

ILMCT

Banking Changes And Investment Options

Discussion Points

- 2010 Indiana Legislative Changes
- 2010 Federal Legislative Changes
- Economic Factors
- Deposit and Investment Alternatives
- Summary



Banking Changes And Investment Options

Indiana Board For Depositories

- HEA 1336-2010 – New Rules for Collateralization
 - New rules established procedures for securing public funds maintained in Indiana designated depositories not insured by a federal deposit insurance program, by the pledge and/or delivery of eligible collateral.
- Eligible Collateral includes:
 - United States Treasury securities
 - Federal agency securities
 - Securities of government sponsored enterprises (e.g. Federal Home Loan Bank, Fannie Mae and Freddie Mac)
 - Irrevocable letters of credit issued by a Federal Home Loan Bank



Banking Changes And Investment Options

Dodd-Frank Act

- Mandates nearly 250 new regulations and 70 studies
- Creates approximately 13 new agencies including the Financial Stability Oversight Council
- Will impose higher capital requirements on the larger financial institutions
- New regulation will ultimately result in higher costs for all banks



Banking Changes And Investment Options

Economic Factors

- Unemployment rate in excess of 9%
- U.S. households still deleveraging
- Small business not ready to hire
- Budget constraints on state and local government



Banking Changes And Investment Options

Deposit and Investment Alternatives

INDIANA CODE 5-13-9 Deposit and Investment Powers

Eligible Investments Indiana Code 5-13-9-2

- **Government Securities**
 - Securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States and issued by the United States Treasury, a federal agency, a federal instrumentality or a federal government sponsored enterprise.
 - Securities fully guaranteed and issued by a federal agency, a federal instrumentality or a federal government sponsored enterprise.



Banking Changes And Investment Options

Deposit and Investment Alternatives

INDIANA CODE 5-13-9 Deposit and Investment Powers

Eligible Investments Indiana Code 5-13-9-2

- **Municipal Securities**
 - Added in 2010
 - Municipal securities issued by an Indiana local governmental entity, a quasi-governmental entity related to the state, or a unit of government, municipal corporation, or special taxing district in Indiana, if the issuer has not defaulted on any of the issuer's obligations within the twenty (20) years preceding the date of the purchase.



Banking Changes And Investment Options

Deposit and Investment Alternatives

INDIANA CODE 5-13-9 Deposit and Investment Powers

Eligible Investments Indiana Code 5-13-9-2.5

- Money Market Mutual Funds
 - Purchased through depositories designated by the state board of finance as depositories for state deposits.
 - The portfolio must be limited to direct obligations of the United States or obligations issued by a federal agency, a federal instrumentality or a federal government sponsored enterprise, or repurchase agreements fully collateralized by such obligations.
 - Must be rated AAAm by Standard and Poor's or Aaa by Moody's.



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Deposit and Investment Alternatives

INDIANA CODE 5-13-9 Deposit and Investment Powers

Eligible Investments Indiana Code 5-13-9-3

- Repurchase Agreements
 - Made with depositories designated by the state board of finance as depositories for state deposits, and involving the purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States, a federal agency, a federal instrumentality or a federal government sponsored enterprise.



Banking Changes And Investment Options

Deposit and Investment Alternatives

INDIANA CODE 5-13-9 Deposit and Investment Powers

Eligible Investments Indiana Code 5-13-9-4

- **Certificates of Deposit and Deposit Accounts**
 - The investing officer shall obtain quotes from each designated depository in the political subdivision.
 - In 2010, a section was added allowing the investing officer to place the deposit in the depository quoting the second or third highest rate of interest.



Banking Changes And Investment Options

Deposit and Investment Alternatives

INDIANA CODE 5-13-9 Deposit and Investment Powers

Eligible Investments Indiana Code 5-13-9-5

- Authorization to Invest in Certificates of Deposit; Quotes from Depositories
 - Expanded option for CD investing
 - The County Commissioners may pass a resolution or ordinance which allows the county to invest in CDs not only with local banks, but also Indiana banks outside the county
 - More banks participating creates competition for county dollars



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Deposit and Investment Alternatives

INDIANA CODE 5-13-9 Deposit and Investment Powers

Eligible Investments Indiana Code 5-13-9-5.3

- **CDARS or Certificate of Deposit Account Registry Service**
 - Added in 2010
 - This is another safe investment alternative
 - The County Commissioners may pass a resolution or ordinance which allows the county to utilize CDARS as an authorized investment for county funds
 - Many banks in Indiana are members of the CDARS network
 - Fully insured by FDIC



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Deposit and Investment Alternatives

INDIANA CODE 5-13-9 Deposit and Investment Powers

Eligible Investments Indiana Code 5-13-9-11

- Local Government Investment Pool
 - This is the Indiana State Treasurer's Trust Indiana Fund
 - Access funds same day
 - Invest in Indiana eligible investments
 - 50% of the fund must be in Indiana bank deposits



Banking Changes And Investment Options

Deposit and Investment Alternatives

INDIANA CODE 36-1-7

■ Interlocal Cooperation

- This section authorizes the State of Indiana, political subdivisions and state agencies to enter into interlocal cooperation agreements for the joint exercise of powers, including the investment of public funds.
- By passing a resolution, the county may become a participant in the HoosierFund, a statewide investment pool
- Access funds same day
- Invest in Indiana eligible investments



Banking Changes And Investment Options Summary

Options in an ever changing environment.....

- Create an investment program focusing on safety, liquidity and return
- Consider expanding investment options
 - Expand certificate of deposit bidding
 - CDARS
 - HoosierFund/TrustIndiana
- Consider utilizing a custodian
 - Consolidate “core” balances
 - Settle investments more efficiently
 - Create a more diversified investment portfolio
 - Track rebate if required
- Written investment policy

