An Investment Option for Local Governments

Presented by:

Cindy Barger
Director, TrustINdiana
Indiana State Treasurer’s Office
Summary

- Program Highlights
- LGIP Overview
- Portfolio Update
- Introducing TrustINdiana PLUS+ Term Series
General Information

• Authorized by the Indiana General Assembly’s passage of Indiana Code 5-13-9-11 during its 2007 session.

• TrustINdiana launched in February of 2008 after an extensive due diligence and development process.

• TrustINdiana is open to all local units of government including the State of Indiana.

• Participants share a common pool of investments that emphasize:

  1. **Safety** – preservation of principal
  2. **Liquidity** – same-day access to funds
  3. **Yield** – maximize returns using economies of scale
Safety

With TrustINdiana, the safety of public funds is paramount.

- Invests strictly in securities allowable by Indiana law
- Assets held by a third-party custodian (Bank of New York)
- Fund portfolio managed by professional team with over 20 years of experience
- Annual audit performed by an independent auditing firm
- At least 50% of portfolio funds held in Indiana banks
Liquidity

TrustINdiana offers daily liquidity to all Participants.

- Actively managed to ensure that cash is readily available
- Dollars invested today are available tomorrow with interest
- No withdrawal penalties
- No transaction or wire fees*
- Maximum weighted average maturity (WAM) of 60 days or less

*You may incur fees associated with wires and/or ACH transactions by your bank, but there will be no fees charged from TrustINdiana for such transactions.
**Program Highlights**

**Yield**

Program optimizes *yield* while maintaining safety.

- **TrustINdiana yield has steadily risen over the past year***

- Serves as a diversification tool and offers larger scale investment options to smaller entities

- Portfolio managers have extensive fixed-income/public-sector experience

- Returns are calculated and paid daily

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*Based on average monthly yield increase. Any financial and/or investment decision should be made only after considerable research, consideration, and involvement with an experienced professional engaged for the specific purpose. Past performance is not an indication of future performance. Any financial and/or investment decision may incur losses. Performance results are shown net of all fees and expenses and reflect the reinvestment of dividends and other earnings. Many factors affect performance including changes in market conditions and interest rates and in response to other economic, political, or financial developments.
**Program Highlights**

**Convenience**

TrustINdiana was designed with *convenience* in mind.

- MYACCESS allows for fast, easy, and secure online transaction processing and reporting access
- Funds are transferrable via wire or ACH
- Experienced and professional client service team
- Monthly reporting, newsletters, economic updates, and yield information all available online or via email
Asset Allocation as of April 30, 2018

- **Indiana Bank Deposits**: 60.62%
- **Commercial Paper A-1+/P-1**: 18.38%
- **Commercial Paper A-1/P-1**: 18.33%
- **Money Market Funds**: 2.67%

Source: Public Trust Advisors, LLC
Accounts by Entity Type as of April 30, 2018

- Municipality: 27.56%
- County: 21.26%
- School: 25.59%
- Library: 11.02%
- Township: 6.69%
- Other: 7.09%
- Indiana Treasurer of State: 0.79%

Source: Public Trust Advisors, LLC
Performance

TrustINdiana Daily Yield

Daily Yield

Source: Public Trust Advisors, LLC. *Data unaudited. Performance results are shown net of all fees and expenses and reflect the reinvestment of dividends and other earnings. Many factors affect performance including changes in market conditions and interest rates and in response to other economic, political, or financial developments. Investment involves risk, including the possible loss of principal. No assurance can be given that the performance objectives of a given strategy will be achieved. Past performance is no guarantee of future results. Any financial and/or investment decision may incur losses.
From January 1, 2017 – December 31, 2017, the Participants in TrustINdiana collectively earned $6,724,760.52 in interest.

If you were to invest any of the following amounts in TrustINdiana for the entire year of 2017, here is what you would have earned on your investment:

$10,000 = $94.53

$100,000 = $945.26

$1,000,000 = $9,452.64

$10,000,000 = $94,526.43

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How to open Your TrustINdiana Account

It’s Easy!

1. See registration forms in packet provided (or online) and complete:
   • Account setup, key contact/authorized signers, bank authorization, subaccounts

2. Finalize with authorized signature, and email or fax paperwork to Client Services:
   • Account can be ready for use as soon as the next business day
   • No resolution or ordinance required

For questions about the registration process, please contact:

Cindy Barger
Director, TrustINdiana
200 W. Washington St.
Statehouse 242
Indianapolis, IN 46204
Phone: (888) 860-6242
Email: cbarger@tos.in.gov
TrustINdiana PLUS+ Term Series
• The TrustINdiana PLUS+ Term Series program is designed to complement the existing TrustINdiana overnight liquidity program by offering longer dated fixed-income investment options.

• The program allows Participants to benefit from the pooling concept to garner economies of scale to purchase specific term series with maturities ranging from 90–365 days (3-, 6-, 9-, and 12-month).

• The TrustINdiana PLUS+ Term Series will be owned by one or more TrustINdiana Participant but will be separate and distinct from the main TrustINdiana fund.

• All PLUS+ Term Series transactions will flow through Participants’ existing TrustINdiana accounts.
• PLUS+ Term Series will be offered to all TrustINdiana Participants twice a month. Subscription dates are tentatively scheduled for the 10th and 20th business days of the month.

• A projected rate of return is determined when investments are executed for each PLUS+ Term Series and is declared and paid on the agreed upon maturity date.

• PLUS+ Term Series can own any eligible investments that are otherwise permissible within the TrustINdiana Investment Policy including U.S. treasury obligations, federal agency obligations, high-grade commercial paper (at least A1/P1), or bank deposits from eligible Indiana-based banks.

• Prior to investing, prospective investors will be required to review the TrustINdiana PLUS+ Term Series Information Statement and to complete a PLUS+ Term Series Registration Form.
Sample Subscription and Execution

Example of Subscription and Execution

- Five Participants subscribe for $1,000,000 each for a total of $5,000,000.
- On the 5th or 20th day of the month, the TrustINDiana Investment Advisor (Public Trust Advisors) executes a bundled transaction to purchase $5,000,000 of eligible term investments.
- Once investments are purchased, Public Trust will create Series 1ABC 1, 1ABC 2, 1ABC 3, 1ABC 4, and 1ABC 5.
- All investments will be purchased in aggregate; however, each Participant will own a specific series that can easily be traced directly to them.
- Being able to trace exactly how much each Participant owns is very important especially if a Participant redeems their series prior to maturity.
Participant One agrees to purchase $1 million of new Series ABC (12-month term)

Public Trust redeems $1 million from Participant One’s TrustINdiana account on settlement date

Public Trust creates Series ABC; Public Trust funds Participant One’s share of Series ABC with $1 million earning 2% for the next 12 months.

Series ABC description:
- 1-Year Term
- Earning NET 2%

Public Trust creates Term Series in Public Trust statement system.

Participant One receives monthly statement

At maturity, all principal and interest is received and Participant One’s TrustINdiana account is credited with $1 million (principal) and $20,000 (interest). Public Trust will collect fees at maturity.

Participant One receives final account statement that shows principal and interest redemption amounts.
How to open Your TrustINdiana PLUS+ Account

1. Review the TrustINdiana PLUS+ Term Series Information Statement.

2. Review and execute the TrustINdiana PLUS+ Term Series Account Registration Form.

3. Ensure that your funds are in your TrustINdiana account prior to the 5th or 20th of the month.

4. Send registration paperwork to: termseries@trustindiana.in.gov
We can answer any questions you may have!

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The investment advisor providing these services is Public Trust Advisors, LLC (Public Trust), an investment adviser registered with the U.S. Securities and Exchange Commission (SEC) under the Investment Advisers Act of 1940, as amended. Registration with the SEC does not imply a certain level of skill or training. Public Trust is required to maintain a written disclosure brochure of our background and business experience. If you would like to receive a copy of our current disclosure brochure, privacy policy, or code of ethics, please contact us.

The data in this presentation is unaudited.

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Banking & Investments
And the Indiana code
AUTHORIZED BANK PRODUCTS (DEPOSIT ACCOUNTS)

See IC 5-13-4-7

- DDA Checking Accounts
- Negotiable order of withdrawal (NOW) accounts
- Passbook savings accounts
- Certificates of Deposits (CDs)
- Money Market Accounts
- Any Interest – bearing account that is authorized and offered by a financial institution in the course of its respective business
- Transaction Account (IC 5-13-4-24)
  - Any deposit account other than a CD
**PDIF INSURED ACCOUNTS**

### Make sure your deposits are PDIF insured

- **Are they Public Funds?** (IC 5-13-4-20)
  - Fees and funds in the possession of a “Public Officer” by virtue of that office.
    - Public Officer defined in IC 5-13-4-21

- **Is the financial institution an approved depository?**
  [www.in.gov/tos/deposit/files/approveddepositories.pdf](http://www.in.gov/tos/deposit/files/approveddepositories.pdf)

### PDIF covers losses *above* FDIC limits

- FDIC coverage of $250,000 per depositor
TRANSACTION ACCOUNTS

See IC 5-13-9-4(a)

Special rules for political subdivisions

- Must establish transaction accounts in depositories with branches within political boundaries
- Exception for political subdivisions that cross county lines or those without a depository within its boundaries (or only one), or if no depository will offer a transaction account

Does not apply to county hospitals
CERTIFICATE OF DEPOSIT REQUIRED PROCEDURES

Every investing officer must obtain 3 quotes on the specific rate of interest for the term of the certificate of deposit

- The quote may be taken by phone
- The quote must be recorded in a memorandum
- The quote must be retained as a public record
- If the deposit is not placed in the institution quoting the highest rate, the fiscal officer must note the reason why
- Can invest in CDs from any depository on state’s approved list if county commissioners or political subdivision’s fiscal body passes resolution authorizing it (renewed every two years)

See IC 5-13-9-5 (A)
MONEY MARKET MUTUAL FUNDS

See IC 5-13-9-2.5

Money Market Mutual Fund requirements:

- Must be rated AAA, or its equivalent, by Standard & Poors or Aaa, or its equivalent by Moody’s

- Purchase, sells, or holds direct obligations of the United States Treasury or other obligations issued by a federal agency, a federal instrumentality or a federal government sponsored enterprise

- Must be purchased through an institution on the state’s approved depository list

- Must have a final stated maturity of one day
INVESTMENTS IN ELIGIBLE SECURITIES

See IC 5-13-9-2

Securities backed by the full faith and credit of the United States Treasury or fully guaranteed by any of the following:

- The United State’s Treasury (Notes and t-bills)
- Federal agency (Government National Mortgage Agency)
- Federal Instrumentality
- Federal government sponsored enterprise (Federal Home Loan Bank)
- Securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a government sponsored enterprise
- Certain municipal securities - See IC 5-13-9-2 (a)(3)
SECURITIES – CRITICAL CRITERIA

- Use of a broker-dealer that is SEC licensed
- Use of a custodial bank that is on the state’s approved depository list or has combined capital and surplus of at least $10 million
- Securities may have a maximum maturity of 2 years unless authorized (up to 5 years) by a properly adopted investment policy under 5-13-9-5.7
REPURCHASE AGREEMENTS

See IC 5-13-9-3

- An agreement involving the purchase and guaranteed resale of securities
- Can be a one time commitment or an ongoing commitment
- Must have a final stated maturity of one day (overnight)
- Must be fully collateralized
- Must be made through a depository on the state’s approved depository list
LOCAL GOVERNMENT INVESTMENT POOL

See IC 5-13-9-11

- Established within the office and custody of the treasurer of state
- An officer may pay any funds held by the officer into the investment pool for the purpose of deposit, investment, and reinvestment of the funds by the Treasurer of State on behalf of the unit of government paying the funds into the investment pool
**LOCAL BOARD OF FINANCE**

See IC 5-13-4-18

<table>
<thead>
<tr>
<th>Local Board of Finance Members</th>
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<td>- From the board's membership, elect a president and a secretary</td>
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<td>- Receive and review the report required by IC 5-13-7-7</td>
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Consult your county attorney or counsel regarding this requirement.

Cities, towns, and county hospitals are exempt from meeting requirements.
The fiscal body of a subdivision may adopt an investment policy authorizing the investment of public funds of the political subdivision for more than 2 years and not more than five years.

**The policy must:**

- Be in writing
- Be adopted at a public meeting
- Provide for investment of public funds with the approval of the investment officer
- Provide that the investments must be made in accordance with this article
- Limit the total investments outstanding under this section to not more than 25% of the total portfolio of public funds invested by the political subdivision including balances in transaction accounts **AND**
- State a date on which the policy expires, which may not exceed four years

**POLITICAL SUBDIVISION INVESTMENT POLICY**

See IC 5-13-9-5.7
BANKING SERVICES & TREASURY MANAGEMENT

- Questions on banking services:
  - Deposit accounts
  - Lockbox
  - Remote capture
  - Positive pay
  - ACH and wire transfers
  - Charge Cards processing
  - E-Check payments
  - Direct deposit

- Suggestions on improving the processing of revenue or payments. Ways to decrease bank fees. Possibly earn interest on checking accounts to help offset fees.

- General operation questions both for accounts receivable and accounts payable.

- Contact Kim Logan at 317-233-0921 or email Klogan@tos.in.gov
**BANKING SERVICES: LOCKBOX**

- PO Box is set up for all payments
- Bank picks up from lockbox and process payments daily
- Reports can be set up to meet your requests
- Flat file to load payments to customs system
Remote capture/Image Transmission is the process of scanning and transmitting electronic images of paper checks to financial institutions.

**BANKING SERVICES: REMOTE CAPTURE**

- **Scan checks through a scanner on location**
- **Report is created by batch**
- **Funds are directly deposited to operating checking acct**
- **Quicker access to funds for investment purposes**
- **Earlier notification of returned items**
- **Online access to check images and deposits**

Amounts, payee names, serial numbers exhibited

Paper checks can be retained for 30 days then destroyed

Daily deposit deadline extended. No courier costs.

After reconciliation, download file to server to meet your retention schedule.
Send a file to the bank of daily issued checks

When check clears, the bank compares the name, amount and check number to your outstanding items

If a discrepancy is found the payment can be denied and returned through online banking service.

A similar process can be used with a debit block on a checking account. This would allow you to decision all debits before payments posts to your checking account.
BANKING SERVICE: CHARGE CARD PROCESSING

Is an accepted form of payment for any local unit of government and can use State of Indiana’s current contract to process charge cards

Contact:
Katie Potter
Financial Portfolio Contract Manager
Indiana Department of Administration
Indiana Government Center South
402 W. Washington St., RM W468

Phone: 317-234-4998
Email: kpotter1@idoa.in.gov

Local units of government can also use WEX card, T-card and P-card services under the State of Indiana’s current contract.

Contact:
Abigail Chittenden
Vendor Contract Manager
Indiana Department of Administration
Indiana Government Center South
402 W. Washington St., RM W468

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QUESTIONS OR COMMENTS

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Treasury management, Banking products and services, or general operational questions.