

**MARYLAND STATE RETIREMENT AGENCY:**  
**RESPONSES TO QUESTIONS FOR RFI FOR FOREIGN TAX AGENT AND**  
**CONSULTING SERVICES**

***Please note the contact information for all responses/communication is Sathy - skavanak@sra.state.md.us***

***RFI Purpose Clarification – The System is seeking a global tax agent to assist with services not covered by its custodian. This will include countries that require a tax agent (current and future investments), as well as private equity tax reclaims (domestic and foreign), some tax document filings and country opening documents as needed.***

1. Do the System/Agency's investment manager(s) have local-country investment managers in those jurisdictions listed in the RFI Attachment 2? If so, please provide the name of the local country investment manager in each country.

The System does not have any country specific mandates in the countries listed in Attachment 2. All mandates are broad in nature.

2. In the jurisdictions listed in the Attachment 2 in which the System / Agency has investments, does the System's custodian, State Street, already maintain a local account in each jurisdiction?

A tax advisor is required in the following markets, which are not covered by the current custodian:

- Bangladesh
- India
- Pakistan
- Romania
- Venezuela
- Taiwan

Further details provided by our current custodian:

The following markets do not need a tax advisor, please see the comments:

- Brazil - State Street's local subcustodian, Citibank Brazil, is acting as the legal/tax representative for State Street's client accounts and is performing the calculation, reporting and remittance of any applicable capital gains tax.
- Colombia - Cititrust Colombia S.A. Sociedad Fiduciaria is acting as the local administrator and withholding agent on behalf of State Street's clients which are FPIs and will calculate and withhold taxes on sale profits from fixed income securities on settlement date.
- Iceland - State Street's local subcustodian bank, NBI hf., Reykjavík, acts as the withholding agent for the calculation, reporting, and remittance of capital gains tax on positions held in their custody.
- Italy - Under the "discretionary portfolio regime" and the "non-discretionary portfolio regime" the Italian agent bank is responsible for calculating, withholding and remitting the capital gain tax.

Under the “tax return” regime, the final investor is responsible for reporting the relevant data in his annual income declaration. The Agent bank, however, has to provide all the necessary evidences which enable the investor to complete his declaration.

- Korea - Non-resident investors are not required to appoint a local tax consultant. This is because local securities companies are responsible for the calculation and deduction of capital gains tax. However, in case a foreign investor has a dispute against a local broker on the calculation, they may choose to appoint a local tax consultant so that the matter can be handled between the local broker and the tax consultant or the matter can be submitted to a tax court in settling the dispute.
- Peru - CAVALI S.A. Institución de Compensación y Liquidación de Valores (CAVALI) acts as the withholding agent for tax on capital gains generated from on-exchange and over-the-counter (OTC) equity securities transactions registered in its records and settled versus payment.
- Serbia - UniCredit Bank Serbia JSC, State Street’s local subcustodian bank acts as the local tax representative on behalf of State Street’s clients
- Thailand - Capital gains tax is calculated by the State Street’s local subcustodian, Standard Chartered Bank (Thai) Public Company Limited, Bangkok, after settlement and is usually debited within three days after the pre-advice of capital gains tax calculations.
- Tunisia - Banque Internationale Arabe de Tunisie (BIAT), State Street’s local subcustodian bank, will act as the withholding agent for capital gains tax applied on the net gain for securities which are processed through BIAT
- Ukraine - State Street’s local subcustodian, ING Bank Ukraine, acts as the tax withholding agent (provided the client maintains cash accounts with ING) with respect to sales proceeds from T-bills/corporate bonds provided that ING acts as a broker for a client. In case of sales proceeds from equities, it is the payer of funds that has to withhold taxes.
- Zimbabwe - Local brokers or agents are responsible for collecting and remitting the tax to the Zimbabwe Revenue Authority.

A tax advisor may be required under certain circumstances:

- Japan - Generally, it is not required for non-resident investors to appoint a local tax consultant in Japan. However, if transactions by non-resident investors are subject to capital gain tax, it will be required for them to appoint a tax agent to file relevant tax since banks licensed in Japan are not allowed to act as tax agent under the Japanese Banking Laws.
- Mexico - For OTC equity transactions, the seller is responsible for withholding the 25% over the gross proceeds tax and remitting the tax to the tax authorities. Eligible non-resident investors that elect to be subject to a capital gains tax of 35% of the net gain on OTC equity transactions instead of 25% of the gross proceeds are required to appoint a legal/tax representative in Mexico and the tax calculations must be certified by a local certified public accountant.
- Turkey - Non-resident investors are not required to appoint a local tax consultant; however, it is recommended that clients executing transactions which may be subject to corporate tax seek independent local tax counsel to ensure the correct calculation and payment of the tax.

Non-resident investors are not required to appoint a local tax consultant; however, they are encouraged to seek advice from their respective tax advisors if they are investing in instruments which may be subject to capital gains tax in the following markets:

- Albania
- Argentina
- Australia
- Austria
- Botswana
- Bulgaria
- Canada
- Chile
- China
- Egypt
- Estonia
- France

- Germany
- Greece
- Hungary
- Indonesia
- Ireland
- Israel
- Kazakhstan
- Kuwait
- Luxembourg
- Malawi
- Morocco
- Panama
- Philippines
- Poland
- Portugal
- Puerto Rico
- Russia
- Singapore
- Slovenia
- South Africa
- Spain
- Taiwan
- Tanzania
- Vietnam

3. The State of Maryland was considered to be the System's/Plan's sponsor five years ago when a similar RFI was issued. Is that still the case?

Yes, the State of Maryland remains as the System's plan sponsor.

4. We understand as well that no localities or political subdivisions of the State of Maryland also were considered System's/Plan's sponsors. Is that still the case?

Yes, this remains the case.

5. What was the value of the investment in each of the jurisdictions listed in Attachment 2 as of 31 December 2016 (or most recently completed period for which this information is available)?

See attachment A and question 30 below

6. What is the number of separate investment holdings in each of the jurisdictions listed in Attachment 2 as of 31 December 2016 (or most recently completed period for which this information is available)?

See attachment A, as well there are 233 partnerships

7. During the System's last fiscal year, how many transactions (e.g., investments, trades, and divestments) were made in each jurisdiction?

See attachment C

8. During the System's last fiscal year, how many foreign filings were required in each jurisdiction listed in Attachment 2 and what was the frequency of the required filings (e.g. quarterly, annually, etc.)?

Outside of what the System's custodian files, the number and frequency of required foreign files is not known.

9. In the jurisdictions listed in Attachment 2, was the System required to file in states, provinces, or other local jurisdictions?

No, the System was not required to file in states, provinces, or other local jurisdictions.

10. Does the System/Agency currently have a tax advisor or consultant that provides the potential scope of work in this RFI?

The System does not currently have a tax advisor or consultant that provides the potential scope of work in this RFI. The System's consultant does file in countries that do not require a global tax agent.

11. What "portfolio accounting services" are provided by State Street, and does the System/Agency contemplate that State Street will continue to provide those services after a service provider is chosen under this RFI?

The System's custodian has a proprietary portfolio accounting system. The custodian will continue to provide the same services after a service provider is chosen under this RFI.

12. The RFI asks for the "turnover of professional, tax and consulting staff for the past five years." In what format are you looking for a response – by jurisdiction? In percentage form?

Please respond to this question in percentage form by jurisdiction.

13. As a part of the RFI's Scope of Services, is it expected that the service provider chosen under this RFI will be responsible for handling any funds of the System?

Unless required by any specific country, the System does not expect the provider under this RFI to handle any funds. It is the System's expectation that funds will ultimately be handed by the custodian.

14. What is the name of the legal entity that will sign an engagement agreement with the service provider chosen under this RFI?

The contract would be between the Contractor and the Maryland State Retirement Agency for the use of the Board of Trustees for the Maryland State Retirement and Pension System. Under the State law, (i) the Board is responsible for the management, general administration, and proper operation of the System. (ii) the State Retirement Agency is an agency of the Board, and (iii) the Board is deemed the owner of all the assets of the System but may delegate some or all incidents of ownership to the Agency to administer the investment portfolios of the System.

15. The RFI's Scope of Services section labeled "Tax, Accounting and Compliance Consulting," states that the Agency seeks the performance of "audits in order for the System to remain compliant with all requirements necessary to maintain foreign institutional investor status." Please clarify if the scope of this service anticipates attest services. In addition, how often does the Agency contemplate that audits will be performed?

The System does not anticipate a need to be audited.

16. Please provide a list of tax or information returns filed by the System for U.S. federal tax purposes for the year ending 31 December 2016.

The System does not file U.S. federal tax returns.

17. Has the System/Agency been subject to audit by the U.S. Internal Revenue Service?

No, the System has not been a subject to an audit by the U.S. Internal Revenue Service.

18. Has the System/Agency been subject to a tax audit by any foreign jurisdiction?

Yes, the System has been audited by Germany three times.

19. In those jurisdictions listed in Attachment 2, where does the System/Agency already have a local country tax agent?

Please refer to the answer to Question #2.

20. Please provide your sample template foreign tax agent agreement that the System/Agency has with non-US tax agents.

The System does not have a sample template foreign tax agent agreement.

21. How many reclaims did the System/Agency make to non-US jurisdictions listed in Attachment 2 in the last fiscal year by jurisdiction?

Countries covered by our custodian were filed by the custodian. For the specific countries that we currently do not have a tax Agent,, the System filed zero reclaims.

22. In what jurisdictions in Attachment 2 does the System/Agency already have a treaty benefit certification?

See question 2 provided by custodian

23. Of those jurisdictions listed in Attachment 2, in what jurisdictions does the System/Agency file financial statements?

The System does not file financial statements.

24. One of the requirements listed in the "Potential Scope of Services" section is to "conduct special projects or other activities, as requested." What types of projects are contemplated? What has been the frequency of such special projects in recent years?

The System does not currently have a foreign tax agent, thus there have not been any special projects. Special projects will be assigned on an adhoc basis. An example of one likely project is to research the ability for tax reclaims on private equity partnerships going back a few years.

25. One of the requirements listed in the “Potential Scope of Services” section is to “maintain detailed records of all activities undertaken by the firm” and further to “provide on demand electronic access to the activities undertaken by the firm.” Does the Agency / System have a specific electronic format in which such records must be kept?

The System prefers to receive such information in excel format at least quarterly. The System is open to considering other best practices within the industry on receiving such information.

26. What details of the System’s transactions will be maintained by the System’s custodian versus what details of the System’s transactions are required to be provided by the service provider chosen under this RFI?

The System will require the service provider chosen under this RFI to maintain details of transactions with which it will be involved. Details of all transactions handled by the System’s custodian will be the responsibility of the custodian.

27. Is it anticipated that the System/Agency’s custodian and/or investment managers will access the detailed records maintained by the firm providing services under this RFI?

No, the System does not anticipate the custodian or investment managers to have access to detailed records maintained by the firm providing services under this RFI.

28. The RFI on page 7 requests the provision of “a current list of **five (3)** clients for global tax agent, accounting, compliance and consulting services similar to those requested by this solicitation.” Are five(5) or three(3) references requested?

Three (3) references are adequate for this RFI.

29. A similar RFI was issued by the Agency/System approximately five years ago, but we understand that after proposals were submitted to the RFI that the RFI was canceled. Can you confirm that the RFI was indeed not awarded previously. Also, what facts have changed to re-issue the RFI at this time?

The System can confirm that a service provided was not hired as a result of the prior, similar RFI. The System's asset allocation has changed with a meaningful increase to both private equity and emerging markets.

30. How many of the 245 funds that the Agency/System invests in are treated as partnerships for US tax purposes?

As of June 30, 2017, the System had 233 partnerships. Below are the country locations and values (in millions) for the partnerships.

Country of Limited Partnerships		
	# of	USD
Country	Partnerships	Values
Australia	2	65
Germany	1	2
Hong Kong	2	47
Italy	1	19
Japan	2	2
Singapore	2	37
Malaysia	1	105
UK	38	678
US	179	7,041

31. How much foreign withholding taxes has the Agency/System paid through its investments?

The System has paid the following foreign tax withholding: 2016 = \$3.2 million; 2015 = \$1.6 million; 2014 = \$2.0 million on its Limited Partnerships. See attachment B for taxes paid on Dividends.

32. Does this RFI cover US Federal withholding taxes and State taxes?

Yes, this RFI covers US Federal withholding taxes and State taxes.

33. Does the Agency/System still consider itself a governmental plan exempt from taxation under IRC Section 115?

Yes, the System considers itself a governmental plan exempt from taxation under IRC Section 115.