



Indiana Board for Depositories

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INDIANA BOARD FOR DEPOSITORIES Request for Proposal

For Actuarial Analysis of the Public Deposit Insurance Fund & Collateral System

Issue Date: July 27, 2022

Due Date: October 21, 2022 by 4:30 pm Eastern Time

All proposals are due by mail or email to:
Indiana Board for Depositories
One North Capitol Ave., Suite 900
Indianapolis, IN 46204
BFD@TOS.IN.gov

Please address all questions regarding the Request via email to:
Ryan Locke
BFD@TOS.IN.gov

Indiana Board for Depositories Website

<https://www.in.gov/tos/deposit/>

INDIANA BOARD FOR DEPOSITORIES
REQUEST FOR PROPOSAL
TO CONDUCT AN

ACTUARIAL STUDY

For the Public Deposit Insurance Fund and Collateral System

I. PURPOSE

The purpose of this Request for Proposal (“Request”) is to invite qualified firms to submit information, which outlines their ability to conduct an actuarial study for the Indiana Board for Depositories (“the Board”). The firm selected will be requested to provide the customary services of actuaries (see Scope of Services). This is not an Invitation to Bid or a Request for Proposal under the Indiana Procurement Code. The Board creates no obligation, expressed or implied, by issuing this Request or by receipt of any proposals submitted pursuant hereto. The award of any contract as a result of this Request shall be at the sole discretion of the Board. Neither this Request nor any proposal hereto is to be construed as a legal offer.

II. BACKGROUND OF THE INDIANA BOARD FOR DEPOSITORIES

The Board is an independent body politic and corporate, separate from the state in its corporate and sovereign capacity, established by the IC 5-13-12-1.

The Board consists of the governor, the treasurer of state, the auditor of state, the chairperson of the department of financial institutions, the chief examiner of the state board of accounts, and four (4) appointed members – one (1) member is appointed by the speaker of the house of representatives, one (1) member is appointed by the president pro tempore of the senate, and two (2) members shall be appointed by the governor.

The purpose of the Board is to ensure the safekeeping and prompt payment of all public funds belonging to all Indiana state and local entities deposited in any depository approved for holding those public funds by the state, to the extent they are not covered by any federal deposit insurance agency, by maintaining and operating in its own name the public deposit insurance fund (“PDIF”). There are approximately 141 depositories currently eligible and approved to hold public funds in Indiana. The PDIF is the primary tool in executing this public purpose. It can be drawn upon to satisfy approved claims in the event of a depository closure in excess of FDIC insurance and any held collateral. The PDIF currently maintains a fund balance of approximately \$318 million.

In the 2010 legislative session, Indiana General Assembly passed HEA 1336 that allows the Board to be more strategic in fulfilling its mission, specifically providing greater flexibility in the collateralization for public deposits. On September 23, 2010, the Board adopted a rule (Rule) that governs the operation of a collateralization program in addition to the public deposit insurance fund. On December 17, 2020, the Board adopted the current collateral rules and matrix.

The Treasurer of State serves as the Secretary-Investment Manager of the Board and is responsible for day-to-day operations and staffing for the Board.

The last actuarial study conducted was presented to the Board in December 2012.

III. SCOPE OF SERVICES

The Board is requesting the performance of an actuarial study of the PDIF and the collateral system.

- A. The purpose of the actuarial study is to determine the conservative and reasonable minimum PDIF fund requirement that provides protection against the risk of deposit losses due to bank and thrift failures. This analysis should include an estimation of the fund balance required absent protection from the collateral system as well as analysis showing the estimated fund balance with the current collateral system.¹
- B. The study must contemplate changes in federal and state statute allowing restructuring of financial institutions and expanded banking activities and their possible effect on the fund.
 - Examine all proposed changes in federal insurance coverage and the Indiana Code and their impact on the fund.
 - Examine the impact of changes in federal insurance coverage and the Indiana Code since the last study pertaining to the deposit of Indiana public funds.
- C. The study must review the scenario of historical claims against the fund and relate it to the soundness of the fund. See IC 5-13-12-7.
- D. The study should evaluate the merits of the following possible enhancements: (1) 100% collateral above a specified amount, an amount definable by the value of the PDIF, as well as methods for determining that amount; (2) methods to account for the additional risk from point-in-time data, delays in reporting, and fraud or error in reported data; (3) purchase of insurance on the tail risk amount; (4) establishing a line of credit for liquidity to allow for more strategic allocation of assets under the Board's investment powers; (5) a review of alternative insurance methods used in other states²; and (6) any other possible enhancements the Respondent deems valid and appropriate to strengthen the PDIF, the collateral system, or the Board for consideration by the Board.
- E. Discuss the impact on PDIF of requiring depositories to pledge collateral securities to cover public deposits and run analysis on particular failure scenarios that are determined to add extra risk or complexity to the operations of the Board. An example of such a scenario is the failure of a single institution whose insured public funds on deposit exceed the present value of the PDIF.
- F. Update the last actuarial study's alternative methods and any new methods currently in use.

¹ *The Federal Deposit Insurance Corporation has more knowledge about the probability of bank failures than any other source and is therefore strongly recommended as a reference for information collection regarding this topic.*

² *This review should include a cost-benefit analysis compared to the current system. Variables that should be taken into account when determining a minimum level of the PDIF include but are not limited to: the level of current public deposits, FDIC insurance, collateral requirements, compliance of the depositories, default rate trends, expected deposit loss, and interest rate changes.*

G. In addition, the Board requests comment on the current level of reserves held by the PDIF, the adequacy of asset – liability management of the fund, and evaluation of the safety, soundness and return of the fund’s current portfolio.

- The Board is looking for a recommendation (or a few recommended options) of a distribution of the fund’s investment portfolio, including but not limited to asset classes, maturities, liquidities, and the overall mix of the assets. At a minimum the Board requests a recommendation based on the existing legal restrictions and regulatory environment *and* a recommendation assuming no legal restrictions or regulatory constraints.
- All investment instruments included in IC 5-13-12-7 should be considered including, but not limited to: treasuries, bonds, and money markets.

H. The study must include clear recommendations on: (1) the adequacy of the current reserves and collateral requirements; (2) the proper metrics to determine the Board’s risk appetite as a function of the confidence interval over time; and (3) the most attractive enhancements for consideration in the future.

IV. TIMELINE

The Board for Depositories operates on a July 1 to June 30 fiscal year. The following timeline requested and suggested for the completion of this study. If deviations are required by the Respondent’s business practices, please outline those recommended deviations in your Response.

- Response to RFP due to Board: October 21, 2022 at 4:30p.m. EST
- Board will choose winning Respondent no later than October 28, 2022
- Draft study due to Board by December 1, 2022
- Presentation and explanation of the final study to the Board on December 21, 2022, at the Board’s meeting

The Board shall meet in December 2022 and would like to have a completed study with presentation to the Board at one of those meetings.

V. QUALIFICATIONS

The actuary who will have oversight responsibility for this study must be a Partner with a firm that is recognized by the national accrediting body for actuaries and must hold proper licensure to perform actuarial work in the state of Indiana.

VI. SPECIFIC PROPOSAL REQUIREMENTS

Proposals should contain direct responses to the following questions or requests for information and be organized so that the specific questions being answered are readily identifiable. Responses to each question or request for information should begin a new page with the question repeated at the top of the page. Responding firms are required to respond to all of the following questions and requests for information.

A. Summary

Each proposal should include a summary of not more than two (2) pages that highlights the reasons why your firm should be selected for the actuarial study. The summary must also contain a statement that the individual signing the proposal has the authority to commit the firm to the terms proposed.

B. Basic Information Requirements (limit to one (1) page)

- *Name of the firm*
- *Name and title of the individual preparing and responsible for the proposal*
- *Mailing address*
- *Telephone and facsimile numbers*
 - *E-mail address*

C. State Information Requirements

- Please provide a detailed summary of your firm's policies on:
 - Prohibition of discriminatory employment practices.
 - Affirmative action/equal opportunity.
 - Use of women business enterprises.
 - Use of minority business enterprises.
 - Enforcement of drug-free workplace initiatives.
- Please provide details of any relevant criminal investigation, material pending litigation, regulatory or civil enforcement action pending against your firm.

D. Basic Information re: the Responding Firm (limit to two (2) pages)

- *Name(s) and brief résumé(s)* of the individual(s) who will have daily responsibility for the engagement. Please identify other transactions in which they have had an active role which might be relevant to the engagement.
- *Name and brief résumé* of the partner who will have oversight responsibility for the engagement.
- *Name(s) and brief résumé (s)* of any additional staff members who will provide support to the individual(s) who will have daily responsibility for the engagement.
- *A description of the general capabilities* of your firm including information relating to total size and staffing, research capability, professional staff and clerical support.

E. Proposal Information

The proposal should provide the following information (no limit):

- Your firm's qualifications and experience with assessment and evaluation of public deposits.
- Your experience and knowledge of Indiana's public deposit laws and FDIC policies.
- A summary of your approach and schedule of services including:
 - Developing the actuarial plan – specifically identifying the areas of concentration, techniques to be utilized, and the procedures of the study.
 - A specific expectation of management for providing actuarial schedules and reports.
 - Description of methods used to report to staff and the Board.

E. References

References including names, addresses, and current telephone numbers of specific individuals should be provided for three clients for whom your firm has conducted actuarial studies. Please include ONLY three (3) references.

F. Fee Proposal

- Provide a fee schedule on a per hour basis including the rates for the types of personnel which will be assigned to the engagement. If you provide ranges, the high amount of any range will be recorded as your response.
- Provide a fixed fee proposal for the engagement.
- Out-of-Pocket Expenses: specify the types of expenses for which your firm would seek reimbursement for services performed while conducting the actuarial study for the Board.
- Fees and expenses relating to the engagement may be billed on a monthly basis. The Board should be provided invoices detailing services rendered, time expended, and disbursements incurred.

G. Important Administrative Information

- A firm may not join with any other related or non-related firms in responding to this Request. The Board will not enter into a contract or other agreement for actuarial services without further discussion. This request is not an invitation to bid nor is it a request for proposal under the procurement provisions of the Indiana Code.
- Neither the State nor the Board creates any obligation, expressed or implied, of any kind or description in issuing this Request or receiving a response. Neither this Request nor the response shall be construed as a legal offer.
- Neither the State nor the Board will assume any responsibility or liability for any expenses incurred by a respondent, or prospective respondent, in connection with the preparation or delivery of a response, requested interview or any action related to the process of completing and submitting a response to this Request.
- Respondent shall certify that all information provided herein is accurate and complete, to the best of its knowledge, and that any false or misleading information may result in a disqualification of the proposing firm at the Board's discretion.
- Respondent shall disclose any information that may materially impair the firm's ability to provide the level of service required.
- The Board shall reserve the right to reject any and all submissions without cause; waive irregularities in all procedures related to this Request; make inquiries of responding firms and their references and clients regarding qualifications or information submitted as part of their responses as deemed necessary, and request and receive additional information as the Board deems necessary.
- The Board shall be deemed owner of all information and papers submitted by a Respondent.

VII. PROPOSAL PREPARATION AND SUBMISSION REQUIREMENTS

A. Request Response and Confidentiality

In order to be considered for selection, responding firms must submit a complete signed response to this Request. All responses must be provided via email to BFD@TOS.IN.gov.

Proposals must be received at the above location no later than the **end of business, 4:30 p.m. (Eastern Daylight Time), on Friday, October 21, 2022.**

Respondents are advised that materials contained in proposals are subject to the Indiana Public Records Act and may be viewed and/or copied by any member of the public, including news agencies and competitors. In accordance with said Public Records Act I.C. 5-14, respondents claiming a statutory exception to the Indiana Public Records Act must place the putatively confidential documents in a sealed envelope clearly marked “Confidential” and must indicate on the outside envelope of their proposal that confidential materials are included and specify which statutory exception provision applies. In the event that the responding firm’s designation is challenged, the responding firm will be required to defend its designation of confidentiality.

B. Proposal Preparation

An authorized representative of the firm must sign the proposal. Failure to submit all information requested may result in the proposal being considered “non-responsive”, and, therefore, rejected.

Proposals should be prepared simply, providing straightforward, concise responses to satisfy the Request requirements. No printed brochures or materials other than written responses to the specific requirements should be provided.

C. Discretion in Determining Deviations and Compliance

The Board reserves the right to determine which of the proposals have met the minimum qualifications expressed in this Request. The Board shall have the sole right to determine whether any deviation from the requirements of this Request is substantial in nature, and the Board may reject unacceptable proposals. In addition, the Board may reject in whole or in part any and all proposals, may waive minor irregularities, and may negotiate with responsible offering firms in any manner deemed necessary to serve the best interests of the Board and the PDIF.

E. Costs

The Board shall not be liable for any expenses incurred in the preparation of the proposals.

F. Notification

The Board is not required to furnish a statement of the reason(s) why a proposal was not deemed to be the most advantageous nor will it be required to furnish any information regarding this Request other than the original solicitation document.

VIII. ADDITIONAL INFORMATION

A. Selection

Criteria

Selection of Actuaries for the study shall be at discretion of the Board and shall be based upon the following criteria:

1. Experience of individuals assigned to the engagement;
2. Availability of facilities and resources;
3. Past experience of firm in the role as actuaries;
4. Fee proposal;
5. Any other quality or characteristic deemed in the best interest of the Board.

Selection Date

Proposals are due on October 21, 2022. An interview process may occur during the week of October 23, 2022. The proposals will be considered by the Secretary Investment Manager and a decision will be made no later than October 28, 2022. The Board reserves the right to invite selected firms to make an oral presentation at a special Board meeting. The Board is not responsible for any costs incurred as a result of responding to this Request or making a presentation.

The Board for Depositories reserves the right to reject any and all proposals.

B. Clarification of Information

It is the responsibility of the respondent to inquire about and clarify any aspect of the Request that is not understood. Questions for clarification must be addressed in **writing via email** to Ryan Locke at BFD@TOS.IN.gov (only questions by email are acceptable). **All questions must be sent no later than noon on October 17, 2022. Please allow up to two (2) business days for a response.** Written responses will be provided by email and posted on the Board website. Under the Indiana Open Door Law, all questions and responses will be available to the public.

The Board specifically requests that no contact concerning this Request be made with any member of the Board (other than through BFD@TOS.IN.gov), its current accountants, its board attorney (Ice Miller LLP), or the Office of the Indiana Treasurer of State during the selection process. Failure to honor this request will be viewed negatively in the selection process.