

NJMC Bank Services RFP
Questions and Answers
March 18, 2008

Q. Please define "Rapid Deposit".

A. The NJMC currently utilizes check scanning equipment at its offices to directly deposit checks it receives from its customer. This process saves resources by not having an employee visit the local branch to make the daily deposits.

Q. In reference to Form #1, please provide the detail of what makes up the line item "Transactions" (682 items).

A. This line item represents the number of electronic transactions processed through Treasury Direct (internet banking).

Q. Looking at the exhibits, there are some large balances that seem to switch between the bank balance and the NJ Cash Management Fund Balance. Did something change during the course of the year that caused the re-allocation? Will this be the case going forward?

A. The NJMC moved a substantial amount of its funds from its bank into the NJ Cash Management Fund due to the spread in interest rates between amounts earned from each of these sources. As the short term treasury yields fell in the later part of CY2007, the NJMC was able to earn a much higher rate than what it earned on its banking deposits. The NJMC constantly monitors the rates from both these institutions and will select the higher yielding account for its operating funds.

Q. In the investment policy, mutual funds are not mentioned (except for NJ Cash Management Fund). Are you allowed to buy funds that invest only in the types of securities mentioned?

A. The NJMC investment policy only permits mutual fund investments for its internally managed funds in the NJ Cash Management Fund. For the purposes of this RFP, NJMC is limited to collateralized deposits in banking institutions or investing in the NJ Cash Management Fund.

Q. From the investment policy, it appears that separate accounts are appropriate investment vehicles. Do you currently use any vendors to manage cash? If so, what benchmark(s) do you use for such cash?

A. Separate externally managed accounts representing the NJMC's Closure and Post Closure Funds are currently managed by several institutions. They are governed by escrow agreements executed with another state agency. Since the investments are very similar to those contained in the NJMC Investment Policy, the benchmark used to monitor their performance is both a short and medium term treasury/government index.

Q. A major advantage of doing business with a large bank with investment capabilities is the use of alternative vehicles for sweeping cash from a concentrated account. Have you used money market funds as sweep vehicles before?

A. The NJMC has not used money market funds as sweep vehicles, but instead has relied on short term Treasury indexed based returns on its collateralized deposits.