

Office of the Illinois State Treasurer
Michael W. Frerichs

Request for Proposals
Custodial Service for The Illinois Funds (Local Government Investment Pool)
370-300-23-008

Addendum 1
May 3, 2023

Below are the questions received by the Office of the Illinois State Treasurer (“Treasurer”) and the Treasurer’s responses. But for the removal of identifying information, the questions listed herein are intended to be accurate representations of the questions received; as such, any errors in usage or spelling have not been corrected. Any capitalized terms that are not defined herein have the meaning set forth in the Request for Proposals Custodial Service for The Illinois Funds (Local Government Investment Pool) 370-300-23-008 (“RFP”) published by the Treasurer on March 15, 2023.

1. Why is the state conducting the RFP, i.e. due diligence requirements? Is the incumbent custodian U.S. Bank eligible to submit a bid? And when did the state first hire the firm and conduct the search that led to that hire?

The Office of the Illinois State Treasurer (“Treasurer”) issued a Request for Proposals in 2014, with the [award](#) being finalized in late 2015. The Treasurer is issuing this new solicitation due to the age of the current contract. The incumbent is not precluded from submitting a Proposal.

2. We strictly provide custodial services. We have several transfer agent and fund accounting partners of course; our primary question, before we explore this opportunity in more depth, is whether or not your team would be open to receiving a response from two providers.

The Treasurer will consider any Proposals that comply with the RFP; however, it may be necessary for contracting purposes for one provider to be a subcontractor of the other provider if there are two.

3. 1. Contractor shall ensure that Participants are able to: a. Make deposits at any local custodian branch throughout the state; b. Have access to a post office box exclusive to Participants of The Illinois Funds and/or a physical mailing address for overnight deliveries; c. Have deposit slips made available to Participants which shall include The Illinois Funds logo and other such information that the Treasurer may deem necessary; and/or d. Offer remote deposit capture services. Contractor shall provide at least one machine per Participant at no charge to facilitate the remote capture service option, if made available.

Can you elaborate on items A &D? Are you just looking to confirm that the service provider has wire, ACH, electronic deposit capabilities? Any additional clarity you could provide would be helpful.

Please note, this Question appears to relate to Section III.F.1 of the RFP. And yes, in items A and D the Treasurer seeks confirmation that Respondent can make those Services available.

4. Page 34 of the RFP, Section K states that a subcontractor must be approved in advance by the Treasurer. Please describe this process in greater detail and confirm exactly when the approval is required.

The Treasurer must approve any subcontractor prior to the Contractor's use of any such subcontractor. At a minimum, any such subcontractor must meet the requirements therefor that are stated in the RFP, including, as required by Section IV.A.7 and IV.A.8 of the RFP and without limitation, a description of the work the subcontractor will provide and completed State Certifications and Disclosures as attached to the RFP as Appendices B and C.

5. Page 6, Section B.4. mentions no less than \$1 billion capacity for daylight overdraft or \$500 million in commercial paper capacity. Please describe in detail the DOD requirement as well as what the commercial paper capacity is used for and how the end of day cash process works.

The daylight overdraft requirement is used to ensure that the Contractor has the capacity to facilitate processing all trades at the Federal Reserve to ensure that no trades fail to settle due to Contractor capacity. The commercial paper capacity is in place to ensure that the Contractor can accept all commercial paper purchases executed each day.

At the beginning of each day, the Contractor will report to the Treasurer a beginning balance for the day and notify the Treasurer of any changes due to interest payments received, or other events impacting fund balance, as they arise. At 11:00 a.m. CST (when the Illinois Fund officially closes), the Contractor will report any shareholder purchases and redemptions that transpired through the day. A final trade is made by the Treasurer, typically a redemption or purchase into or out of an approved money market account to balance out the cash. The cash for money market accounts is held at the mutual fund and the Contractor will either receive a wire for a redemption or wire money to the mutual fund for a purchase.

6. Page 7, Section B.8 discusses the DVP settlement and Safekeeping of assets at the Federal Reserve Bank and DTCC. Are the money market mutual funds actually held by the custodian in a custody account? Please describe how these assets are traded and maintained.

Accounts are held at respective mutual funds. The Treasurer conducts the trades and the Contractor will either wire or receive funds to or from respective mutual funds as directed by the Treasurer.

7. To assist with pricing, please provide full banking DDA account analysis statements including detailed volumes and service descriptions.

While the Treasurer will not provide as an Exhibit any existing per-item prices, the Treasurer has provided a fee schedule, appropriate to the Services contemplated in the RFP, as Appendix A.

8. To assist with pricing, please provide a recent month-end investment custody statement reflecting investments held and transactions.

Illinois Funds portfolio allocations dating back to 2015 can be found on the open data portal, [The Vault](#). The most recent four months are also available as individual monthly reports [here](#).

9. Will the State of Illinois provide a current fee schedule of the current provider for the custody, fund accounting and transfer agency?

While the Treasurer will not provide as an Exhibit any existing per-item prices, the Treasurer has provided a fee schedule, appropriate to the Services contemplated in the RFP, as Appendix A.

10. Does the investment team utilize Bloomberg AIM?

The Treasurer does not currently utilize Bloomberg AIM.

11. Is there a cash management tool that the investment team utilizes to capture cash flow data?

Yes. The Treasurer's current Contractor provides software that shows current inflows/outflows in real time.

12. Are there currently any State of Illinois Treasurer's office employees performing marketing or accounting services for the Illinois Funds?

Yes.