

New York State Deferred Compensation Plan Active US Equity Management Services Search

RFP Questions and Answers

- 1) We currently manage \$600m in our dedicated US Small Cap strategy, which is below the stated minimum of \$750m. We do own US Small Cap names in other strategies, which would bring the total investments in those names over the minimum, though not in a dedicated fashion.

Per the minimums stated in the RFP, your small cap growth product would not meet the \$750 MM AUM minimum.

- 2) Is the highlighted requirement for the DEFERRED COMPENSATION PLAN FOR EMPLOYEES OF THE STATE OF NEW YORK AND OTHER PARTICIPATING PUBLIC JURISDICTIONS flexible to any extent? Our strategy has \$720 million in AUM as of 12/31/2023 and our Commingled Fund offering in that strategy has approximately \$32 million as of year-end. Please advise.

(vii) Minimum requirements; a. The proposing Active Large Cap Growth, Large Cap Core, or Large Cap Value strategy must have a minimum of \$5 billion in product assets under management. **The proposing Active SMID Core, Small Cap Value, and Small Cap Growth strategy must have a minimum of \$750 million in product assets under management.** Note that NYSDC seeks to have its participants' assets represent no more than 10% of a product's assets and 25% of a vehicle's assets, though these constraints are non-binding.

The minimum is as stated in the RFP.

- 3) Additionally, is there any indication of how much allocations might be to each asset class (for the purposes of pricing).

Mandate sizes will vary depending on the number of managers hired in each asset class. Assets from current managers may be mapped to any new managers that are hired. Current investment option assets as of 12/31/23 are outlined on page 5 of the RFP and in Exhibit D: Plan Assets by Investment Option.

- 4) Would the New York State Deferred Compensation Board be open to seeding a CIT vehicle for a US Value Equity strategy that meets all the other criteria with a manager that has experience with CITs but just not for this particular strategy?

The Plan is not willing to seed a CIT.

- 5) My firm can exceed the \$750mm minimum aum required in small cap if we aggregate the small cap overlap in other strategies. It does not meet the minimum on a standalone basis. Can we aggregate the assets?

No, it's dedicated product assets, so any small cap strategy that you propose must have \$750 MM or more in product assets as of 12/31/23.

- 6) If a separate account format will not be accepted, would your client be interested in being a seed investor for a CIT version of our Focused Growth strategy?

The Plan is not willing to seed a CIT.

- 7) While the mutual fund only has \$16M, we have \$350M in the strategy (separate accounts and the mutual fund) and for some extremely large and sophisticated institutional investors, would our strategy qualify the criteria set forth in the RFP?

The small cap growth strategy you reference would not qualify. Per the minimums stated in the RFP, any small cap strategy that you propose must have \$750 Million or more in product assets as of 12/31/23.

I saw the minimum requirements to participate in the RFP as follows:

Minimum requirements as stated: The proposing Active Large Cap Growth, Large Cap Core, or Large Cap Value strategy must have a minimum of \$5 billion in product assets under management. The proposing Active SMID Core, Small Cap Value, and Small Cap Growth strategy must have a minimum of \$750 million in product assets under management. Note that NYSDC seeks to have its participants' assets represent no more than 10% of a product's assets and 25% of a vehicle's assets, though these constraints are non-binding.

However, I also read the following language on the RFP with respect to MWBE registered firms:

In accordance with subdivision 2 of section 5 of the New York State Finance Law, the Board is committed to ensuring the inclusion of MWBE Asset Managers and MWBE Financial and Professional Service Firms in requests for proposals or searches conducted by or on behalf of the Board with respect to the selection of service providers to the New York State Deferred Compensation Plan. Proposals should indicate if your organization is designated MWBE

- 8) With ~\$400 mil AUM, our firm clearly does not meet the original minimums of \$5 bil AUM for the firm, nor \$750 mil AUM in the product. However, our firm is registered as an MWBE firm with greater than 50% ownership by individuals who meet the definition of minority and/or women. Can our firm participate in the RFP as an MWBE registered firm, given that we do not meet the AUM hurdles for the firm or product.

The product AUM minimums apply to all firms responding to the RFP, whether they are MWBE firms or not.

- 9) In regards to the requirement for active large cap strategies having a minimum \$5 billion assets under management: Would you give consideration to a LCV strategy with roughly \$2.3 billion in assets where the portfolio management team manages \$27 billion in combined assets across large cap, mid cap, small cap, and global?

A LCV strategy with \$2.3 BN would not meet the \$5 BN minimum.

- 10) Would the plan be able to offer an ETF or would the mutual fund structure be more appropriate?

NYSDC is not considering ETFs for this search.

- 11) Is the preference for a commingled vehicle rather than a separate account?

Per page 6 of the RFP - "The process is open to evaluating mutual funds, CIT's, or other daily valued pooled vehicles, not separate accounts."

- 12) Any sense of the target mandate size for Large Cap Growth? Any sense of the target mandate size for Large Cap Core?

Mandate sizes will vary depending on the number of managers hired in each asset class. Assets from current managers may be mapped to any new managers that are hired. Current investment option assets as of 12/31/23 are outlined on page 5 of the RFP and in Exhibit D: Plan Assets by Investment Option.

- 13) Our RFP team had a quick question regarding the page 11, Section V, point viii of the attached RFP, specifically the sentence, "It is preferable that the proposed vehicle accrues expenses or is willing to do so." We are just not entirely sure what that means as the RFP explicitly mentions this won't be SMA, but rather a commingled vehicle. Can you provide some additional clarification?

This language is stating NYSDC's preference for a proposed product to accrue expenses directly as opposed to charging fees outside the fund.

NYSDC prefers commingled fund fees are taken from the NAV inside the fund as opposed to billing for fees outside of the fund.

- 14) Our strategy is all cap and the benchmark is the Russell 3k. Would you encourage us to submit, or is the All-Cap approach a challenge? We could explore a mandate that is US large cap with opportunistic small cap.

An all-cap strategy benchmarked to the Russell 3000 would be non-responsive. The list of mandates and benchmarks NYSDC is seeking are listed in the RFP.

- 15) I understand that the search is only open to pooled vehicles. We have a growing track record, seasoned team, and strong performance in our US Small Cap strategy (profile attached) and would like to participate in the search if possible. Would you consider a manager that is willing to set up a CIT with a favorable founder's fee and provide a cap on operating expenses?

NYSDC is not willing to seed a CIT.

- 16) Given your interest in commingled funds, we were curious if your client would consider being a launch client for a CIT.

NYSDC is not willing to seed a CIT.

- 17) With regards to the small cap search, we have a mutual fund available for our strategy, however, the asset level might present an issue, as there were roughly \$49M in assets in the fund at the end of 2023.

Minimum requirements can be found at the top of page 11 of the RFP. The strategy AUM minimums for large cap (\$5 Bn) and small/sm mid cap (\$750 M) are not flexible. The 10% product and 25% vehicle constraints are non-binding.

Considering that the Plan will join an existing CIT with multiple investors (by entering into agreements with the Trustee), we have the following questions:

- 18) Will the "Standard Clauses for New York State Contracts" only be required to be satisfied by our firm, as an applicant of the RFP, and not by the Trustee? The Firm will be able to enter into a written agreement with the Plan covering the standard clauses, but the Trustee may not be able to agree to all of the standard clauses since the CIT is for multiple investors subject to the existing CIT documents.

The Investment Manager and Trustee would be considered as separate vendors required to complete the Vendor Responsibility Questionnaire and all other forms that vendors are required to complete. The Investment Manager and Trustee may submit one RFP response that includes all required information for both firms as separate vendors. If selected, there would be a contractual agreement between NYSDCB and the Investment Manager and a separate contractual agreement between NYSDCB and the CIT Trustee. Both contractual agreements would include the Standard Clauses for New York State Contracts, as well as other provisions that are required to be included in all NYSDCB contractual agreements (e.g., provisions regarding vendor responsibility). NYSDCB understands that CITs are governed by trust documents that the trustee generally cannot amend, and in past CIT vehicles NYSDCB has adopted such trust documents (after reviewing them to ensure they are

acceptable to NYSDCB). However, the contractual agreements with the relevant trustee have also provided that such trust documents will not override the Standard Clauses for New York State Contracts, the other provisions that are required to be included in all NYSDCB contractual agreements, and other key provisions to NYSDCB. This approach has worked for the CIT trustees within their structures and limitations.

- 19) Will the Iran Investment Policy (Exhibit F) not be applicable to a CIT (similar to mutual funds) since the CIT is not a separate account?

Correct that it would not be applicable.

- 20) Please let us know how to address the indemnification requirement described on page 14 of the RFP. As described above, if our firm is selected, the Plan will join an existing CIT with multiple investors, and the Trustee may not be able to agree to modify the indemnification provisions in the existing CIT documents.

The basic structure of NYSDCB's standard indemnification provisions are key provisions for NYSDCB that NYSDCB does not modify for any vendor (including in CIT structures). NYSDCB understands that the precise wording of the indemnification provisions are subject to negotiation with vendors after selection, but does not deviate from the basic structure of the indemnification provisions in those negotiations. Both the Investment Manager and Trustee would need to agree to such indemnification provisions in their respective agreements.

- 21) For the allocation's to active U.S. Small Cap Growth and active U.S. Large Cap Growth is the Plan looking for a single manager or multiple managers to manage each strategy?

The plan is seeking single managers that will fill each of the current mandates listed in the RFP; incumbents are invited to rebid.

- 22) Can you give an estimate of the amounts that may be awarded per asset class?

See response to the question above.

- 23) Would the Plan be open to a fund of one structure?

No.

- 24) On page 11 of the RFP, it states "The proposing Active SMID Core, Small Cap Value, and Small Cap Growth strategy must have a minimum of \$750 million in product assets under management." Does this strategy minimum AUM level need to be met or exceeded as of Dec. 31, 2023? Specifically, our small cap growth strategy eclipsed this AUM threshold as of 2/29/2024. As such, if our strategy's AUM is updated in Callan's database as of 2/29/2024, reflecting that this minimum criterion has been met, will this be sufficient for satisfying the minimum of \$750 in product assets under management?

The strategy minimum needs to be met as of 12/31/23 so meeting it as of 2/29/24 would not meet the minimum.

On page 13 of the RFP, it is stated under heading Equal Employment Opportunity, "All proposers must submit an "Equal Employment Opportunity (EEO) Policy Statement" on their letterhead and signed by an official of the financial organization. The "EEO Policy Statement" must be submitted before a contract can be awarded."

- 25) Please confirm if the Equal Employment Opportunity Policy Statement should be provided as an attachment within the proposal, or if it is to be provided only by successful candidates, and prior to a contract award.

Yes, please include the EEO Policy Statement with your RFP submission.

- 26) Would a strategy with a long track record with an AUM that is below the stated minimum be considered?

No

- 27) Would a Small Cap Core strategy benched to the Russell 2000 be considered?

No

- 28) As it relates to the NYSDC Active US Equity RFP, we intend to propose collective investment trusts (CITs) for a few of our capabilities. The CITs are governed by their own trust documents that set forth the terms to which all investors must be subject and which we are unable to waive or alter for any investor. These terms may be inconsistent with certain of the terms set forth in Appendix A. Would you consider such a vehicle?

Yes, the plan would review and if comfortable, accept the CIT terms.

Note that there are certain standard NYSDCP terms that cannot be overridden by the standard CIT documents, including NYSDCP's standard indemnification provision, a suite of provisions that are required by New York State law (including Appendix A), and other key provisions.

- 29) Given we are proposing a CIT vehicle, would NYSDC be comfortable using our standard CIT governing documents, and entering into a separate agreement that incorporates some of the standard clauses for NYS contracts?

Yes, the plan would review and if comfortable, accept the CIT terms.

Note that there are certain standard NYSDCP terms that cannot be overridden by the standard CIT documents, including NYSDCP's standard indemnification provision, a suite of provisions that are required by New York State law (including Appendix A), and other key provisions.

- 30) For the Large Cap Growth search, are you willing to invest in a low aum (\$27mm) CIT? Strategy AUM is \$8 billion. Fees will likely be very competitive.

NYSDC seeks to have Plan assets be no more than 25% of a vehicle or 10% of a product but these constraints are non-binding.

- 31) For the Small Cap Growth search, are you willing to invest in a CIT vehicle with \$7 mm? Strategy AUM is \$2.4 billion. Fees will likely be very competitive.

NYSDC seeks to have Plan assets be no more than 25% of a vehicle or 10% of a product but these constraints are non-binding.

- 32) Since our strategy is quite robust, and has billions of dollars under management, we have several vehicles available. However, if the plan prefers a separate share class/ vehicle specific to their needs we are happy to launch one. Would this be acceptable to the plan, given they will be the first investor into the new vehicle?

NYSDC is not willing to seed a CIT.

- 33) Do you require a formal affirmative action plan? Or would an Equal Opportunity/Non-Discrimination Policy satisfy the requirements of this RFP?

This RFP does not require an Affirmative Action plan. An Equal Employment Opportunity/Non-Discrimination policy would satisfy the requirements of the RFP.

- 34) Would New York State Deferred Compensation be willing to accept the guidelines and restrictions of our existing pooled fund or are they looking to apply their guidelines and restrictions on the pooled fund? If they want to apply their own guidelines and restrictions, would they be open to a fund-of-one structure even though the minimum requirement on pg. 11 states that NYSDC seeks to have its participants' assets represent no more than 25% of a vehicle's assets?

NYSDC is not open to a fund-of-one structure. The plan would review and if comfortable, accept a strategy's CIT terms.

Note that there are certain standard NYSDCP terms that cannot be overridden by the standard CIT documents, including NYSDCP's standard indemnification provision, a suite of provisions that are required by New York State law (including Appendix A), and other key provisions.

- 35) Are you able to provide the potential size of the mandate for our consideration of the minimum requirement on pg. 11 in which NYSDC seeks to have its participants' assets represent no more than 10% of a product's assets and 25% of a vehicle's assets? Can you also advise on the expectation of the investment manager to monitor this limit?

Mandate sizes will vary depending on the number of managers hired in each asset class. Assets from current managers may be mapped to any new managers that are hired. Current investment option assets as of 12/31/23 are outlined on page 5 of the RFP and in Exhibit D: Plan Assets by Investment Option. The manager will be expected to provide product asset and vehicle concentration information upon request.

- 36) Is the Vendor Responsibility Questionnaire expected to be completed for both the asset manager completing the RFP and the parent company of the asset manager?

A Vendor Responsibility Questionnaire is required for any vendor that will be party to the contract (if selected). If the parent company would be either the contracting entity or one of the contracting entities, then the Vendor Responsibility Questionnaire must be completed by the parent.

- 37) We acknowledge the NYSDCB's preference for a Small Cap Growth manager with product AUM exceeding \$750 million and to have its participants' assets represent no more than 10% of a product's assets and 25% of a vehicle's assets. While our US Small Cap Growth strategy currently oversees approximately \$525 million, we believe our offering's unique characteristics significantly offset this variance. Our strategy's disciplined approach and compelling risk-adjusted return profile performance reflects a deep understanding of growth sectors and demonstrates our capability to deliver long-term value-added results. Would the committee consider potentially considering a flexible approach to the AUM criterion?

Per the RFP, a small cap growth strategy must have \$750 MM in product assets to be considered so a strategy with \$525 MM would not meet that requirement. From page 11 of the RFP:

The proposing Active SMID Core, Small Cap Value, and Small Cap Growth strategy must have a minimum of \$750 million in product assets under management.

- 38) The Callan database is updated for the commingled funds and mutual funds that we are proposing. Given the size of the mandates, we may propose share classes that are not currently listed on the data base. Can you leverage existing data for the fund (a different share class) in the database if we propose a different or new share class with a higher AUM minimum?

Yes. The RFP response itself should include ALL potential vehicles offered in response to the RFP along with associated fees. See Section VI of the RFP questionnaire entitled Fees.

- 39) For pricing purposes, how large of an allocation are you expecting for a large cap core fund?

Mandate sizes will vary depending on the number of managers hired in each asset class. Assets from current managers may be mapped to any new managers that are hired. Current investment option assets as of 12/31/23 are outlined on page 5 of the RFP and in Exhibit D: Plan Assets by Investment Option.

- 40) Would it be acceptable to use client references that are invested in our strategy suite (not specifically in our US Small strategy we are proposing) that all have the same investment process? For example, we have client references invested in our US Large, International, Emerging Markets, Global, and Global ex-US strategies that have the same stock picking process as that of our US Small strategy.

The Board would accept references for similar strategies offered by the proposing firm if references for the US Small strategy are not available.

- 41) Could you kindly confirm whether signing Appendix D, Application for a Competitively Bid Contract, is required if we are not entering into a contract to serve as an investment manager? Since we are proposing an investment in a mutual fund, we would not enter into a contract to serve as an investment manager to the Plan but rather the Plan would be investing in the Fund as advised by the investment manager. As such, the Fund's terms and conditions are dictated solely by the Fund's registration statement and applicable law and not by agreements with individual shareholders.

Appendix D would still be required. This is a New York State required form for the vendor submitting the response, whether the vehicle proposed is a mutual fund or other type of investment vehicle.

- 42) Would you consider a SMID Core strategy with an asset base of \$450mm?

No, as it is below the stated RFP minimum.

- 43) What guides the plan's views around offering a Large Value and an Equity Income offering in the Large Value space.

The Plan is open to different types of active large cap value strategy approaches that are benchmarked to the Russell 1000 Value, S&P 500 Value or a similar large cap value index.