

Office of the Illinois State Treasurer
Michael W. Frerichs

Request for Proposals Securities Lending
370-300-19-006

Addendum 1
September 13, 2018

Below are the questions received by the Office of the Illinois State Treasurer (“Treasurer”) and the Treasurer’s responses. The questions listed herein are intended to be accurate quotations 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 Information Securities Lending (370-300-19-006) (“RFI”) published by the Treasurer on September 5, 2018.

1. Regarding IV – Response Format: How many responses are required?

The Treasurer would prefer Respondents provide three (3) hard copies, along with an electronic copy submitted either on an additional drive, or via email to the contact listed in Section III.D of the RFP. However, that is not a requirement; please note that the Treasurer will accept any responses submitted via email or mail by the deadline as stated in Section III.D of the RFP.

However, please note further that any responses to the RFI will become part of a public file. Therefore, if the Response contains any information that Respondent considers to be exempt from public disclosure under the Illinois Freedom of Information Act (“FOIA”) (5 ILCS 140) or other applicable laws and rules, Respondent should separately submit an additional copy of the Response with proposed confidential information redacted, which copy shall be clearly identified as the “Redacted Copy.” In a separate attachment to the Redacted Copy, Respondent shall supply a listing of the provisions of the Response, identified by section number, for which it seeks confidential treatment, identify the basis of each claimed exemption and show how that basis applies to the request for exemption in accordance with 44 Ill. Admin. Code §1400.2505(l). The Redacted Copy must retain as much of the Response as possible.

2. Regarding IV – Response Format: Will the Treasurer’s Office accept electronic submittal in lieu of physical submittal?

Please see the response to Question # 1 above.

3. Is there a requirement for diversification across borrowers of securities?

Borrowers must have a rating of 'A-1' or 'A-1+' from Standard & Poor's or an indemnification of their obligations from an entity with a Standard & Poor's rating of 'A-1' or 'A-1+'.

4. What are permitted forms of collateral for repurchase agreements used in the investment of cash collateral? In specific, are non-traditional repurchase agreements a permitted investment? That is, repurchase agreements collateralized by equities, high yield bonds, investment grade bonds, etc.

Collateral forms must comply with the Standard & Poor's guidelines for 'AAAm' money market funds and with the Investment Policy Statement for the Illinois Funds.

5. Is it possible to expand the maximum maturity requirement of a securities lending transaction from 30 days to 35 days?

No. Standard & Poor's restricts securities lending transactions to 30 days for all 'AAAm' rated funds.

6. Is there a diversification requirement on investments of cash collateral?

Yes. Investments purchased with cash collateral are treated the same as any other asset in the portfolio, and must comply with the Standard & Poor's guidelines for 'AAAm' money market funds and with the Investment Policy Statement for the Illinois Funds.

7. Has the Illinois Funds considered non-cash collateral? i.e. GSE MBS/CMOs as collateral rather than cash?

The Illinois Funds would prefer to receive cash collateral but will evaluate any proposals that involve the use of non-cash collateral.