



# Indiana Board for Depositories

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## Indiana Board for Depositories

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Semi-Annual Report to the State Budget Committee

**Fiscal Year 2015**  
(July-December 2014)

*12/31/2014*

The Public Deposit Insurance Fund (PDIF) was created by the acts of 1937 to insure the deposits of public monies in Indiana’s banks, similar to the way the FDIC insures individual depositors’ accounts. The PDIF insures those public funds that exceed the limits of the coverage provided by any federal deposit insurance program. The PDIF is administered by the Board for Depositories (BFD) and is managed and invested by Treasurer Kelly Mitchell in her capacity as the BFD’s Secretary-Investment Manager.

During the 2010 legislative session, the Indiana General Assembly passed House Enrolled Act 1336, which gave the BFD tools to be more strategic in the safekeeping and prompt payment of public funds held in Indiana depositories. What followed was the creation of the Collateralization Program. Operational in 2011, the Collateralization Program establishes procedures for securing, by the pledging and/or delivering of eligible collateral, public funds maintained in depositories which are not otherwise insured by a federal deposit insurance program.

The BFD established a method for evaluating the financial condition of these depositories and developed a matrix used to determine collateral requirements. The matrix is a tiered system, based on the financial profile ratings of each depository and the amount of non-federally insured public deposits held<sup>i</sup>. Under the system, depositories have the option of pledging marketable government securities or a letter of credit from a qualified Federal Home Loan Bank, depending upon their collateral status. Most often, a letter of credit is used to satisfy all or a portion of the pledging requirements.

**The Average Daily Balance of Net Public Funds<sup>ii</sup>**

1<sup>st</sup> Quarter FY '15

2<sup>nd</sup> Quarter FY '15

Number of Financial Institutions	164	165
Average Daily Balance of Net Public Funds	\$12,947,692,320.52	\$12,460,631,261.69

**FY 2015 Collateral Requirements**

1<sup>st</sup> Quarter FY '15

2<sup>nd</sup> Quarter FY '15

0% Collateral	150	152
50% Collateral	9	9
100% Collateral	2	1
Voluntary 100% Collateral	3	3

- The number of institutions that are required to post 100% and 50% collateral continue to decline (reflected in appendix). An average of \$2,112,353,072.50 or 16.3% of public funds were secured by the collateralization program for the first half of fiscal year 2015 (July 1-December 31, 2014).

## The Average Financial Profile Rating

1<sup>st</sup> Quarter FY '15

2<sup>nd</sup> Quarter FY '15

57	57
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### Collateral Matrix-

- A financial rating between 0-19 requires 100% collateralization
- A financial rating between 20-39 requires 50% collateralization
- A financial rating of 40 and above requires 0% collateralization

As indicated in the above table, the average Indiana Depository is required to pledge 0% in collateral.

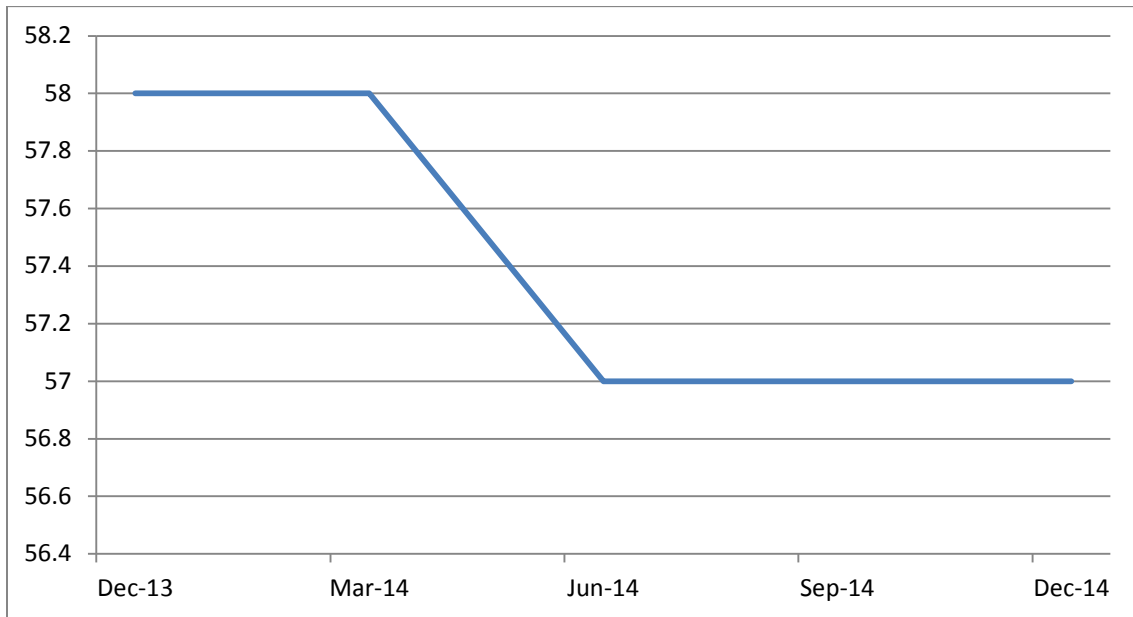
### **Public Deposit Insurance Fund**

The PDIF is funded by assessments payable by every depository that has public funds. The BFD may waive this assessment if, at its discretion, it determines the assets of the fund are equal to the reserve of losses. The BFD has the authority to invest, reinvest, and exchange investments of the PDIF in excess of the cash balance in certain securities set out in Indiana Code 5-13-12.

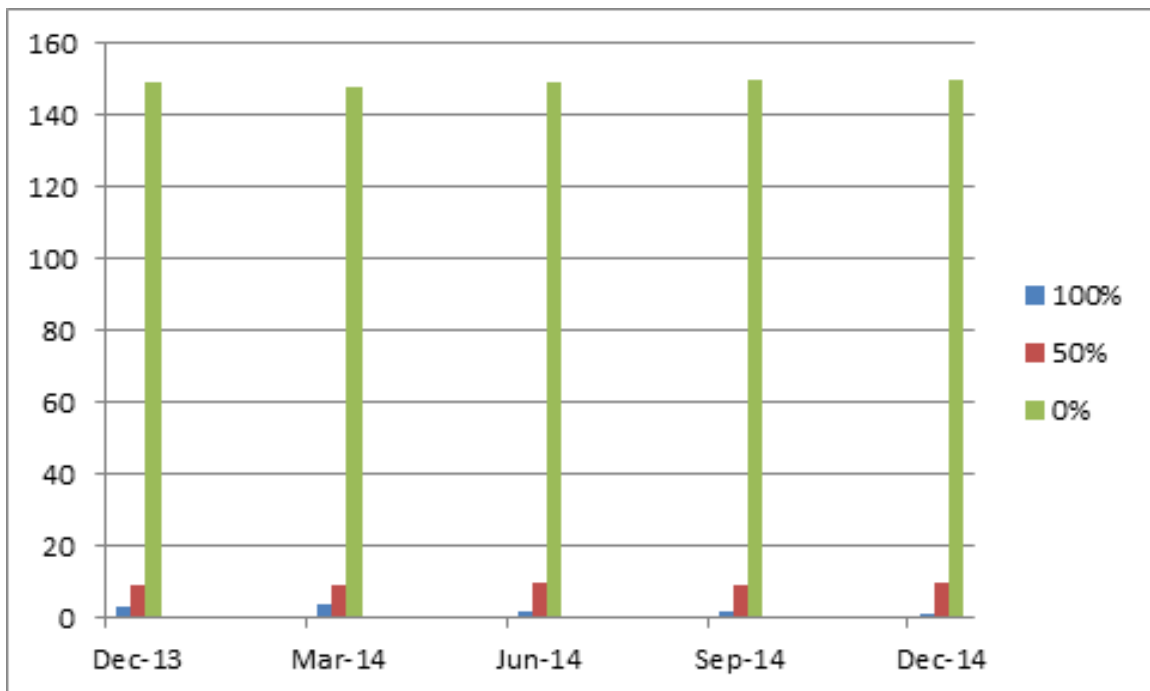
As of November 30, 2014, there were 165 financial institutions that have been designated as approved depositories in Indiana. At the end of Fiscal Year 2014, the assets of the PDIF totaled \$300,551,874.29. This balance includes \$40 million of the \$50 million dollars loaned to the State of Indiana. In the aggregate, collateralized assets represent 18.99% of the average daily balance of public funds held by approved depositories.

## Appendix-Collateral Program Data

### Average Rating of Indiana Depositories



### Number of Institutions by Collateral Pledge Category



<sup>i</sup> See Indiana Board for Depositories: Rules for Collateralization

<sup>ii</sup> After deducting FDIC coverage