



Indiana Board for Depositories

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Semi-Annual Report to the State Budget Committee

Fiscal Year 2016
(July-December 2015)

12/31/2015

In the 2010 legislative session, the Indiana General Assembly passed HEA 1336 giving the Indiana Board for Depositories (IBFD) the tools to be more strategic in the safekeeping and prompt payment of public funds held in Indiana depositories, which allowed for the creation of a collateralization program and requirements for public depositories.

Until this time, the primary tool in fulfilling this mission was the maintenance and operation of the Public Deposit Insurance Fund (PDIF), which could be drawn upon to pay claims of those public funds held by a failed depository that were not covered by a federal deposit insurance program.

Included in the 2010 legislation, it became a requirement for the IBFD to prepare a report regarding its activities and the status of the PDIF. The following is the semi-annual report for the first and second quarter of Fiscal Year 2016, July 1 to December 31, 2015.

Collateralization Program

The collateralization program is a tiered system based on the financial profile ratings of Indiana depositories and the amount of non-federally insured public deposits held.

If required to collateralize, Indiana depositories have the option of pledging marketable government securities or a letter of credit from a qualified Federal Home Loan Bank. A majority of depositories required to collateralize use letters of credit to satisfy all or a portion of their pledging requirements.

The average daily balance of net public funds (after deducting FDIC coverage) that Indiana’s approved depositories based their collateralization requirements on were as follows for the first and second quarter of Fiscal Year 2016:

	1 st Quarter FY '16	2 nd Quarter FY '16
Number of Financial Institutions	163	163
Average Daily Balance of Net Public Funds	12,032,822,942.48	13,384,355,495.15

Based on their financial profile ratings*, Indiana’s public depositories were required to comply with the following collateral requirements for the first and second fiscal quarter for 2016

Collateral Matrix:

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

As indicated in the table below- the average Indiana depository is required to pledge 0% in collateral:

	1 st Quarter FY '16	2 nd Quarter FY '16
Average Collateral Ratings	58	57

In addition, the number of institutions that are required to post 100% and 50% collateral continue to be minimal with the 50% category decreasing from 13 depositories in the first quarter of FY2016 to 8 depositories in the second quarter of FY2016 (see tables below). While one depository went from a 50% collateralization level to 100% collateralization level in the second quarter of FY2016, that depository does not hold public funds.

Collateral Summary						
Effective Date - 10/01/2015						
Current Quarter - 10/01/2015				Previous Quarter - 07/01/2015		
Pct	Count	Total Average Daily Balance	Total Estimated Collateral	Count	Total Average Daily Balance	Total Estimated Collateral
0	152	11,557,908,215.37	0	147	9,826,587,352.23	0
50	8	157,344,544.63	78,672,272.32	13	199,007,901.17	99,503,950.59
100	1	0	0	0	0	0
Vol 100	2	1,669,102,735.15	1,669,102,735.15	3	2,007,227,689.08	2,007,227,689.08

Percentages							
0	92.68%	86.35%	0.00%	89.57%	81.64%	0.00%	
50	4.88%	1.17%	4.50%	7.98%	1.65%	4.71%	
100	1.22%	0.00%	0.00%	0.61%	0.02%	0.16%	
Vol 100	1.22%	12.47%	95.49%	1.84%	16.67%	95.11%	

Public Deposit Insurance Fund

As a supplement to the collateralization program summarized above, the PDIF had a fund balance of roughly \$300 million as of November 30, 2015. The balance includes \$35 million in receivable for the State of Indiana and the \$5 million payment toward retiring the receivable from the state has continued to be received.

There were no draws on the PDIF for the last six months, July 1, 2015 to December 31, 2015. As of July 2013, the interest from the PDIF is no longer transferred to the Police and Firefighters Pension Fund.

**Highline ratings, which have been used by the IBFD since inception of the collateralization program, provided by SNL Financial.*