/26. BMO Bank, N.A. is headquartered in Chicago.
- [2] J.P. Morgan employee data as of 12/31/24.

Finalist Company Profile – Financial Stability

	BMO	J.P. Morgan	Wells Fargo
Tier 1 Capital Ratio (8% Basel III Standards)	15.0%	15.2%	12.4%
Total Risk-based Capital Ratio (10% Basel III Standards)	16.2%	17.1%	14.5%
Leverage Ratio (5.% Basel III Standards)	11.3%	6.6%	8.0%
Common Equity Tier 1 Capital Ratio (6.5% Basel III Standard)	14.9%	15.7%	11.1%
Tangible Common Equity to Tangible Assets	Reports ROTCE	6.6%	7.6%
Return on Tangible Common Equity (ROTCE)	17.6%	23%	14.5%
Financial Condition Result	Well Capitalized	Well Capitalized	Well Capitalized

- As of 3/31/26 unless otherwise stated.
- Capital ratios reflect the holding bank entity in which banking and treasury management business is maintained.

Finalist Company Profile – Credit Worthiness

	BMO	J.P. Morgan	Wells Fargo Bank
Credit Agencies	S&P / Fitch / Moody’s	S&P / Fitch / Moody’s	S&P / Fitch / Moody’s
Long Term Issuer Rating	A+ / AA- / Baa1	AA- / AA / Aa2	A+ / AA- / Aa2
Short Term Issuer Rating	A-1 / F1+ / P-1	A-1+ / F1+ / P-1	A-1 / F1+ / P-1
Credit Outlook	Stable / Stable / Stable	Stable / Stable / Stable	Stable / Stable / Stable
Dodd-Frank Act Stress Test Results / Test Date	Positive / June 2026	Positive / June 2026	Positive / June 2026

- As of 3/31/26 unless otherwise stated.
- BMO ratings as of 2/28/26.
- J.P. Morgan long-term ratings as of 7/15/26.
- J.P. Morgan short-term ratings as of 4/14/26.
- Wells Fargo ratings as of 6/30/26.
- Ratings reflect the holding-bank entity supporting banking and treasury management.
- Dodd-Frank stress tests assess resilience under severe adverse conditions.
- All three finalists reported positive June 2026 stress-test results.

Dedicated Teams with Sacramento Coverage

	BMO	J.P. Morgan Chase	Wells Fargo Bank
Business Unit	Government Banking Division	Commercial Banking Treasury Services Sales	Government & Institutional Banking Division
Executive Oversight / Title Location	Thad Garrison, Managing Director, Los Angeles, CA	Dina Collins, Relationship Executive, San Francisco, CA	Zina Monroe, Executive Director, Concord, CA
Primary Contact / Title / Location	Robyé Kumar, RM, Sacramento, CA	Cameron Vignati, Client Success Officer, Tempe, AZ	Zina Monroe, Executive Director, Concord, CA
Treasury Management Contact / Title / Location	Alice Lambey, Sr. Consultant, Sacramento, CA	Grant Torres, Treasury Management Officer, San Francisco, CA	Andrew Leal, VP, Sacramento, CA
Day-to-Day Contact / Title / Location	Ly Huynh, Sr. Client Service Advisor, City of Industry, CA	Cameron Vignati, Client Success Officer, Tempe, AZ	Kavita Singh, Assistant VP, San Francisco, CA
Team Years of Experience / Years with Firm	27 / 13	22 / 11	27 / 23
Team Years of Public Fund Experience	27	18	17
Main Service Location	Sacramento, CA	San Francisco, CA and Sacramento, CA	Concord, CA and Sacramento, CA
Sacramento Presence	Sacramento Main office at 500 Capital Mall	18 branches in Sacramento	21 branches
Additional Support	Product specialist	Specialized teams	Product specialists and project mgmt. consultant

❖ Average combined team members' firm tenure and years of experience.

Best-and-Final – Fee Waiver Comparison

	BMO	J.P. Morgan	Wells Fargo
Transition support	Increased transition bonus for implementation expenses and operational supplies from $28,955.50 to **$35,000.**	Increased from $20,000 account analysis waiver/credit to **$25,000** and extended the timeframe from six months to **ten months**; may offset banking fees and one-time transition costs.	Increased to **$10,000** from $5,000 supplies credit plus a dedicated client project manager (estimated value: $150,000).
Setup, equipment & technology	Implementation, onboarding, conversion, setup and project management fees waived; RDC equipment, supplies, deployment and installation included.	The $25,000 fee waiver above is intended to cover set-up charges, implementation and out-of-pocket costs.	Increased to **$20,000** from $15,000 technology implementation credit, including setup and programming fees, available during the first 24 months.
Recurring fees	All recurring treasury management service charges waived from six months to **twelve months.**	The same $25,000 cap applies to account analysis fees during the first ten months.	Maintained account analysis fees waived for **twelve months**.
Other concessions	Maintained the **five-year fee guarantee,** subject to material changes in volumes, services or account structure.	Added a **five-year fee guarantee**.	Added a **five-year fee guarantee**.

Best-and-Final – Earnings Comparison

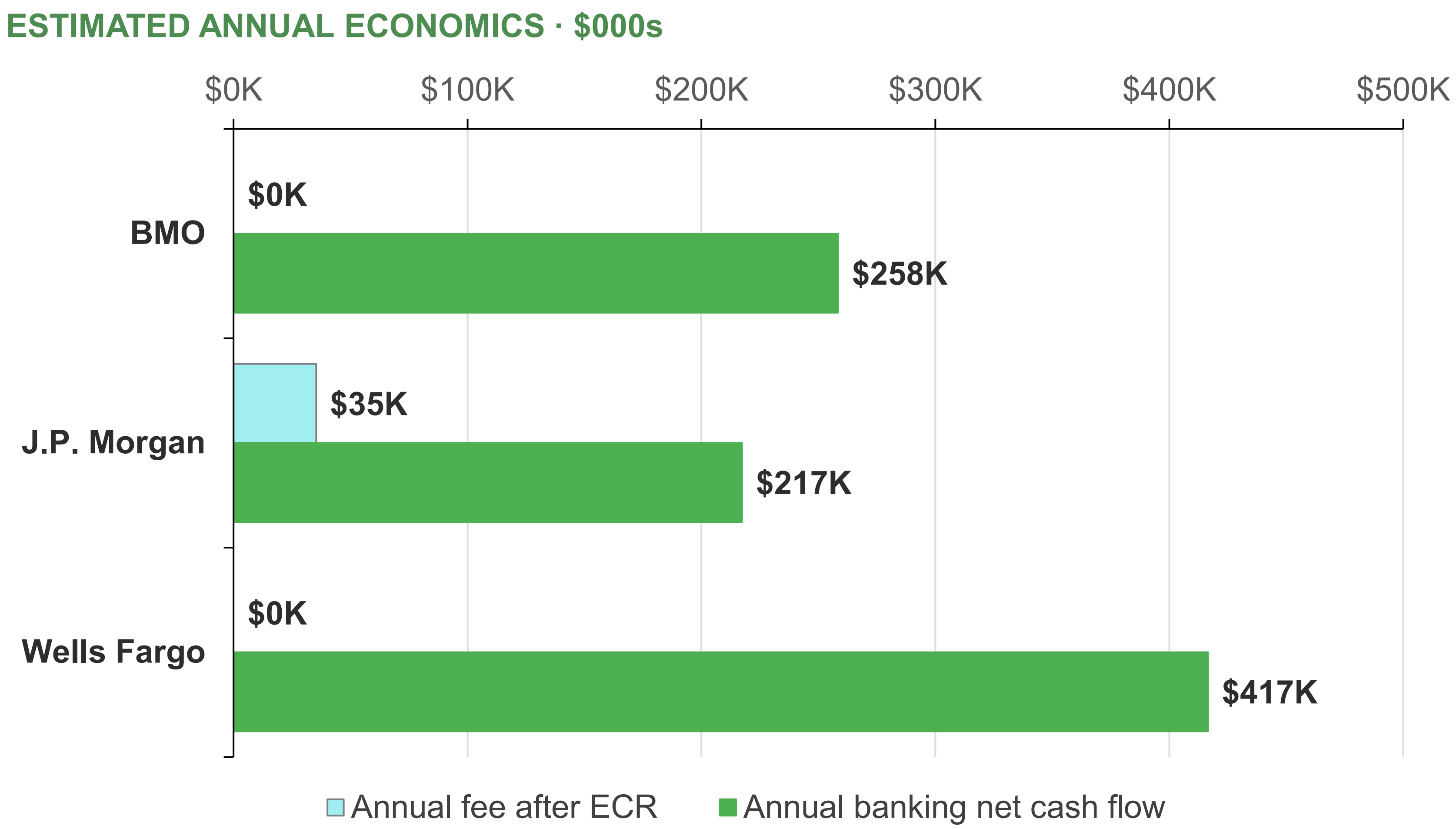
	BMO	J.P. Morgan	Wells Fargo
Earnings Credit Rate (ECR)	No change – maintained the 3.66% ECR	No change – maintained the 2.30% ECR	Increased from 3.0% to 3.5% ECR
Interest Earnings Rate	No change – maintained the 2.25% interest rate	No change – maintained the 2.2% interest rate	No change – maintained the 3.5% interest rate

Best-and-Final Economics

	BMO	J.P. Morgan	Wells Fargo
Est. monthly banking fee	$3,159[1]	$4,890[1]	$1,464[2]
Earnings credit rate (%)	3.66%	2.30%	3.50%
Est. Monthly Earnings Credit Allowance ($)	$38,856	$1,948	$2,964
Total Est. Monthly fee after ECR ($)	$0	$2,942	$0
Total Est. Monthly ECR Credit Surplus / (Deficit)	$35,697	($2,942)	$1,500
Interest rate on excess balances[3]	2.25%	2.20%	3.50%
Est. Excess Funds Eligible for Interest Earnings[3]	$11,483,669	$11,483,669	$11,900,000
Est. monthly interest[3]	$21,532	$21,053	$34,708
Annual fee before ECR	$37,908	$58,681	$17,570
Annual fee after ECR	$0	$35,306	$0
Est. annual banking net cash flow	$258,383	$217,335	$416,500

- Hypothetical projections based on each Bank's assumption volumes which are subject to change.
- [1] -- BMO and J.P. Morgan's high service volume assumptions placed their modeled monthly fees at the higher end of the range.
- [2] – Wells Fargo's conservative service volume assumptions placed its modeled monthly fees at the low end of the range.
- [3] – Interest is calculated using an average excess balance. The excess balance will vary month-to-month.
- BMO and Wells Fargo would waive monthly service fees for the first 12 months, while J.P. Morgan would offer a $25,000 credit for the first 10 months.
- ECR surplus: earnings credits exceed eligible service fees; unused credits represent foregone earnings. ECR deficit: eligible service fees exceed earnings credits; the shortfall remains payable.
- Earnings Credit Rate(s) (ECR) and Interest Rate(s) on Balances are subject to change based on the U.S. interest rate environment.
- Fees exclude one-time setup fees; other charges may apply.

Best-and-Final Economics



- Hypothetical projections based on each Bank's assumption volumes which are subject to change.
- Annual banking net cash flow represents interest earnings based on excess balances minus monthly service fees annualized for illustration purpose.
- BMO and Wells Fargo would waive monthly service fees for the first 12 months, while J.P. Morgan would offer a $25,000 credit for the first 10 months.
- Earnings Credit Rate(s) (ECR) and Interest Rate(s) on Balances are subject to change based on the U.S. interest rate environment.
- Fees exclude one-time setup fees; other charges may apply.

Scope of Finalist Summary Disclosure

This summary of the finalist proposal responses is based on representations made by BMO, J.P. Morgan and Wells Fargo in their responses.

The bank responses are interpreted based on Segal Marco Advisors knowledge of the banking industry and best practices. In doing so, some of the responses may have been re-stated to add clarity or brevity. The review process does not include conducting background checks or other investigations to verify the legal, financial, organizational and/or operational condition of these banks, auditing or validating representations made by the vendors, or researching omitted information.

Validation is typically achieved during reference checks, finalist interviews and site visits, as applicable, as a follow up to a formal RFP process.

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