



**ADDENDUM NO. 1**  
**INVITATION TO NEGOTATE 18-0018**  
**INVESTMENT MANAGEMENT SERVICES**

**MAY 24, 2018**

Citizens Property Insurance Corporation (Citizens) hereby formally amends the above referenced solicitation. The purpose of this Addendum is to answer questions received from Vendors prior to the deadline in Section 1.9, Calendar of Events and to amend the ITN as identified below.

**SOLICITATION CHANGES:**

1. Citizens amends the ITN by revising the following. (Deletions have been identified in red with a strike line while modifications added are in bold, green, and underlined.):

A. Section 1.8 of the ITN is hereby replaced in its entirety with the following:

- 1.8 NO CONTACT OR LOBBYING:** Respondents to this solicitation or persons acting on their behalf may not contact, between the release of the solicitation and the end of the 72-hour period following Citizens posting the notice of intended award, excluding Saturdays, Sundays, and state holidays, any employee or officer of the executive or legislative branch concerning any aspect of this solicitation, except in writing to the Procurement Officer or as provided in the solicitation documents. Violation of this provision may be grounds for rejecting a Reply. The foregoing prohibition against contact includes contacting any Citizens employee (other than the Procurement Officer or Purchasing Department), members of the Board of Governors, or any third party acting on Citizens' behalf with regard to the solicitation.

B. Section 3.10 of the ITN is hereby replaced in its entirety with the following:

- 3.10 EXECUTION OF CONTRACT:** Vendors receiving an award under this ITN will be required to sign a final Contract with terms and conditions substantially as set forth within Attachment I, Citizens' Terms and Conditions. See Section 2.4 above. Citizens' expectation is that the terms and conditions within Attachment I will be closely adhered to. The final Contract will also include all of the terms and conditions agreed to during negotiations. ~~Any request to change contract terms in Attachment I should be submitted to the Procurement Officer during the open questions period for this ITN.~~ Any requests to change the contract terms in Attachment I, may be submitted to the Procurement Officer for this ITN. Contract changes submitted during or prior to the response phase shall not be scored by the Evaluators. If the Vendor is selected to proceed with negotiations, proposed changes may be discussed during the negotiation phase or in contract finalization.

C. **Attachment D – Minimum Requirements, Criteria 5**, has been revised and replaced in its entirety with the following:

**Criteria 5.** ~~Vendor must agree to Citizens' two tiered pricing structure currently in use as per Appendix 6. (Basis point fees to be determined in Negotiations). The two tiers for Assets under management are (1) \$750 million and above, and (2) less than \$750 million.~~ Does Vendor accept this an annual tiered pricing structure, consistent with the contracts for all Vendors, with the basis points paid for each tier and/or tiers to be determined in Negotiations?

This modification is posted in Attachment D – Minimum Requirements v. 2 with this addendum.



- D. **Exhibit A – “Taxable Portfolios Example”** has been incorporated to this Solicitation. This document may be found at <https://www.citizensfla.com/solicitations> under this Solicitation.

### **ANSWERS TO QUESTIONS:**

1. I have the RFP document but I can't locate the attachments or appendices. Is this something that you would be able to provide or point me to where they may be posted on the internet.

*Answer: All of the ITN documents can be found on Citizens' website:*

*<https://www.citizensfla.com/solicitations>.*

2. My Firm is interested in being considered for the Fixed Income IMS RFP. Would it be possible to get a full version of the RFP, including attachments, to determine if we are eligible for consideration?

*Answer: See response to Question 1.*

3. I have received the PDF with the requirements (attached) but do not have access to the attachments and appendixes referenced throughout the document. Can you please let me know where I can access these documents?

*Answer: See response to Question 1.*

4. After downloading the .pdf it does not seem to have the qualifications listed. Is there somewhere else on the Citizens website I should be looking for the qualifications and additional documents, specifically form D.

*Answer: Please see response to Question 1. The minimum qualifications for responding Vendors are outlined in Section 2.2 of the ITN (note this also includes Attachment D).*

5. (Note: Submitter's company name has been changed to "Vendor" for the following question.) "Vendor" is considering completing the ITN for your upcoming fixed income search and noticed that the appendices were not included in the PDF that the link brought me to (<https://legacy.citizensfla.com/pcm/attachments/460/ITN%2018-0018%20Investment%20Managers%20Services.pdf>). I wanted to take a look at the investment policies to determine if we would be an appropriate fit prior to completing the ITN. I also noticed that there are additional attachments we are supposed to complete that are not included either.

Would you be so kind as to point me in the right direction for those attachments/appendices?

*Answer: See response to Question 1.*

6. We're not a fixed income manager, but would like to explore the possibility of working with Citizens. Any guidance would be appreciated.

*Answer: Citizens recommends a thorough review of the Solicitation and supporting documents. All solicitations are posted on <https://www.citizensfla.com/solicitations>.*

7. Section 3.5, Page 15, Is it permissible to answer all applicable questions from Vendor questionnaire on company letterhead?

*Answer: Although permissible, due to the complexity, Citizens strongly requests the Vendor provide the answers on Attachment H, Vendor Questionnaire. If additional space is needed for graphs, tables, etc. Vendors may provide that information on a separate attachment. However, if providing additional attachment(s), please clearly label the information for reader ease.*



8. Should any graphics be separated out in another file, or may we paste them with the narratives in the ITN template?

*Answer: See response to Question 7.*

9. Section 3.5-A, Page 15, Our company policy is to password protect the PDFs on the CD, and then FedEx the CD and email the password to the recipient. Is this acceptable?

*Answer: Yes, please email the password(s) to [citizens.purchasing@citizensfla.com](mailto:citizens.purchasing@citizensfla.com).*

10. I am reaching out to inquire about transition management for the corporation. At the time that you decide on the managers, transition management would be an efficient way to fund any new managers and/or redistribute to existing managers. Can you direct me to the appropriate person to speak with on the staff that would handle this inquiry?

*Answer: Transition management will continue to be handled internally at Citizens and is not part of this Solicitation. Furthermore, as per Section 1.8, the Procurement Officer is the sole point of contact regarding this Solicitation until 72 hours following the posting of the notice of intended award.*

11. In the ITN, it says that "Vendors should approximate managing a portfolio of \$300 million to \$500 million." A. Is it possible for a single investment manager to manage more than that on behalf of Citizens?

B. Have you allocated multiple portfolios to one manager in the past?

*Answer(s):*

*A. Yes, it is possible for a single manager to manage more than \$300 to \$500 million. This figure was provided to give prospective Vendors an approximation of the average portfolio size to consider when developing their ITN responses.*

*B. Yes, at present, numerous managers have been allocated multiple accounts or portfolios to manage.*

12. I understand you're probably receiving similar inquiries but I just wanted to confirm if your search will include equity asset classes, specifically large growth or small cap?

*Answer: No, Citizens currently only manages investment grade fixed income.*

13. Do you consider Citizens to be an accredited investor?

*Answer: Citizens has assets that exceed \$5M, consistent with the SEC's definition of an accredited investor.*

14. Does the Bloomberg Barclays US Aggregate qualify as an intermediate index?

*Answer: Yes, Citizens considers the Bloomberg Barclays US Aggregate to be an intermediate term index.*

15. ITN Section E 3 Page 13. Citizens will promptly notify Investment Managers in writing of modifications to Citizens' Investment Policy, including any investment restrictions applicable to the account. Prior to the issuance of such modification, Citizens shall consult with the Investment Managers to discuss the time period within which the Investment Manager shall be required to conform the assets in the account to such modified investment policy.

Question: How often are investment guidelines changed/updated?

*Answer: Historically, Citizens has historically reviewed the investment guidelines for potential changes and updates on an annual basis. See response to Question 16.*



16. A. To what degree have you explored more customized portfolios that allocate to a more diversified set of fixed income sub-sectors (ex: EMD, CLOs, etc. where quality and duration metrics are adhered to)?

B. To what extent are you willing to deviate from the investment policy statement exhibits?

*Answers:*

*A. Citizens annually reviews its investment policies with its Investment Managers to explore potential investment policy changes that would be prudent given its current business needs.*

*B. Citizens regularly solicits input from its Investment Managers, but the investment policies are the same for each manager within each mandate. Citizens does not customize policies for specific managers.*

17. Is there an advantage to bidding on this contract as a minority business enterprise?

*Answer: Citizens encourages minority businesses to respond. Vendors may include any information regarding minority owned business status in Attachment H, Section A, Question 2. However, there is no scoring advantage for minority business enterprises.*

18. GENERAL: How will the scoring take into account minority owned businesses?

*Answer: See response to Question 17.*

19. Attachment A: Vendor Diversity Form, To qualify for as a diverse vendor for the purposes of the ITN, does the investment manager have to be headquartered/domiciled in the state of Florida? I recognize that the form is non-mandatory but does omitting this form place us at a disadvantage relative to those that submit it.

*Answer: Yes, as per the certification offered through the Department of Management Services, Office of Supplier Diversity, the business must be Florida-based. Please see the Office of Supplier Diversity's link below for more information including how to become certified:*

*[https://www.dms.myflorida.com/agency\\_administration/office\\_of\\_supplier\\_diversity/osd/get\\_certified](https://www.dms.myflorida.com/agency_administration/office_of_supplier_diversity/osd/get_certified).*

*If a Vendor elects to omit this form as part of their response, there is no penalty. See response to Question 17.*

20. Attachment A: Vendor Diversity Form, In the past, has Citizens' allocated capital to Minority Business Enterprises ("MBE")? If so, can Citizens disclose which MBE firms were awarded a mandate and what was their Assets under Management at the time of the award?

*Answer: The prior procurement for Investment Managers (RFP No. 13-0002) was not awarded nor was capital allocated to Vendors based on their MBE status.*

21. (Note: Submitter's company name has been changed to "Vendor" for the following question.)

We ask if Citizens would accept a joint proposal, whereby "Vendor" partners with a larger investment manager in a sub-advisory role to serve Citizens. Given the stated desire and encouragement to have diverse Firms submit a proposal in Section 1.5 Diversity we hope that Citizens would allow a joint proposal in efforts to increase the number of proposals submitted by small and diverse firms.

*Answer: Citizens will make awards during this procurement to individual Vendors. While diversity is encouraged, joint replies are not acceptable.*

22. We have in the past been given a special exemption and or a lower criteria to let us employee-owned Florida base manager apply. Could this be the case this time? We have applied the previous two times but this is the first time the criteria for AUM has been so high.



*Answer: The \$10 billion AUM is a mandatory requirement. No, Citizens is not willing to reconsider special exemptions or lowering the criteria.*

**23.** Is there flexibility in total \$10B AUM requirement?

*Answer: No. See response to Question 22.*

**24.** ITN Section: Attachment D-Minimum Requirements Page # 2, Question: Must the vendor have at least \$10 billion in assets under management in order to be considered for investment management services?

*Answer: Yes. See response to Question 22.*

**25.** Attachment D: Minimum Requirements Acknowledgment; Criteria 2, Vendor must have greater than \$10 billion in Assets Under Management ("AUM") as of January 1, 2018. Does the vendor meet this requirement?

A. If an investment manager does not meet this requirement, does that preclude it from being considered for the ITN?

B. If AUM under \$10 billion does not preclude an investment manager from potentially being awarded a mandate, what is the minimum AUM that Citizens will consider?

C. In the past, has Citizens' awarded a mandate to an investment manager with less than \$10 Billion in AUM? If so, can those investment managers be disclosed?

*Answers:*

*A. Yes, see response to Question 22.*

*B. Not applicable, see response to Question 22.*

*C. Since January 2010, Citizens has not had any investment managers with less than \$10B in AUM.*

**26.** ITN Section: Attachment D-Minimum Requirements Page # 1, Question: Must the vendor meet the requirement pertaining to having at least ten years of experience managing assets in order to be considered for investment management services? If YES, does the question also take into consideration the years of experience by the Portfolio Manager or Principals of the firm?

*Answer: Yes, a minimum of ten years of experience by the Vendor's firm is required. No, this does not take into consideration the years of experience by the individual Portfolio Manager or Principals of the firm. The individuals' experience is taken into consideration on Section A Vendor Experience of Attachment H Vendor Questionnaire.*

**27.** Given the "entry field" formatting of Attachment H, does Citizens have a preferred approach for prospects to provide footnotes and disclosures to responses? For example, should we attach footnotes and disclosures to the end of Attachment H?

*Answer: Citizens does not have a preference – Vendors may attach to the document or submit as a separate attachment(s). However, please ensure all information, graphs, tables, etc. are clearly labeled for reader ease. See response to Question 7.*

**28.** Can vendors propose on one strategy within the taxable or tax-exempt category; for example, just the Liquidity Fund or just the Claims-Paying Fund?

*Answer: Vendors must respond to either taxable and/or tax-exempt category(s). Responses may highlight specific expertise within the category they are responding. Scores are based on the entirety of the reply for the category chosen.*



- 29.** Attachment H – Vendor Questionnaire – Questions 27 & 40. Provide a description of Vendor’s portfolio construction and propose a simulated portfolio...

Question: For the simulated portfolio should this be shown at the summary level or shown down to the specific CUSIPs?

*Answer: Citizens’ intention is to have Vendors provide summary level data.*

- 30.** Section: D-1 Investment Performance – can you please define what constitutes short duration (i.e., 1+ Years, 1-3 Years, 1-5 Year, etc.) and intermediate duration to Citizens?

*Answer: Citizens defines Short Duration and Intermediate Duration Indices within Section 1.3 Definitions ((D) Intermediate Duration & (K) Short Duration) of the Solicitation.*

- 31.** Intermediate Indices: can you please clarify if the definition of intermediate indices is an average index maturity between 5 and 10 years. Or does the index definition need to be securities with maturities ranging from 5 to 10 years?

*Answer: As per Section 1.3 (D), an average index maturity.*

- 32.** In **Attachment H – Vendor Questionnaire**, Section D-1 #51, vendors are asked to “Provide historical taxable portfolio performance for the following periods for all accounts that are managed to the taxable indices below, separate short and intermediate mandates:

- a. 1-year return for the period ending December 31, 2017.
- b. 3-year return for the period ending December 31, 2017.
- c. 5-year return for the period ending December 31, 2017.”

Can you please clarify if you are looking for composite performance, a representative client account, or all accounts that the firm manages in each style?

*Answer: Citizens is requesting that each Vendor compile an aggregate average from all of their separately managed accounts and provide the appropriate results for (a), (b), (c), in the table provided.*

- 33.** Regarding questions 51 and 52 on Attachment H, we have various strategies that are managed to short duration indices and others that are managed to intermediate duration indices. Does Citizens have a preferred approach for us to fit these numerous return streams within the entry fields?

*Answer: See response to Question 32.*

- 34.** In question 51 of Attachment H (Vendor Questionnaire), there are no specific indices noted. Please clarify.

*Answer: Section 1.3 of the Solicitation defines Short and Immediate Indices. See the response to Question 30.*

- 35.** For the charts on page 7 & 9 (Attachment H- Questionnaire) does the combined short/intermediate indices simply mean the sum of the short and intermediate sections in the same chart or is it referencing assets for the 3 funds outlined in appendixes 2, 3, and 4. So short duration would be the liquidity fund, intermediate would be long, and short/intermediate the policy claims fund?

*Answer: Yes, Citizens is looking for the sum of the short and intermediate sections in the same chart.*

- 36.** Referencing Section D-1 (Page 10 of 11 in Attachment H): Are you requesting composite-level performance, or are you requesting the total return for each separate account and commingled



account managed to the respective indices? If the latter, should we add additional line items per account?

*Answer: See response to Question 32.*

**37. Do you have projections for inflows/outflows to both of the strategies?**

*Answer: Citizens, as a catastrophe insurer, can have a high variability in its cash flows. Citizens does not have projections for inflows/outflows as each storm event will have different needs and will be in a different market scenario. In general the investment policies define how funds will be sourced during a storm event.*

*(1) Liquidity Fund (Taxable): generally this policy will govern the investment of funds and surplus that will be the first moneys used to pay claims after an event, and that can be used to pay operating expenses on an ongoing basis.*

*(2) Claims-Paying Fund (Taxable): generally this policy will govern the investment of funds that are up to the 1-100 year probable maximum loss and will be used to pay claims post-event after Citizens has expended all moneys in the Liquidity Fund. Only moneys eligible for investment in taxable instruments will be deposited in this fund.*

*(3) Claims-Paying Long Duration Fund (Taxable): generally this policy will govern the investment of funds that are above the 1-100 year probable maximum loss and will be used to pay claims post-event after Citizens has expended all moneys in the Taxable Claims-Paying Fund. Only moneys eligible for investment in taxable instruments will be deposited in this fund.*

*(4) Claims-Paying Fund (Tax-exempt): generally this policy will govern the investment of tax-exempt pre-event bond proceeds and other moneys required to be invested in tax-exempt instruments. Citizens will use these moneys to pay claims after an event, typically after it has spent all funds in the Tax-Exempt Liquidity Fund and all taxable funds. The funds will also be used to pay principal and / or interest debt service payments.*

**38. (Appendix 1, page 3) Are NAIC ratings permitted or will ratings be limited to Fitch, Moody's, and S&P?**

*Answer: Citizens investment policies are limited to Fitch, Moody's and S&P ratings.*

**39. Could you please provide us with the benchmarks for the three taxable portfolios?**

*Answer: Citizens does not benchmark its portfolios to any stated benchmark.*

**40. (Note: Appendix 1) Investment Policy (All strategies) – Section: Investment Strategies, Compliance and Performance Measurement, Page 3. (iii) the Portfolio's performance, and each Investment Manager's share thereof, will be compared to investment benchmarks – or a blend of investment benchmarks– on a monthly basis which Citizens will establish and will communicate to managers periodically.**

**Question: What are the current benchmarks for each strategy and how often are they changed?**

*Answer: Citizens does not use a stated benchmark index for each investment policy strategy. Citizens uses the aggregate average portfolio being managed by its current Investment Managers as its own internal benchmark for each investment policy mandate. Presently, Citizens employs investment policies that are a mix of investment grade fixed income gov/credit, see Appendices 1-5 for specifics.*



41. What is the benchmark associated with this mandate? There is language referring to an “intermediate investment grade” benchmark, but we are wondering if there is a more specific one in mind (Intermediate Gov/Credit, Intermediate Aggregate, etc.).

*Answer: See response to Question 40.*

42. The guidelines reference performance benchmarks. Does Citizens have specific benchmarks in mind for each of the five investment funds or is the manager responsible for suggesting? Is it possible to provide the existing manager benchmarks?

*Answer: See response to Question 40.*

43. Are there specific benchmarks managers are expected to run the funds against?

*Answer: See response to Question 40.*

44. Page three, states a benchmark that they will compare our performance to, do we have access to that benchmark?

*Answer: See response to Question 40.*

45. (Note: Appendix 1, Page 2, Investment Objectives)

Page 2 of Liquidity Fund states “cash could be needed quickly” is there a timing estimate, same day, 7 days, or 30 days? If same day, when will PMs be notified.

*Answer: In general, the liquidity fund would have a timing estimate of approximately 14 to 30 days. Potentially cash could be needed sooner but that would be a unique situation. Citizens internally manages enough cash on hand in its treasury department to meet its operating expenses and keeps a cushion for potential additional unexpected cash needs.*

46. (Note: Appendix 1, Page 6) Page 5, second bullet point, with respect to the 25% cap on Floating Rate Notes, does this include self-liquidity VRDO’s (i.e. Exxon Mobil backed VRDO)

*Answer: Yes, this would include self-liquidity VRDO’s within the 25% cap on floating rate notes.*

47. (Note: Appendix 1, Page 6) Page 5, with respect to calculating final maturity, what about self-liquidity VRDOs. It lists LOC/liquidity backed, but I don’t see self-liquidity

*Answer: Self-liquidity with a demand feature would also use the language pertaining to LOC backed VRDO’s for this purpose.*

48. (Note: Appendix 1, Page 7) Page 6, under Other Restrictions, does asset backed, qualified public depositories, or derivatives include the floating rate portion of Tender Option Bonds?

*Answer: The floating rate portion of Tender Option Bonds would not be allowable.*

49. (Note: Appendix 1, Page 7) Investment Policy (All strategies) – Section: Stress Testing, Page 6. The Investment Managers will quarterly stress-test the portfolio in order to gauge the ability of the Portfolio to withstand interest rate shifts, credit shocks, and other market changes. Citizens’ will provide the stress test conditions two weeks prior to the stress test date.

A: Can the most recent example of a stress test be provided?

B: What is “other market changes” referring to in regards to stress testing?

*Answers:*

*A: Yes, here are the scenarios from Citizens’ stress test sent in Q1 of 2018:*

*Scenario 1 As of March 31, 2018, simulate liquidating 50% of each account over a 30 day time period without the constraint of staying within the investment policy guidelines.*



*Identify the strategy for what is being sold and the estimated realized gains/losses on the sales. Provide the duration and the unrealized gains/losses position in the account after the simulated sales.*

**Scenario 2** *As of March 31, 2018, simulate liquidating 50% of each account over a 30 day time period while remaining within the constraints of the investment policy guidelines. Identify the strategy for what is being sold and the estimated realized gains/losses on the sales. Provide the duration and the unrealized gains/losses position in the account after the simulated sales.*

*B: "Other market changes" refers to anything else that might be happening in the fixed income markets that Citizens' staff feels should be stress tested to ascertain risk to the portfolios. In the past "Liquidity Risk" has also been stress tested as an example.*

- 50.** ITN Section: Appendix 2, page 5. ITN states "No more than 10% of the Portfolio shall be invested in Agency MBS, CMBS or CMO" Is the 10% referring to the three sectors collectively or each individually?

*Answer: The 10% in that sentence is referring to the three sectors collectively.*

- 51.** The 10% limit on agency MBS, CMBS, CMO, is that combined 10% or 10% for each category?

*Answer: See response to Question 50.*

- 52.** ITN Section: Appendix 2, page 5. ITN states "The maximum permitted final maturity for any security in the Portfolio is 121 months or ten years and one month" Is 'final maturity' referring to legal final maturity or expected final maturity?

*Answer: 'Final maturity' in that sentence is referring to legal final maturity.*

- 53.** Is the maturity guideline actual maturity or effective maturity?

*Answer: Citizens' policies reference stated legal final maturities.*

- 54.** Section: Appendices 1-3 – can you please provide the most recent holdings statement for the three taxable portfolios?

*Answer: Yes, please see Exhibit A "Taxable Portfolios Example" with this addendum.*

- 55.** Citizen Investment Summary Report Appendix – February 2018 – Page 6

<https://www.citizensfla.com/-/20180410-fic>

Question A: Define income return?

Question B: How is success measured in terms of comparing income return vs total return?

Question C: Is there a gain/loss budget?

*Answers:*

*Question A: Income return is defined as the net investment income earned by the portfolio.*

*Question B: Both returns are evaluated and discussed with managers during quarterly calls. Neither is given preference over the other in terms of measuring the success of a manager. Depending on Citizens' needs, managers may be asked to focus either on total return and/or book yield/income return when managing portfolios.*

*Question C: No, there is not a defined gain/loss budget, Citizens' staff discusses gain/loss projections with managers during quarterly calls.*



**56.** How do you prioritize between maximizing a high book yield/income and maximizing total return results and surplus growth?

*Answer: Priority is dependent on Citizens' current capital structure and exposure risk related to hurricane damage. Citizens, as a catastrophe insurer, can have a high variability in its cash flow needs. Depending on Citizens' business needs, managers may be asked to focus either on total return and/or book yield/income return when managing portfolios.*

**57.** Can you provide duration and yield objectives for the different buckets?

*Answer: Duration limits are defined in the attached investment policies (see Appendices 1-6). Managers have discretion to manage within the policy limits for best portfolio performance. Citizens discusses duration positioning and yield objectives with managers during quarterly calls.*

**58.** Fees – Appendix 6 indicates that mandates “less than \$750 million shall be billed at 5 basis points (0.05%). We want to confirm that this is a set schedule for all managers with mandate sizes less than \$750 million, or if you are looking for each manager responding to submit a proposed fee schedule.

*Answer: Fees are not set and can be discussed during negotiations. Citizens does not anticipate a dramatic change from the current fee arrangement.*

**59.** ITN Section: Appendix 6, page 1. Are the fees referenced in the schedule (4bp, 5bp) annual fee rates or quarterly?

*Answer: The fees reference in Appendix 6, page 1 are the current annual fees.*

**60.** Is the below fee schedule on Appendix 6 the most that will be paid to any investment manager for any of the five mandates?

“The tiers for Assets under management and corresponding Investment Manager Fees are as follows:

- \$750 million and above in Assets shall be billed at 4 basis points (0.04%)
- Less than \$750 million shall be billed at 5 basis points (0.05%)”

*Answer: This is an example of Citizens' current annual fee structure paid to all Investment Managers. Citizens anticipates maintaining a consistent tier structure across all Vendors however, both the tiers and basis points will be the subject of negotiations with Vendors found to be in the competitive range moved to the negotiation phase.*

**61.** Can you confirm that the tiered fee schedule of 5 basis points for less than \$750 million/4 basis points for greater than \$750 million (Appendix 6) is a fixed fee schedule that proposers are expected to agree to upfront? Or is it expected that there will be further negotiations by mandate? Can you also confirm the quoted schedule is a quarterly fee versus an annual fee?

*Answer: No, see responses to Questions 58, 59, and 60.*

**62.** Attachment D: Minimum Requirements Acknowledgment; Criteria 5 & Appendix 6: Citizens' Pricing, Vendor must agree to Citizens' two-tiered pricing structure currently in use as per Appendix 6. (Basis points to be determined in Negotiations). The two tiers for Assets Under Management are (1) \$750 million and above, and (2) less than \$750 million. Does Vendor accept this tiered pricing structure, with the basis points for each tier to be determined in Negotiations?

Questions:

Attachment D, Criteria 5 refers to the two-tiered pricing structure outlined in Appendix 6. In the appendix, the pricing for above and below \$750 million in AUM is 4 to 5 basis points. However, Attachment D suggests that the basis points are to be determined in Negotiations.



As such, to clarify, is the investment manager agreeing to a two-tier pricing structure with the basis points for each tier to be determined in Negotiations? Or is the investment manager agreeing to a two-tiered pricing structure at 4 to 5 basis points?

*Answer: Citizens has amended Attachment D, Minimum Requirements. See response to Question 60.*

**63.** What Investment Management Fees are you targeting for your Taxable Claims-Paying Funds vs. the Liquidity Funds?

*Answer: See response to Question 60 and 64.*

**64.** In Appendix 6 the investment fees for your current managers are listed as follows:

- \$750 million and above in Assets shall be billed at 4 basis points (0.04%)
- Less than \$750 million shall be billed at 5 basis points (0.05%)

A. Are these fees the same across all 5 portfolios?

B. Do they vary according to the investment style?

C. Have you explored any different fee structures?

*Answers:*

*A. Yes, Citizens currently has only one fee structure.*

*B. No, the fees currently do not vary.*

*C. No, Citizens has maintained a tiered fee structure for over the past 10 years. A different fee structure may be discussed during negotiations. (See response to Question 60).*

**65.** Can you please provide some clarity with respect to the investment management fees in the below sections? Is the investment manager agreeing to both the assets under management tiers and the pricing of 5 basis points and 4 basis points across all five (5) investment policies? There seems to be a conflict in the language between Appendix 6 and Section 2 2.1 compared to Attachment D and the other language highlighted below referring to price negotiation.

ITN Section: Appendix 6 Page: 1, Question: The last paragraph stating the tiers of assets under management and their corresponding fees:

- \$750million and above billed at 4 basis points
- Less than \$750mm billed at 5 basis points

ITN Section: 2 2.1 Page: 9, Question: The compensation schedule is uniform for all of Citizens current investment managers and can be found in Appendix 6.

ITN Section: Attachment D Page: 1, Question: Criteria 5 states vendor must agree to tiered pricing structure as per Appendix 6 (with basis point fees determined in negotiations). Does vendor accept tiered pricing structure?

ITN Section: Section 3.8 E and 3.9 E Page: 18, Question: Best and Final Offer (BAFO) and selection criteria.

*Answer: No, Citizens has amended Attachment D, Minimum Requirements. See response to Questions 58 and 60.*



- 66.** Would Citizens confirm if any requested modifications to the Standard Terms and Conditions are required to be included within our response, or is it permissible to be discussed during the negotiation period? Attachment I indicates that either approach is acceptable, though this language appears to conflict with other sections of the ITN.

*Answer: As per Attachment I, "Citizens is willing to modify these terms and conditions based on industry standards and the Vendor's reply to this solicitation".*

- 67.** ITN Section: Attachment I- Citizens Terms & Conditions Page # 6, Question: Must the vendor have at least \$25,000,000 of insurance coverage related to Fiduciary Liability in order to be considered for investment management services? These limits are typically tied to total assets under management by the investment adviser, and we wanted to confirm if a lower limit would be accepted.

*Answer: Citizens would consider an equivalency to the \$25,000,000. If Vendor is found to be in the competitive range to move to the negotiation phase, this can be discussed and resolved during negotiations or contract finalization.*

- 68.** Would Citizens consider amending agreements that they may have with an existing manager to add this new [mandate/portfolio] to the current documentation? Pursuant to Section 3.10 of the ITN, please see our proposed changes to Citizens Terms and Conditions (Attachment 1).

*Answer: Note: The proposed changes from Attachment 1, have been imbedded in this document and are Questions 69-78. Initial answers have been provided below, however, these may be subject to further discussion during the negotiation phase.*

- 69.** The first sentence of Provision 3.1 shall be replaced with the following language:

"In accordance with the Agreement, the Vendor warrants that it will perform and deliver Services with the care, skill, and diligence, under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims."

*Answer: Citizens does not have an issue with the change conceptually, however will consider specific language revisions during negotiations with those vendors who move to that phase of the procurement.*

- 70.** The following language shall be deleted from the second sentence of Section 3.1: "and for one (1) year thereafter"

*Answer: If Vendor is found to be in the competitive range to move to the negotiation phase, this can be discussed and resolved during negotiations or contract finalization.*

- 71.** The following language shall be added after the last sentence in Provision 6.2:

"VENDOR SHALL NOT BE RESPONSIBLE FOR INVESTMENT LOSSES UNLESS CAUSED BY THE GROSS NEGLIGENCE OR WILFULL MISCONDUCT OF VENDOR."

*Answer: If Vendor is found to be in the competitive range to move to the negotiation phase, this can be discussed and resolved during negotiations or contract finalization.*

- 72.** Provisions 7.3, 7.5, 7.9, and 7.10 shall be deleted in their entirety.

*Answer: If Vendor is found to be in the competitive range to move to the negotiation phase, this can be discussed and resolved during negotiations or contract finalization.*

- 73.** The last two sentences of Provision 7.11 shall be deleted and replaced with: "Vendor reserves the right to self-insure any of the insurance requirements described in the Agreement."

*Answer: If Vendor is found to be in the competitive range to move to the negotiation phase, this can be discussed and resolved during negotiations or contract finalization.*



74. Provision 10.1 shall have the following language added at the very beginning of the first sentence: "In addition to its internal record keeping policy and regulatory obligation to maintain books and records,"

*Answer: If Vendor is found to be in the competitive range to move to the negotiation phase, this can be discussed and resolved during negotiations or contract finalization.*

75. Section 11.2 is deleted in its entirety.

*Answer: Citizens requires Vendor to have security and privacy controls in place, but is willing to consider alternatives to NIST 800-53. If Vendor is found to be in the competitive range to move to the negotiation phase, this can be discussed and resolved during negotiations or contract finalization.*

76. Provision 11.6 shall have the following added at the end thereof: "Vendor's affiliates located outside of the United States shall be permitted to access Citizens' data when such access is necessary and related to Vendor providing Services under this Agreement."

*Answer: Citizens would be willing to discuss this change with the added requirement that this would occur only with Citizens permission in writing in advance. If Vendor is found to be in the competitive range to move to the negotiation phase, this can be discussed further and resolved during negotiations or contract finalization.*

77. Provision 11.14 shall have the following language added at the end thereof: "; Vendor may retain a copy of such materials pursuant to internal record keeping policies or regulatory requirements."

*Answer: If Vendor is found to be in the competitive range to move to the negotiation phase, this can be discussed and resolved during negotiations or contract finalization.*

78. The first sentence of Provision 12.15 shall be replaced in its entirety with the following language: "Because the award of the Agreement may have been predicated upon Vendor's ownership structure, Vendor agrees to notify Citizens of any transfer of a substantial interest in Vendor by any of its owners."

*Answer: Citizens would be willing to discuss options to incorporate this change with the added requirement that notice be provided in writing to Citizens. If Vendor is found to be in the competitive range to move to the negotiation phase, this can be discussed and resolved during negotiations or contract finalization.*

#### **END OF QUESTIONS AND ANSWERS**

**FAILURE TO FILE A PROTEST WITHIN THE TIME PRESCRIBED IN SECTION 627.351 (6)(e),  
F.S., CONSTITUTES A WAIVER OF PROCEEDINGS.**