



STATE OF INDIANA
OFFICE OF THE TREASURER
INDIANAPOLIS
46204

KELLY M. MITCHELL
TREASURER OF STATE

September 7, 2018

Jason Dudich
State Budget Director
State of Indiana
Room 212, Statehouse
Indianapolis, IN 46204

Dear Mr. Dudich,

The Office of the Indiana Treasurer of State will soon submit its 2020-2021 biennial budget request. This budget has been prepared to cover the operating expenses necessary to maintain, and improve, the current level of services for the operations which are prescribed for this office by the Indiana Constitution and the Indiana General Assembly.

The primary responsibility of the Treasurer of State is the safekeeping and investment of moneys paid into the state treasury. By meeting this responsibility and many others given to this office via statute, the Treasurer of State's office serves the citizens of the state of Indiana, as well as state agencies and local units of government.

Summary of Activities:

My staff and I take pride in providing high quality service to Hoosier taxpayers in an efficient and cost-effective manner. The Treasurer's Office is responsible for the investment and accounting of the state's portfolio, including the state's general fund and over 70 trust funds, with an approximate average daily balance of \$7 billion. In addition, we are responsible for providing cash management and banking services for the state and its agencies. These responsibilities are executed by a staff of fifteen (15) full time employees.

Aside from those two core functions, the Treasurer of State has many additional duties that require administrative skills, investment skills, and a great deal of time. Those duties include but are not limited to: serving as trustee of the Indiana State Police Pension Trust Fund, the Next Generation Trust Fund, and the Next Level Indiana Trust Fund; serving as chair of the Indiana Bond Bank, the Indiana Education Savings Authority, the

Indiana ABLE Authority, and the Indiana Statewide 911 Board; and administering and investing the Indiana Grain Indemnity Fund, the Common School Fund, the Public Deposit Insurance Fund, and the Major Moves Construction Fund. The Treasurer of State also serves as a member of over a dozen state boards and commissions. Finally, the State Treasurer serves as the Administrator of the state's local government investment pool, TrustINdiana, a vehicle to assist local government entities in achieving a greater rate of return on their funds.

Evaluation and Accomplishments:

Although I will be providing a much more comprehensive report on the activities and accomplishments of the Treasurer's Office in my annual report to the Governor in November, I wanted to share with you a snapshot of the state's investment portfolio and a few of the highlights from the past two years. I am very proud of what our office has been able to accomplish. The Treasurer's Office has earned over \$137 million in investment earnings for the State of Indiana.

The last biennium has been an extremely productive one for the Indiana State Police Pension Trust (ISPPT). Its customized investment structure and oversight has been a key contributor to maintaining a healthy funding status of over 74%. The portfolio's fifteen (15) year annual net return of 5.9% translates to a cumulative return of 135%. My team and I continuously focus on maintaining its structure for strong fiduciary management, while emphasizing transparency and accessibility. In its 80+ year history, the ISPPT has met all statutory requirements and fulfilled the unique needs of its law enforcement member base with efficient and sound operations.

This year marks the 50th Anniversary of 911 service being available to Hoosiers. Indiana was the second state in the country to successfully complete a 911 call. We continue that history of national leadership as we strive to implement the best possible 911 solutions for people in our state. The Statewide E-911 Board is continuing its marketing campaign to inform citizens of the ability to Text-to-911. This summer marked the second year that all 92 counties had the ability to receive and send texts. During the last year, 167,438 911 text sessions were reported across the state making up 3.83% of the interaction Hoosiers had with the state's PSAPs. The total number of 911 calls in Indiana in 2017 was 4,200,711.

In another example of anniversaries, 2018 marked the 10th anniversary of TrustINdiana. The purpose of the TrustINdiana program is to provide Indiana local units of government the opportunity to invest in a common pool of investment assets that preserves the principal of the public funds, remains highly liquid, and maximizes the returns. TrustINdiana only invests the public funds in investments legally permitted by Indiana Code and in the manner further defined by the program's investment policy. There is no minimum amount for investing in TrustINdiana, nor are there transaction fees. TrustINdiana ended the fiscal year with \$1.43 Billion in assets and a rate of 1.95%. That is an increase of \$309M in assets and an increase of ninety-two (92) basis points (0.92%) over last fiscal year.

A year ago, our office announced the launch of the INvestABLE Indiana savings plan. Built upon the provisions of the federal ABLE Act of 2014 and codified in Indiana in 2016, our ABLE Authority oversees the administration of tax-advantaged savings accounts for individuals with disabilities to save for their futures and pay for disability-related expenses without endangering access to other vital public benefits. The intent of these accounts is to ease financial burdens on individuals with disabilities and allow for financial savings to cover qualified living expenses including but not limited to: education, transportation, housing, and medical needs. During its inaugural year, the Indiana ABLE Authority, of which I am board chair, has seen exciting growth in knowledge about and use of the plan. Currently, there are over 229 accounts open and over \$695,000 assets under management. The average account balance is just over \$3,000.

This year, I announced that assets in the state's tax-advantaged CollegeChoice 529 education savings program have exceeded \$4.5 billion, an increase of more than \$1.6 billion during my tenure in office. As a result of this milestone, Direct and Advisor Plan participants will benefit from a reduction to program management fees saving them more than \$3.3 million over the next five years. CollegeChoice 529 Plan accounts enable their owners and gift contributors to save for a beneficiary's education at any eligible school. The accounts grow tax-free as long as the money is withdrawn to pay for: (1) qualified higher education expenses like tuition, room and board, books, computers and fees; or (2) up to \$10,000 of K-12 tuition expenses each year.

Over 570 Indiana qualified entities have been served by programs administered by the Indiana Bond Bank. The IBB is a body corporate and politic established by the Indiana General Assembly in 1984. The primary mission of the Bond Bank is to assist local units of government in the process of issuing debt. The Bond Bank serves Indiana cities, towns, townships, public school corporations, counties, public libraries, county hospitals, and public universities.

I am proud of the work my staff and I have done on behalf of Hoosier taxpayers, especially under the conditions in which we perform our statutory duties. We are a small office of fifteen (15) staff, but we are mighty! With billions of dollars being managed every day by my office and as frugal as we have been on our administrative costs, any reduction in our current funding may pose a risk to my team and the State of Indiana. Our biennium budget request seeks to (1) continue the funding for two positions added last biennium that were not filled concurrently until after the end of FY18, and (2) add an additional investment position as well as a part time administrative assistant. These requests will help the office continue to operate in a way that minimizes risks of spreading our small staff too thinly and maximizes our ability to perform our fiduciary responsibilities.

Plans for the Biennium:

The Treasurer of State's Office continues to work toward providing Hoosiers with more efficient and effective state government. The following objectives will be the focus of the office over the next biennium:

- Continue its strong investment performance, while emphasizing safety and liquidity.

- Create internal process overlaps to ensure proper management of systems, procedures, and functions.
- Continually promote the existence and benefits of the Local Government Investment Pool to local government entities.
- Increase our interactions with all state agencies to monitor cash flow needs in order to maximize interest earnings.

I will uphold my fiduciary duties while investing and safeguarding public funds, overseeing the management of the state's financial assets, and providing accurate and timely funding to state and local stakeholders.

I know that every dollar my office earns in interest income for the State is one less dollar that taxpayers will have to pay in taxes to fund government services. My team and I will put forth our best efforts to maximize the money entrusted to my office by the citizens of Indiana.

Respectfully,

A handwritten signature in black ink that reads "Kelly". The letters are cursive and fluid, with a prominent loop on the 'y'.

Kelly Mitchell
Treasurer of State