

# Executive Summary

Finance & Investment Committee Meeting, July 13, 2021

Board of Governors Meeting, July 14, 2021

## Investment Analytics Software – 21-0001

### Topic

Citizens is requesting approval to contract with Clearwater Analytics, LLC, for Investment Analytics Software. The software is a valuable resource to Citizens in carrying out its fiduciary responsibility to oversee and report on its invested assets of approximately \$9.5 billion. Approval is requested for a three (3) year base term with three (3) one (1) year renewal options, for an amount not to exceed \$3,300,000 for the life of the contract.

### History

Citizens is seeking approval to contract with Clearwater Analytics, LLC for Investment Analytics Software through a cloud-based software as a service solution. Citizens will use this software to monitor its investment portfolios with regard to performance and risk. Citizens has approximately \$9.5 billion of operating and tax-exempt assets invested pursuant to its taxable and tax-exempt investment policies. Ninety-one percent (91%) of Citizens' assets are managed by external investment managers in twenty-two (22) separately managed accounts. Citizens has forty (40) accounts in total, which consist entirely of investment grade fixed income securities and money market funds.

The requested software provides valuable tools for Citizens staff to evaluate portfolio performance, risk, and compliance for internally and externally managed assets. It assists staff with measuring and reporting on portfolio performance across all forty (40) accounts and against common industry benchmarks. It also assists with risk and compliance monitoring including automated monitoring for compliance with Citizens' investment policies. For instance, the software will notify Citizens if a bond has been downgraded below Citizens' minimum required rating. The software imports Citizens portfolio data on a daily basis. Vendor personnel validate the data to ensure accuracy.

Citizens' current investment analytics software is provided by FactSet Research Systems, Inc. This contract will expire on February 28, 2022.

The requested contract was negotiated on best value to Citizens pursuant to Invitation to Negotiate No. 21-0001 for Investment Analytics Software. The ITN was issued on January 12, 2021. Citizens received responses from three (3) vendors: Blackrock Financial Management, Inc., Clearwater Analytics, LLC, and FactSet Research Systems, Inc. After review and scoring, the Evaluation Team recommended advancing all three vendors to negotiations. Citizens'

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negotiation team recommended Clearwater Analytics, LLC for award after conducting negotiations with all three (3) vendors.

The contract includes a three (3) year base term with three (3), one (1) year renewal options. Approval is requested for an amount not to exceed \$3,300,000 including renewals.

## Recommendation

Staff proposes that the Finance & Investment Committee review, and if approved recommend the Board of Governors:

- a) Authorize Citizens to contract with Clearwater Analytics, LLC for an initial term of three (3) years, and for three (3) one (1) year renewal options, for an amount not to exceed \$3,300,000 for the life of the contract, as set forth in this Action Item; and
- b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.

**ACTION ITEM**

**New Contract**

**Contract Amendment**

**Other** \_\_\_\_\_

**CONSENT ITEM**

**Contract Amendment**

**Existing Contract Extension**

**Existing Contract Additional Spend**

**Previous Board Approval** \_\_\_\_\_

**Other** \_\_\_\_\_

**Action Items:** Items requiring detailed explanation to the Board. When a requested action item is a day-to-day operational item or unanimously passed through committee it may be moved forward to the board on the Consent Index.

**Move forward as Consent:** This Action item is a day-to-day operational item, unanimously passed through committee or qualifies to be moved forward on the Consent Index.

**Consent Items:** Items not requiring detailed explanation to the Board of Governors. Consent items are contract extensions, amendments or additional spending authorities for items previously approved by the Board.

<b>Item Description</b>	<b>Investment Analytics Software</b>
<b>Purpose/Scope</b>	<p>This Action Item seeks Board approval to contract with Clearwater Analytics, LLC for Investment Analytics Software. The services will be provided through a cloud-based software as a service solution.</p> <p>Citizens uses this software to monitor its investment portfolios with regard to performance and risk. Citizens has approximately \$9.5 billion of operating and tax-exempt assets invested pursuant to its taxable and tax-exempt investment policies. Ninety-one percent (91%) of Citizens’ assets are managed by external investment managers in twenty-two (22) separately managed accounts.</p> <p>The requested software provides valuable tools for Citizens staff to evaluate portfolio performance, risk, and compliance for internally and externally managed assets. It assists staff with measuring and reporting on portfolio performance across all accounts and against common industry benchmarks. It also assists with risk and compliance monitoring including automated monitoring for compliance with Citizens’ investment policies. For instance, the software will notify Citizens if a bond has been downgraded to below Citizens’ minimum required rating. The software imports Citizens portfolio data on a daily basis. Vendor personnel validate the data to ensure accuracy.</p>
<b>Contract ID</b>	<p>Investment Analytics Software</p> <p>Contract number: 21-0001-00</p> <p>Recommended vendor: Clearwater Analytics, LLC</p>

<p><b>Budgeted Item</b></p>	<p><input checked="" type="checkbox"/> Yes  <input type="checkbox"/> No                      Funding included in 2021 Operating Budget and annually for each respective contract year.</p>
<p><b>Procurement Method</b></p>	<p>The contract was procured pursuant to Invitation to Negotiate (ITN):. 21-0001. The ITN was issued on January 12, 2021. On April 7, 2021, three (3) vendors were advanced to the negotiation phase. Citizens' negotiation team recommended Clearwater Analytics, LLC for award on May 28, 2021, after conducting negotiations with all three vendors.</p>
<p><b>Contract Amount</b></p>	<p>Not to exceed \$3,300,000 for the life of the contract (including the renewal terms)                      The vendor's fee for the services is an annualized asset-based fee that is based on the market value of Citizens' assets.</p>
<p><b>Contract Terms</b></p>	<p>Three (3) year base term with three (3) one (1) year renewal options.</p>
<p><b>Committee Recommendation</b></p>	<p>Staff proposes that the Finance &amp; Investments Committee review, and if approved recommend the Board of Governors:</p> <ul style="list-style-type: none"> <li>a) Authorize Citizens to contract with Clearwater Analytics, LLC for an initial term of three (3) years, and for three (3) one (1) year renewal options, for an amount not to exceed \$3,300,000 for the life of the contract, as set forth in this Action Item; and</li> <li>b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.</li> </ul>
<p><b>Board Recommendation from Committee</b></p>	<p>If approved at its July 13,2021 meeting, the Finance &amp; Investment Committee recommends that the Board of Governors:</p> <ul style="list-style-type: none"> <li>a) Authorize Citizens to contract with Clearwater Analytics, LLC for an initial term of three (3) years, and for three (3) one (1) year renewal options, for an amount not to exceed \$3,300,000 for the life of the contract, as set forth in this Action Item; and</li> <li>b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.</li> </ul>
<p><b>Contacts</b></p>	<p>Jennifer Montero, Chief Financial Officer</p>