

**REQUEST FOR INFORMATION:**

**TRANSITION MANAGEMENT SERVICES**

August 29, 2017

On behalf of one of our public fund clients, Pension Consulting Alliance, LLC (PCA) is issuing this Request for Information (RFI) for transition management services and capabilities.

Responses must be submitted in electronic copy. Questions should be stated exactly as provided in the RFI followed by your response. Please complete the attached RFI and return it to Sean Copus and Kristen Chase by **5:00 p.m. PST, Wednesday, September 13, 2017**. Please indicate in the subject line of your e-mail the following: *PCA Transition Manager RFI – “your firm name”*.

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If you have any questions, please contact Sean Copus and Kristen Chase.

Confidential or Proprietary Information

The information provided within the RFI is subject to the Sunshine Laws, which are U.S. federal and state laws requiring regulatory authorities' meetings, decisions, and records to be made available to the public.

The offeror shall designate those portions of the RFI that contains trade secrets or other proprietary data/information that the offeror wishes to remain confidential. This information must be clearly marked on each page and readily separable from the proposal to facilitate public inspection of the non-confidential portions. The entire proposal CANNOT be considered confidential. The fee proposal CANNOT be considered confidential.

## MINIMUM QUALIFICATIONS

All proposals will be evaluated in two areas: 1) the Required Minimum Qualifications and 2) the Preferred Criteria, as specified below.

### 1. Required Minimum Qualifications (RMQs)

The Proposer must meet all of the following RMQs; otherwise its proposal will be rejected. **For each RMQ, the Proposer must provide a detailed response (one sentence or more) stating how the Proposer complies, indicating that the Proposer has met the RMQ as of June 30, 2017. A response that is limited to a mere reference to other sections of the RFI will be insufficient. Any known deviations from the RMQs below must be disclosed in detail on this form.**

#### 1) Organization

- a) Firm must have been in existence for at least five full years.
- b) It must be SEC registered, a bank, or a licensed insurance company affiliate.
- c) Firm must not have been the subject of material litigation or claims or censured by the SEC or subject to regulatory action within the last three years.
- d) Firm must carry the appropriate coverage for errors and omissions and professional liability insurance.
- e) The Proposer will complete the RFI questionnaire in its entirety.

#### 2) Investment Professionals

- a) The Proposer or its principals must have five years of experience transitioning assets for institutional clients.
- b) The Proposer must be directly responsible for the management of the transition, and all personnel responsible for the transition must be employees of the firm.
- c) Firm must have at least five investment professionals dedicated full time to transition services.

#### 3) Fiduciary Role

- a) The Proposer must be able to act as a fiduciary while performing transition management assignments.

### 2. Preferred Criteria (PC)

The following PCs are strongly desired by the Plan. Although failure to meet one or more of the PCs may not necessarily result in disqualification, Proposers who fail to meet one or more of the PCs may be considered less favorably in the selection process. **Please provide a detailed answer for each of the PCs (one sentence or more). Please do not only refer to other sections of the RFI. Any known deviations from the PCs below must be disclosed in detail on this form.**

#### 1) Complies with the T-Charter, Code of Best Practice for Transition Managers.

#### 2) Transition Activity

- a) The Proposer must have successfully transitioned at least \$3.0 billion of public market assets over the last twelve months ending June 30, 2017.

- b) The Proposer must have completed at least three multi-asset class transition projects within the last twelve months ending June 30, 2017.
- c) The Proposer must have successfully executed at least one transition for two of the four major strategy types over the last twelve months ending June 30, 2017 in an amount equal to or greater than the amount listed in the following schedule.

<b>Strategy Type</b>	<b>Minimum Size</b>
Domestic Equity	\$100 million
Domestic Fixed Income	\$150 million
International Equity	\$200 million
Managed Futures / Trend Following	\$50 million (cash-basis)

By signing below, an authorized representative of the Proposer warrants that the Proposer meets all of the Minimum Qualifications as detailed above. This page must be signed and returned with the completed RFI.

\_\_\_\_\_  
**Authorized Signature**

\_\_\_\_\_  
**Print Name**

\_\_\_\_\_  
**Title**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**Company**

**BACKGROUND**

PCA is soliciting responses from qualified firms to develop a short list of transition management providers for one of our public fund clients. The client may utilize this short list of providers to assist in executing manager transitions in its investment portfolio. These transitions may involve several types of securities, including: global equities, global bonds, bank loans, global inflation-linked securities, exchange-traded and OTC derivatives, and currencies, among others. The goal is to retain a focused group of transition managers that, on demand, can transition portions of the client’s investment portfolio. As of June 30, 2017, the client’s investment portfolio was valued at approximately \$355.7 million. The table below highlights the Plan’s policy targets and relevant benchmarks/market proxies.

**Policy Portfolio**

<b>Strategic class</b>	<b>Benchmarks/Market Proxies</b>	<b>Approximate Target</b>
US Equity	Russell 3000 (Blend) Index	40.0
International Equity	MSCI ACWI ex. U.S. (Blend)Index	12.0
Total Fixed Income	Bloomberg Barclays Universal (Blend)	21.0
Covered Calls	CBOE BXM	5.0
Credit	BofA Merrill Lynch High Yield Master II	2.0
CRO	Custom Blended Fixed Income/Global Equity Index	20.0
Cash	Citigroup 3 Month T-Bill Index	0.0

The successful firms will provide transition management services as described below:

1. The transition(s) will be completed at the discretion of the firm utilizing all their trading facilities. This should include internal and external crossing systems and any other trading strategies that minimize market impact and transaction costs while providing best execution.
2. Prior to execution of the trade, the firm will conduct a pre-trade analysis estimating the overall cost of the transition.
3. Upon receiving the assets, the firm is responsible for all corporate actions affecting the portfolio(s).
4. The firm will provide a daily account of all trading activities pertaining to specific transitions to the client via email to personnel identified by the client.
5. The firm will conduct periodic conference calls as deemed appropriate by the client.
6. Upon completion of the transition(s), the firm will prepare a written summary and evaluation analysis of the transition process.

To facilitate the selection process, please provide the following information:

**PART 1: ORGANIZATION**

1. Provide the following information:

Specific (proper) name of organization	
Company's address	
Year began providing transition services	

2. If selected for transition services, what is the name of the legal entity that will be represented on the contract(s)?
3. Who should PCA contact regarding any questions about the information contained in your response to this RFI? Who will be the client service officer? Provide the following contact information for each: title, phone, email, and address.

	Name/Title	Phone	Email	Address
RFI Contact				
Client Service				

4. Provide a general description and history of the firm.
5. Briefly describe (5 sentences or less) your firm's background and experience in providing transition services. In what year did your firm begin providing trading services and in what year did the firm begin providing transition services?
6. Describe the ownership structure of the firm, including any subsidiaries, affiliated companies or joint ventures. Are there any anticipated ownership changes and/or influences of parent organization(s)? If yes, please describe.
7. List all current owners of the firm and % ownership

Name/Company	Relationship to firm (if any)	% Owned

8. Identify within which business unit/entity your transition group is legally and operationally situated. Also include a detailed organizational chart of your transition operations. Identify key geographic locations from which your transition management business is operated. Please list the activities of other groups within the business unit in which your transition management business is located.
9. Describe any significant organizational or personnel changes with the past three years. Do you anticipate any changes in the future?

10. What is the importance of transition management to the business strategy of the firm and its parent company (if applicable)? Describe why you believe your firm will continue to be committed to the business.
11. Please comment on any changes to your business structure since the last questionnaire (if applicable) was submitted.
12. Has your firm or any individual related to the transition management team, been the subject of an audit by the SEC, IRS, DOL, NASD, or other regulatory body during the past three years? If so, please describe in brief.
13. Disclose any sanctions or disciplinary actions taken against the firm by the SEC, NASD, or other regulatory body within the last five years.
14. Disclose any legal claims or arbitration hearings the firm has been involved in, settled, or been required to pay within the last five years.
15. 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. Please include the maximum amount of coverage per claim.

**PART 2: PERSONNEL**

16. Complete the following table with information for the key professionals assigned to the transition team. Please include both the front and back office teams. Briefly explain each individual's responsibilities and identify who would serve as the client relationship manager, the trading coordinator, and the risk manager.

Name (include designations)	Title	Location	Years with Firm	Years of Transition Mgt Experience	Area of Responsibility

17. Where are team members located?
18. Provide biographies and/or résumés of all personnel associated with the transition management team.
19. Please discuss the evolution of the transition management team including how long the current team has been together?
20. Do you subcontract any aspect of your firm's transition management services to a third party? If yes, please describe the nature and the rationale of these relationships.

21. Is your transition management group (including traders) separate and distinct from the rest of the organization? If not, how do you address the potential conflict of interests that can arise?
22. Does your firm have a succession plan in place for key senior personnel on the transition team? Please describe.
23. Please give details of your approach to capacity management and how you cope with large in-flows of work.
24. Indicate the number of personnel changes within the transition management group for the past four calendar years ending 12/31 in the table below. Please breakout turnover by functional areas. Discuss the causes and impact of any turnover.

Transition Mgmt Group	2013		2014		2015		2016		2017 YTD	
	Gain	Loss	Gain	Loss	Gain	Loss	Gain	Loss	Gain	Loss
Traders										
Trading Coordinators										
Risk Management										
Operations										
Client Service										

**PART 3: CLIENT INFORMATION**

25. Please complete the tables below detailing your transition activity completed from January 2016 through June 2017 (1/1/2016 to 6/30/2017).

	Public DB	Corp DB	Taft-Hartley	End/Fdn	DC	Mutual Funds	Other
Number of Clients							
Number of Transitions							
Number as Fiduciary							

	Number of Transitions	Notional Value (\$mil)
U.S. Equity (only)		
Non-US Equity (only)		
Global Equity		
Equity/Fixed Income		
Fixed Income (only)		
F/X		
Global Inflation-Linked Securities		
Covered Calls/Put-Writing		
Managed Futures/Trend Following		
Other (please describe)		

26. How many transitions of the following sizes have been carried out between 2013 to present? Please provide global numbers below.

Year	Size (\$mil)		
	0-250	251-1,000	1,001+
2013			
2014			
2015			
2016			
2017			

27. Please provide a list of three investment managers that can attest to your transition management expertise. Include name and phone number of primary contact.

28. Please list three clients similar in size and asset allocation to our client as references for whom you have provided transition services. Include client name, address, name and telephone number of contact person, and portfolio size.

**PART 4: TRANSITION MANAGEMENT SERVICES**

29. Detail your firm’s distinct competitive advantages? What material differences are there between your firm’s transition services and that of your competitors? Do you believe that your capabilities distinguish you in any particular asset class and why?

30. What areas do you perceive your transition offering as weaker relative to your peers?

31. Please briefly describe your transition programs for each of the major security types (global equities, global bonds, bank loans, exchange-traded and OTC derivatives, etc.) focusing on the following:

- a. Pre-trade modeling process and sources of input in pre-trade modeling
- b. Execution strategy
- c. Methodologies used to measure all related transition costs
- d. Managing multiple portfolio environment
- e. Portfolio trades vs. individual trades
- f. Commissions cost
- g. Use of crossing strategies

32. Indicate how you define and measure market impact and bid/ask spreads for each of the major asset classes. How do you define and measure opportunity cost?

33. Please highlight any enhancements made to your transition model/systems since 2008. Do you have a dedicated budget to invest in transition management systems? Please tell us about any impending enhancements.

34. Estimate the size of your firm’s liquidity sources. Identify the different sources that you have access to. Describe broadly the quality / efficacy of these liquidity sources (cost, anonymity, liquidity in certain types of securities, etc.). Identify your decision making process as it relates to accessing these liquidity sources?



35. Describe the process your firm follows in soliciting bids from brokers. How many bids would you seek for a typical security? Provide a breakdown of percentage of trades allocated to each of the five most utilized brokerage firms over the last three years.
36. Do you utilize outside brokers to execute portions of a transition (i.e. international equity or less liquid small-cap U.S. equity) as opposed to going directly to the local exchanges? If so, please specify the circumstances of when you would utilize an outside broker and provide a list of these brokers by asset class.
37. Describe your capabilities in fixed income transitions including, if any, individuals that are dedicated to fixed income transitions along with a description of their experience. Explain how you can add value to a fixed income transition.
38. Describe your views on the evolution and the efficacy of electronic trading venues for fixed income securities. Under what circumstances would you utilize / not utilize these sources. Are there any types of fixed income securities that you do not trade / prefer to have legacy / target managers execute? Why?
39. If you maintain or have access to an internal crossing network, please identify and describe these networks. Specifically, address the types of order flow that you have access to in such networks, the price at which trades are executed, whether you are entitled to any compensation for trades executed on this network, whether it is a real-time crossing network or a periodic (once a day / twice a day) crossing, and anonymity of client orders. What percentage is traded with the crossing network?
40. What are benefits and the potential risks of implementing trades through the crossing network? How do you mitigate and manage these risks? To the extent that you maintain and utilize a DOL-exempt end-of-day cross, please identify how you balance the risk between opportunity cost versus market impact, bid/asks and commissions. How do you incorporate this in your pre-trade modeling process? Describe the types of trades / securities that you will seek to trade through the end-of-day cross listed above, and why.
41. Explain how the firm manages explicit and implicit trading costs in a transition.
42. Describe your experience in utilizing derivatives to implement transition trades. Under what circumstances would you recommend clients utilize derivatives? How are futures transactions handled?
43. Describe how and with whom you would execute foreign currency spot/forward transactions?
44. How are the operational aspects relating to a transition handled? For instance, trade settlement, security transfers, cash movements, corporate actions, etc.?
45. Is transition management performed on an agency or principal basis or both? Please describe when and why one method could be preferred over another in a transition.
46. How do you manage the risk factors and costs associated with transitions? Please address both financial and operations risks.
47. Please give details of your approach to capacity management and how you cope with large in-flows of work. Please indicate how many events you typically manage

concurrently and specifically how many you would feel comfortable with trading concurrently.

- 48. In practice, how often is transition work passed between offices? Is this relating to particular functions (e.g. trading / risk analytics) or capacity constraints?
- 49. What risks do you foresee in a) trading in a multiple portfolio environment, b) reassigning portfolio management authority? What risks do you foresee in a single portfolio environment? Identify and prioritize risk mitigation measures and costs.
- 50. Briefly describe your firm’s trading capabilities. Is your firm a specialist in a specific asset class, region or market? Are dedicated resources and personnel segregated by asset class or geographic region? Describe firm’s capability of providing index overlays during an extended transition process.
- 51. Do you take on a fiduciary role while performing transitions? Does acting/not acting as a fiduciary change your organization’s approach to transitions? Are there any circumstances under which you will not serve as a fiduciary? If so, please explain why you believe this may be in the best interests of your clients.
- 52. What percentage of your assignments are fiduciary and non-fiduciary assignments since 2013?

Year	% of assignments as a Fiduciary	% of assignments as a Non-Fiduciary
2013		
2014		
2015		
2016		
2017		

- 53. Discuss the systems and technology used throughout the transition process. Describe the level of integration of systems. Please give the names of all tools and systems used by your team, including proprietary tools, giving a brief description of each.
- 54. How do your systems link into / reflect custodian systems?
- 55. Describe any analytical tools that you will make available to your clients relating to transition services.

**PART 5: COMPLIANCE**

- 56. Do you have a risk and compliance team that oversees the transition process? What is the size of the team and what are its core functions? Please describe your risk management and compliance process.
- 57. How would your firm manage the operational risk of a transition to ensure that securities and cash are properly and seamlessly transferred and accounted for during the transition?

58. How do your traders manage potential conflicts that may arise between trading for your transition clients, versus trading for other clients – such as hedge funds, your asset management group, other money managers, etc?
59. What processes do you have in place to minimize information leakage of transition management order flow? Who has access to transition trade-related data within your organization? What separation of functions and duties exist between the various individuals / groups that are involved in implementing a transition?
60. Please describe your compliance procedures that are in place to ensure clients that you as the transition manager are not compensated in any other way (i.e. F/X, internal crossing, principal bids, etc.) aside from the commissions charged the client on the transition.
61. How many audits have been completed for the transition management business over the last three years? What is the anticipated frequency of audits in the future?
62. Is your transition management offering T-charter compliant? Are you able to demonstrate that you are compliant? If you have a document setting out compliance against each item on the charter, please provide a copy.
63. Please describe your code of conduct for transition management employees, controls in place for personal trading, and training required of each employee with regards to compliance procedures and policies.

#### **PART 6: REPORTING**

64. Can you provide a written pre-trade analysis report that includes the estimated costs and timeframe required to achieve a specific transition? If yes, provide a complete set of sample pre-trade reports that you customarily provide clients.
65. Can you provide a written post-trade analysis report that describes the transition and provides the client with an evaluation of the transition versus the pre-trade analysis? If yes, please provide a complete set of sample post-trade analysis reports that you customarily provide clients.
66. What benchmarks do you prefer for measuring the performance of a two-sided transition (buys + sells)? Please list all appropriate benchmarks that you utilize and the circumstances under which you think each would be appropriate.
67. Are you able to provide daily, real time on-line or Internet reporting access to clients and/or managers to view the activity during the transition period? If yes, please describe.

#### **PART 7: FEES**

68. In detail, clearly define all sources of revenue for your company (and associated companies) when completing a transition. How does your firm get paid? Please also specify whether the team receives associated sales trading revenue and/or sales credits.

69. How does your firm estimate transition costs and/or fee structure for its transition services? How does your firm estimate all other costs?
70. What is your fee or rate for transition services?
71. Is the fee based on cents per share and as a percentage of market value? What factors do you use to calculate your rate-trading volume, frequency of trades, and trade difficulty?
72. Is the fee negotiable? Would this include both equity (domestic and international) and fixed income (domestic and international) transactions?
73. You are required to act as fiduciary for these assignments; are there any additional costs incurred for acting as a named fiduciary? If so, is this amount negotiable?
74. List standard commissions for all activities including internal crosses, external crosses, and open market trades for all asset classes, including FX.

#### **PART 8: OTHER**

75. Describe your firm's approach to continual improvement. Discuss particularly your investment in systems technology, trade analytics, and risk management tools as it relates to providing asset transition services.
76. What research do you conduct on quality of trade execution for different execution venues / brokers?
77. Please provide your sample letter of agreement (or contract) for your transition services under fiduciary concepts.
78. Has your firm paid any unregistered third-parties such as placement agents to solicit clients for transition management services?
79. Does your firm (or any of your affiliates or subsidiary organizations) have any offices in the State of Hawaii? If so, please provide address and phone number.
80. Has your firm, any employees of your firm, or any associate of your firm made any campaign contribution to any incumbent elected officials, and candidate for an elected office, or successful candidate for any elected office in the state of Hawaii in the last three years?
81. Has your firm, any employees of your firm, or any associate of your firm coordinated or solicited any person or political action committee to make any campaign contribution to any incumbent elected officials, and candidate for an elected office, or successful candidate for any elected office in the state of Hawaii in the last two year period?

82. Describe any additional services provided by your transition team (i.e. interim portfolio management, etc.).
83. Provide any additional information about your firm's transition services that you feel is important.
84. Please include up-to-date marketing materials (e.g., pitchbooks, factsheets, etc.) as attachment items.
85. On average, how long would you expect it to take your firm to assess and submit a proposal for a transition event?