## 2.2.1 TRANSITIONAL MANAGER TECHNICAL QUESTIONNAIRE

**Team, Firm and Experience**

1. Please provide a summary of your transition management team: include background, year of inception, and added value.
2. Provide an organizational chart featuring all the individuals involved in the transition.
3. Provide any details of any changes to senior management or trading/client service management over the last 5 years (both hires and departures). Are there any changes pending?
4. Describe the relationship management team, both its structure and philosophy.
5. Describe the ownership and organizational structure of your firm, including any parent, subsidiaries and affiliates.
6. How does the transition management business fit into any related trading and/or consulting services provided by your firm or any of the affiliated organizations?
7. Clearly describe all sources of revenue (both explicit and implicit) that your firm derives from trading activities related to the assets of transition management clients. Break out descriptions by asset classes or trading venues utilized.
8. Does your firm specialize in any specific asset class? Does your firm have expertise in providing transition management services for domestic equity, domestic IG fixed income, domestic HY fixed income or any other asset classes?
9. Provide 3 references to similarly sized institutions.
10. Have your transition/brokerage services been the subject of litigation or claims in the last five years? If so, for each instance, please discuss the nature of the suit or claim, including its resolution or its current status.
11. Describe the levels (dollar amounts) of coverage the firm has for SEC required fidelity bonds, errors and omissions insurance, or any other insurance coverage the firm has to indemnify transition management clients against losses.

**Processes and Management**

1. What does your firm believe are its core competencies relative to other competitors in the transition management space?
2. Do you have any additional strategic relationships with third parties that could potentially enhance your transition management capabilities?
3. Please describe at a high level your philosophy and methodology for transition management, including the step by step process from the time you receive the legacy and target portfolios, to the execution of the transition.
4. Please provide a detailed example of a transition timeline.
5. Are there any operational services normally provided by a delegated investment manager that your firm cannot provide? Explicitly address the following: corporate action responses, proxy responses and other duties.
6. Describe firm’s quantitative tools for selecting an optimal trading strategy as well as for process management. Which software is proprietary, and which is from a third party?
7. How do you determine the optimal trade-off between market impact and opportunity cost?
8. How do you manage the risk factors and costs associated with transitions? Please address financial risks (poor execution, implementation shortfall, timing, market impact) and operational risk (incorrect order, delivery failures, etc.).
9. Discuss your team’s approach to market risk.
10. Describe any potential (real or perceived) conflict of interest between the transition team and other affiliated departments or businesses within your organization.
11. Does your firm receive any economic benefit other than what is explicitly quoted as a fee for transition services? Please disclose all such means for economic benefit.
12. Do you make a spread on any transactions? Do you have any arrangement with other funds or firms (e.g. soft dollar arrangements) whereby you are compensated by trading with those firms?
13. How do you handle a situation where a transition client has an order and your investment management arm has the same order? Are they grouped together? What protections are in place to ensure the transition account is not disadvantaged?
14. Please describe your broker approval process.

**Access to Liquidity and Trading Strategy**

1. Discuss the approach your firm uses to develop a pre-trade cost estimate:
   1. What information do you need to prepare an accurate pre-trade?
   2. What system(s) do you use to develop your pre-trade estimate?
   3. How do you determine the assets that will be crossed internally (if used)?
   4. How do you determine the assets that will be crossed externally and the venues to be used (if used)?
   5. How do you determine the assets that will be traded in the market and the venues to be used (if used)?
2. Describe your pre-trade modeling process and the quantitative tools your firm uses to evaluate/optimize trading for transitions. Please be as specific as possible.
3. Describe how trading strategy differs by asset class (public equity, high yield fixed income, investment grade fixed income).
4. What is the firm's view on the market-on-close strategy? For what types of transitions would you recommend it (if any) and what are your quantitative thresholds (please be specific). If you would not recommend it at all, please explain why.
5. What liquidity advantages do you have?
6. What are the multiple sources of liquidity that you tap for all asset classes? Which are proprietary, which do you access as a market participant? Please list all.
7. Do you own a dark pool? If so, please describe your utilization of it with regard to transitions. How can clients be certain you will fairly utilize outside dark pools in addition to internal?
8. Please detail what is classified as internal crossing and what is classified as external crossing in your pre and post trade reporting. Do you assume all internal and external crossing is free from all implicit costs?
9. Describe broker selection, order routing, execution cost, what liquidity venues are avoided? Are orders intentionally routed to market makers who do not charge for execution?
10. What counterparties and venues do you use for external crossing? Do you have the appropriate Department of Labor exemption to conduct crossing?
11. Do you charge a commission or include any implied costs for the various forms of crossing provided to clients? Explain and detail all applicable forms.
12. Do you require brokerage execution through an affiliated party or parties? Discuss and if so, please list the various conflicts this situation may create and explain how you assure client orders are given best execution with regard to timing and price.
13. Describe the process your firm follows in soliciting bids from brokers. How many bids would you seek for a typical security? How do you avoid leaking information to the market?
14. Describe your approach to the actual transition execution, including how you manage cash flows associated with trading, significant price movements, partial completions, residual holdings etc.
15. Is trading performed on an agency basis, principal basis, or both?

**Historical Performance and Reporting**

1. Describe pre-trade, post-trade, and any live trading reporting that is available. Describe timelines and online availability as well as the contents of the reports.
2. Can you measure accuracy of pre-trade estimates vs outcome and report on it post trade?
3. Would you be willing to submit pre-trade analysis using a specific strategy (implementation shortfall, VWAP, etc.) established by the client?
4. Please complete the tables in the attached spreadsheet, summarizing your firm’s transition management experiences for the last 20 years (or if inception if your businesses started before then), in the three asset classes: US Public Equities Small Cap, US Public Equities Large Cap, and US Fixed Income. A transition is defined as a single event with single or multiple mandates and size is defined as total notional value traded. For transitions involving multiple asset classes, please chose the asset category with the largest notional value in transitioned assets for that event. Please include these charts in .xlsx format as a separate attachment labeled Question 2.2.1.4.
5. Please provide a distribution, either in the form of a histogram or continuous distribution, showing the distance in standard deviations between the post-trade realized cost and the median pre-trade estimate, over the last 5 years of history. Define 5 years as 7/1/2014-6/30/2019. Please show one distribution for all US Public Equity Transitions (all market cap sizes) and one distribution for all US Fixed Income Transitions.
6. What is your position on performance guarantees at a certain level of implementation shortfall or explicit cost? Do you offer them? Why or why not?
7. Do you receive independent trade cost analysis of your transition management success and overall trading effectiveness? Can you share with us information to support the effectiveness of your trading process?
8. Discuss your calculation of the estimated bid/ask spread costs, market impact costs and estimated opportunity cost in your pre-trade estimates.
9. How do you measure your effectiveness after the transition? Describe your measurement methodologies. How do you define a successful/unsuccessful transition?
10. Provide a complete set of sample reports for Pre-, Intra- and Post- Transition Activity. Provide samples for domestic fixed income and domestic equity.
11. Will you provide date and time stamped individual printed data, where available, for all security transactions?
12. Is your firm willing and able to provide transparent reporting on all fees paid by NYSIF for the services provided (both directly and indirectly)?