

Office of the Illinois State Treasurer
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Request for Information E-Pay Accounts

Addendum 2
May 5, 2015

Below are the questions received by the Office of the Illinois State Treasurer (“Treasurer”) and the Treasurer’s responses. Any capitalized terms that are not defined herein have the meaning set forth in the Request for Information (“RFI”) E-Pay Accounts issued by the Treasurer on April 17, 2015.

1. Who is the current custodian for the E-Pay accounts? When does the current contract expire?

US Bank is the current custodian. The contract is currently set to expire on June 30, 2015, but the parties intend to extend it to early 2016.

2. Please describe how most E-Pay participants use their E-Pay accounts. Do participants typically accumulate balances in these accounts or are balances typically swept (daily / weekly) to their Illinois Funds account? Can you provide an aggregate average daily balance for all 800 E-Pay accounts or, alternatively, a single account average daily balance?

Currently, all E-Pay accounts are Illinois Funds accounts. Due to legally required changes, all Illinois Funds accounts will become true “investment accounts,” thus necessitating the separation of E-Pay accounts, so they become solely “transaction” accounts. The usage of E-Pay accounts as far as balances is across the spectrum. The average total balance of all E-Pay accounts over the past 18 months is nearly \$739,000,000.00. The total program processing volume funded to E-Pay accounts is approximately \$150,000,000.00 on average per month.

3. What types of transactions do participants typically initiate from their E-Pay accounts? Are these transactions limited to ACH and wire transfers to their Illinois Funds accounts or do some participants write checks directly from their E-Pay accounts? Can you please provide aggregate annual transaction volume (Wire / ACH / check) for all 800 E-Pay accounts?

Currently, E-Pay accounts are allowed to initiate transactions from their accounts via wire, ACH and check. However, the E-Pay program is in the process of removing the check writing

capabilities from the accounts and expects to have this completed before the end of 2015. The transaction volume for the first quarter of 2015 from E-Pay accounts is 10,700 items.

4. Who currently handles merchant card processing for the E-Pay program. How frequently does the processing institution fund the participant E-Pay accounts (daily, multiple times daily, weekly)? Is the merchant processing contract also being transitioned or will that remain constant with the current provider through the Illinois Funds and E-Pay custodian transitions?

Forte Payment Systems, Inc. is the current payment processor, and it funds the E-Pay accounts daily. The processing contract is not being put out for procurement at this time, because it does not expire until October 2017, and it is subject to renewal.

5. Are transaction and account fees for the E-Pay accounts currently billed to the individual participants or are they billed to the Treasurer's Office?

The fees are currently part of the overall fee structure of the broader Illinois Funds monthly management fees and are taken from the earnings of the Illinois Funds.

6. Page 3, Section 1 - there are 800 participants. Does that equate to 800 E-Pay accounts?

Currently, there are just over 1,000 E-Pay accounts.

7. Can you provide the following for the E-Pay accounts:

Average balances:

Monthly transaction volume:

Monthly chargeback volume:

Monthly number of overdraft occurrences:

The usage of E-Pay accounts as far as balances is across the spectrum. The average total balance of all E-Pay accounts over the past 18 months is nearly \$739,000,000.00. The total program processing volume funded to E-Pay accounts is approximately \$150,000,000.00 on average per month. The chargeback volume for 2014 was approximately \$280,000, which results in a monthly volume of approximately \$23,333 per month. For 2015, the year to date chargeback volume is approximately \$151,000, which results in a monthly volume of approximately \$37,750 per month. The monthly average number of overdraft occurrences is 5, but there have been no more than 12 overdrafts per month over the past 12 months.

8. Are Participants charged for overdrafts:

Currently, Participants are not charged for overdrafts.

9. Page 3, Section 2 - In the current environment the custodian administers transaction accounts and E-Pay accounts. Is there a reason you are looking for two separate custodial banks – one for Illinois Funds and one for E-Pay accounts? Who is the new custodian for Illinois Funds? How do the Participants move funds from their E-Pay accounts to their Illinois Funds accounts?

Currently, all E-Pay accounts are Illinois Funds accounts, so movement of funds between accounts is not applicable. Due to legally required changes, all Illinois Funds accounts will become true “investment accounts,” thus necessitating the separation of E-Pay accounts, so they become solely “transaction” accounts. It is the Treasurer’s priority to maintain the current routing and account numbers. Whether there is one custodian for the Illinois Funds accounts and E-Pay accounts or separate custodians for each is not a factor. The Treasurer is currently negotiating with US Bank Fund Services to become the custodian of the Illinois Funds following expiration of the current contract.

10. Page 6, question 23 - Can the Respondent take a fee out of the fee paid to the Treasurer? How is the Respondent compensated for account service fees?

The Respondent would charge Participants a fee for the services it provides.

11. Page 6, question 25 - Of the 800 Participant accounts, how many would have balances over the \$250,000 FDIC limit?

Using the average collected balance over the last six months, there are anywhere from 80 to 140 accounts with balances over the \$250,000 FDIC limit.

12. How many bills are currently being presented online, over-the-phone, and over-the-counter on a weekly or monthly basis?

The intent of this RFI is to ascertain the course of action the Treasurer should take to allow Participants to keep the current bank routing number and their funding account numbers, when a new bank takes over the E-Pay accounts. Payment processing is not a part of this RFI.

13. Is the Treasurer looking for a hosted solution?

The intent of this RFI is to ascertain the course of action the Treasurer should take to allow Participants to keep the current bank routing number and their funding account numbers, when a new bank takes over the E-Pay accounts. Payment processing is not a part of this RFI.

14. What type of terminals are being used today for over-the-counter transactions?

The intent of this RFI is to ascertain the course of action the Treasurer should take to allow Participants to keep the current bank routing number and their funding account numbers, when a new bank takes over the E-Pay accounts. Payment processing is not a part of this RFI.

15. Is the Treasurer looking for a single solution for all of the payment methods?

The intent of this RFI is to ascertain the course of action the Treasurer should take to allow Participants to keep the current bank routing number and their funding account numbers, when a new bank takes over the E-Pay accounts. Payment processing is not a part of this RFI.

16. The RFI refers to “custodial bank” throughout. Is the Treasurer looking for a custody solution or a commercial bank solution? Transactional money market accounts are held on our commercial bank platform.

The Treasurer will use the information learned from this RFI to look for a commercial bank solution.

17. What are the average balances held in these 800 accounts? Are the new “transaction” accounts to be interest bearing?

The usage of E-Pay accounts as far as balances is across the spectrum. The average total balance of all E-Pay accounts over the past 18 months is nearly \$739,000,000.00. The new E-Pay accounts will not be interest bearing.