1. On the requirement that the pool hold 50% of its assets in approved depository's, are there investment guidelines already in place for those type of investments? Despite the insurance fund, I would think that there would be some other rule regarding the exposure to each individual bank which could be different if the bank has ratings etc. Since it will be such a large part of the pool, we really want to make sure that we understand the ramifications.

The statute simply requires that 50% of the funds in the pool be "deposited in banks qualified to hold deposits of participating government units." While the term "deposits" is not defined in the statute, it is presumed to have a meaning similar to "deposit accounts" as found in IC 5-13-4-7. The statute's language requires this money to be held only by a bank or banks on the state's approved depository list. See http://www.in.gov/tos/p_fin_rpts.htm. There are no other requirements. The entire 50% could conceivable be deposited in a single approved bank.

2. In the Repurchase agreement section, it also mentions that the only allowable counterparties are those that are "depositories designated by the state board of finance". Is this the same list that the deposit requirement uses? If there is a separate list can you tell me where we could find it?

This list also refers to the state's approved depository list. It can be found at http://www.in.gov/tos/p_fin_rpts.htm.

3. As part of the Information Requested you ask for a "LGIP Procedures Guide". Can you describe what you are looking for there? I am assuming it is an informational piece describing how the participants will open accounts, trade in their accounts, subscribe/redeem, get online account access etc. Is that correct?

This request was purposely broad. Your assumption is essentially correct. The Guide should be designed for participating entities and should be written with this in mind.

4. One item for clarification:
   IC-5-13-10.5-3, The last sentence states "This subsection expires July, 1,2007". Has it been re-enacted, or disregard that portion of the code?

Subsections (b) and (c) did sunset on July 1, 2007. These provisions are currently part of a technical corrections package that we anticipate will be passed and reinstated by the General Assembly early in 2008. You may make this assumption as part of your response.

5. For the LGIP request for information, one of your requirements is for at least 50% of the funds to be deposited at financial institutions on your approved depository list. How can Wachovia Bank, N.A. Be considered to be on your approved list?

Indiana Approved Depositories are listed on the Treasurer's web site at: http://www.in.gov/tos/p_fin_rpts.htm.

That statute which governs the requirement for a financial institution becoming an approved depository can be found in IC 5-13-9.5 et seq.
http://www.in.gov/legislative/ic/code/title5/ar13/ch9.5.html

Notably, the statute requires the institution be "suitably located with reference to the convenience of the officers and state institutions using that financial institution." Traditionally, this has meant that the institution must have some brick and mortar retail presence within the State of Indiana.

The requirement to maintain approved status is contingent on submitting a quarterly report of financial condition, with an accounting of public funds on deposit.

6. A question in the RFI states that "The administrator is considering investing a portion of the LGIP "in-house". Please indicate how your firm would accommodate this." Please clarify and elaborate what the expectations are related to investing a portion of the LGIP "in-house". In addition, how important is this flexibility?

The desire of the Administrator to invest a portion of the funds in the LGIP "in-house" is an option that has been considered as a cost saving measure. The Administrator currently invests a significant amount of the state's general and other fund monies in house. In keeping with the open-ended nature of this RFI, please feel free to comment on the efficaciousness of this option. If necessary, your firm may chose to submit proposed pricing in the alternative, with both an "in-house" option for a portion of the LGIP and no "in house" option. Please keep in mind the ultimate goal of cost savings to plan participants.

7. The RFI states that no less than 50% of the assets need to be invested in the approved list of banks. Why no less than 50%? It would seem to hurt diversification and returns. In addition, less diversification generally means greater risk.

The 50% requirement is not the choice or prerogative of the Administrator. It is a requirement placed in the statute by the Indiana General Assembly. The Administrator recognized that the presence of this requirement presents unique challenges to the goal of maximizing the return of the LGIP. The successful respondent to this RFI will be able to suggest creative alternatives for addressing this requirement while simultaneously maximizing returns.

8. The RFI states that "No less than 50% of the funds available for investment in the LGIP must be deposited in banks qualified to hold deposits of participating local government entities." This statement refers to banks which appear on the State of Indiana's approved depository list.

At this point there are only approximately only 10 banks from the State of Indiana's approved depository list that appear on [our] approved list. We would not be able to approve other small community banks that they invest in and it would be very difficult to invest in these approximately 10 approved banks given that they are not always in the market looking for funding. Are you open to a broader approved list of banks and other high quality financial institutions? We could work with you on this issue like we did with MMDT (e.g. European banks). Also, the State of Indiana's approved depository list provided included a few large banks like Wells Fargo and JP Morgan but not Bank of America, Wachovia or Citibank. Why are some large banks on the list while others are not and would there be an opportunity to add others?

The statute requires that the 50% of LGIP funds invested in deposits in banks, MUST be invested in bank on the list of approved depositories approved by the State Board of Finance and maintained by the Indiana Board for Depositories.

That statute which governs the requirement for a financial institution becoming an approved depository can be found in IC 5-13-9.5 et seq.
http://www.in.gov/legislative/ic/code/title5/ar13/ch9.5.html

Notably, the statute requires the institution be "suitably located with reference to the convenience of the officers and state institutions using that financial institution." Traditionally, this has meant that the institution must have some brick and mortar retail presence within the State of Indiana.

The requirement to maintain approved status is contingent on submitting a quarterly report of financial condition, with an accounting of public funds on deposit.

9. I noticed that the IC code nor legislation included verbage mandating a percentage of business go to MWBE or WBE certified firms. Will this mandate be included in the legislation as an amendment, and how will firms submitting an RFI who are partnering with MWBE /WBE firms be viewed.

You are correct that the LGIP statute does not contain any MWBE or WBE language. I do not know of any discussions about amending the current statute. Responding firms are certainly free to include their status or involvement with MWBE or WBE firms.

10. It's mentioned in the RFI that the treasures office may utilize funds to seed the RFI, it this should occur, approximately what dollar value will be utilized to seed the pool.

The Office of the Treasurer has not arrived at a firm number that it is willing to invest in the pool as initial "seed money." Respondents may feel free to suggest a number or even state in their response that a certain pricing is contingent upon a certain up-front dollar amount being placed in the pool by the Treasurer.

11. I'd like to know if the TOS will post all applicants who submitted RFI to the 8-31-07 LGIP request. Your response to this question would be greatly appreciated. I also preceeded this e-mail with a phone call. Thanking you in advance.

The following is a list of organizations submitting responses to the recent RFI:

JP Morgan
SDM
Oppenheimer
Great Bank Trust Company
MBIA
Bank of New York
Public Financial Management
National City
Blackrock
Harris Investment Group
PMA
M &I
US Banc Corp
Umbaugh
Huntington
PRM