

TrustINdiana

2012

TrustINdiana provides all Indiana local units of government and agencies of the State the opportunity to invest in concert, benefitting from the inherent economies of scale, and to utilize an alternative design specifically for public funds.

Questions and
Answers

THE OFFICE OF THE TREASURER OF STATE
RESPONSES TO TRUSTINDIANA 2012 RFI INQUIRIES

- 1) **Question:** Commercial paper - Specifically with reference to “highest rating” for a company based on a nationally recognized rating service, is this the highest short-term or long-term rate?

Answer: Indiana Code 5-13-10.5-11.5 enables the treasurer of state to invest in commercial paper rated in the highest rating category by one (1) nationally recognized rating service and with a stated final maturing of two hundred and seventy (270) days or less from the date of the purchase, and does not specify between the highest short-term or long-term rate.

- 2) **Question:** Can we use government collateral short-term repurchase agreements, specifically, 7-day, direct government obligation US treasuries?

Answer: The treasurer of state can use government collateral short-term repurchase agreements, specifically, 7-day, direct government US treasuries.

- 3) **Question:** Are we allowed to use up to 5 year maturities for 25% of the portfolio, per recent code?

Answer: Indiana Code 5-13-10.5-3 permits the treasurer of state to invest in securities having a stated final maturity of five (5) years after the date of purchase; however, the total investments may not exceed twenty-percent of the total portfolio of funds invested. While statutorily authorized to make such investments, the current Investment Policy Statement (IPS) outlines different guidelines. Please refer to the IPS located on the TrustINDiana website.

- 4) **Question:** The Treasurer of State of Indiana has the ability to invest state funds into the LGIP; does this mean that the LGIP has a minimum balance (current balance is \$564,390,273.00); and if so what is the LGIP minimum balance maintained by the Treasurer of State?

Answer: Indiana Code 5-13-9-11 does not require the State to invest in the TrustINDiana Pool (“Pool”). Currently, the State of Indiana has \$200mm invested in the Pool.

- 5) **Question:** Please provide the current portfolio for review for Sec Lending revenue.

Answer: See Attachment A enclosed with this response.

- 6) **Question:** What is the volume of trading? Please provide a full year of transaction history

Answer: During the past year, we have:

1. maintained bank balances with four to six different financial institutions
2. been more active in Commercial Paper; and
3. held up to six different treasury/agency positions at one time

7) **Question:** Are there any specific reporting needs for the Custody account? Will the Treasurer require statements monthly, quarterly, semi-annually?

Answer: Currently, the Office of the Treasurer has “real time” access to the custody account.

8) **Question:** Is the custodian expected to provide DDA services as well? Does each municipality have its own local bank account and move money in and out of the TrustINDiana fund on a periodic basis?

Answer: We have a bank account that services the custody account. All municipalities have individual bank accounts for the purpose of receiving and sending electronic transfers.

9) **Question:** Please provide information regarding volumes experienced by the current transfer agent:

a) The number of participants accounts

Answer: TrustINDiana currently has 189 participants in the pool.

b) The number of new accounts per month

Answer: Our reports track this data yearly. TrustINDiana averages between 8-12 new accounts a year.

c) Average number of participant calls per month

Answer: We do not possess records that contain information for the average number of participant calls per month.

d) Expected response time to incoming calls i.e. 20 sec

Answer: We do not possess records that contain information for the expected response time to incoming calls.

e) Average number of participant trades per month (both manual and via website)

Answer: The average number of participant trades/transactions per month is 125, with 67 processed via the website and the other 58 processed manually.

f) Number and type of money movements per month (wires, ACH, checks)

Answer: The average number of money movements per month is 113 (68-wire; 45-ACH), along with 12 internal transfers between accounts. TrustINDiana does not accept contributions by check or issue check disbursements.

g) Number of maintenance transactions per month (address changes and other non-financial transactions)

Answer: Including changes in signatories, bank accounts, contact information and other non-financial transactions, the average number of maintenance transactions per month is 43.

10) **Question:** Please provide the name of the current transfer agency system on which the participant records are kept

Answer: TrustINDiana’s participant records are housed in a proprietary system maintained by the current program administrator.

11) **Question:** What are your participant reporting needs, frequency and in what format?

Answer: Currently, our participants enjoy daily access to their accounts.

12) **Question:** Are there any other periodic, formal financial reports required beyond the annual report, such as semi-annual or quarterly financial statements?

Answer: There are no other periodic, formal financial reports required beyond the annual report, such as semi-annual or quarterly financial statements.

13) **Question:** Online Transfers - Please clarify if transfer means “to redeem units” of the fund? and send proceeds to an Operating account at another institution?

Answer: “To redeem units” relates to sending or receiving funds between the Fund and a participant.

14) **Question:** Please provide details of your data requirements to support TrustINDiana Website, frequency and format

Answer: Our data requirements are standard for those who are knowledgeable in website maintenance: daily/ monthly updates to the website.

16) **Question:** May we see a sample of the complete redacted participant statement packet and a sample confirm?

Answer: Please see Attachment A and Attachment B.

17) **Question:** May we see your current Service Level Agreements or Documents?

Answer: Our contract with Cutwater Asset Management (“Cutwater”) is currently published on the Indiana Department of Administration’s website, www.in.gov/idoa.

18) **Question:** Please provide a list of current portfolio holdings

Answer: Please see Attachment A.

19) **Question:** How many Indiana local units of government are there? What percent are currently invested in the Investment Pool?

Answer: The number of local government units in Indiana is approximately 2,000; about 10% of local units are invested in the Pool.

20) **Question:** What is the total amount of funds that are managed internally within the Treasurer's Office? Would the Treasurer's Office consider outsourcing this portion in addition to the other LGIP funds?

Answer: The Treasurer of State welcomes and will consider new creative alternatives to the management of the local government investment pool ("Pool"). Under the terms of the current contract, Cutwater manages the Bank Portfolio and the portion of the portfolio of the Pool that is invested in commercial paper, which at the very least constitutes 50% of the total amount of the Pool's funds.

21) **Question:** What was the reason or opinion for the drop in balances from \$833mm on June 2011 to current balances?

Answer: Last year marked historic lows for yield in the market. It is our opinion that the drop in yield greatly contributed to the decrease in the Pool's balance.

22) **Question:** Regarding the current full time employee who markets the LGIP (RFI - Article II Section D) is it correct that his/her expense is NOT funded/paid by the 12 bps currently earned by the Advisor? Are there any other individuals currently dedicated to marketing the Fund, be they employees of the Administrator or the Advisor?

Answer: The current full time TrustINDiana employee's work expenses are not paid from the 12 bps points earned by Cutwater. While the Treasurer of State has not dedicated any other individuals to marketing the Pool, Cutwater provides marketing support to the full time TrustINDiana employee.

23) **Question:** Is the current contract with Cutwater Asset Management up for renewal? If not, why is a Request for Information seeking a qualified provider for services being requested? Is the incumbent being invited to respond?

Answer: The current contract with Cutwater will expire in January 2013. Cutwater has been invited to respond to the TrustINDiana RFI.

24) **Question:** Is the 2012 Audit available for review? If not, can the Administrator provide the financial condition of the Fund as of June 30, 2012?

Answer: The 2012 Audit is not complete at this time. However, the Audit may be completed prior to the RFI September 17, 2012 deadline. The Audit will be made available on the TrustINDiana website

the week of September 10, 2012. Until that time, please refer to the 2011 Audit located on the website.

25) **Question:** Is management of the depository/banking relationships and allocation of funds to those investments solely the responsibility of the Investment Advisor?

Answer: Under the current contract, it is the investment advisor's responsibility to manage the depository/banking relationships and allocate those funds. The Office of the Treasurer has extended support for the benefit of the Pool.

26) **Question:** Who is responsible for determining the allocation between assets managed by the Advisor and the Administrator/state?

Answer: The Office of the Treasurer is responsible for determining the allocation between assets managed by the Advisor and the Administrator/state.

27) **Question:** Does Cutwater Asset Management offer a Marketing Plan with the current agreement? If so, is it funded from the 12 basis points they are paid from the FY2011 Audit?

Answer: Under the current agreement, Cutwater offers a Marketing Plan, which is funded from the contracted 12 basis points.

28) **Question:** Would you please provide a current list of holdings within the portfolio at the CUSIP level?

Answer: I am unable to release that information due to our Internal Access to Public Records Policy. Indiana Code 5-14-3-4(b)(6), the deliberative material exception, states:

"records that are intra-agency or interagency advisory or deliberative material, including material developed by a private contractor under a contract with a public agency, that are expressions of opinion or are of a speculative nature, and that are communicated for the purpose of decision making may be withheld from disclosure."

Like many other government agencies, the Office of Treasurer of State exercises its right to withhold deliberative material. We will post on our website a snapshot of July 2012 statement.

29) **Question:** What is the JPM fund ticker?

Answer: We currently have two depository accounts with JP Morgan.