Presentation Outline of Prudent Practices For Investment Stewards

Summary

This session will focus on fiduciary practices for persons who have the legal responsibility for managing investment decisions (trustees and investment committee members). It will discuss the framework to organize, formalize, implement and monitor prudent practices.

Introduction

a) It's About Process
b) It's About Excellence
c) It's About the Law
d) Benefits of Having a Defined Global Standard of Excellence
e) Legal Counsel's Editorial Statement
f) Comments to the UPIA and MPERS

Step 1: Organize

a) Investments are managed in accordance with applicable laws, trust documents, and written investment policy statements (IPS)
b) The roles and responsibilities of all involved parties (fiduciaries and non-fiduciaries) are defined, documented, and acknowledged.
c) Fiduciaries and parties in interest are not involved in self-dealing.
d) Service agreements and contracts are in writing, and do not contain provisions that conflict with fiduciary standards of care.
e) Assets are within the jurisdiction of appropriate courts, and are protected from theft and embezzlement.

Step 2: Formalize

a) An investment time horizon has been identified
b) A risk level has been identified
c) An expected, modeled return to meet investment objectives has been identified
d) Selected asset classes are consistent with implementation & monitoring constraints.
e) There is an IPS which contains the detail to define, implement, and manage a specific investment strategy.

f) The IPS defines appropriately structured, socially responsible investment (SRI) strategies (where applicable).

Step 3: Implement

a) The investment strategy is implemented in compliance with the required level prudence
b) Applicable “safe Harbor” provisions are followed (when elected).
c) Investment vehicles are appropriate for the portfolio size.
d) A due diligence process is followed in selecting service providers, including the custodian.

Step 4: Monitor

a) Periodic reports compare investment performance against appropriate index, peer group, and IPS objectives

b) Periodic reviews are made of qualitative and/or organizational changes of investment decision-makers.

c) Control procedures are in place to periodically review policies for best execution, “soft dollars,” and proxy voting.

d) Fees for investment management are consistent with agreements and with all applicable laws.

e) “Finder’s fees” or other forms of compensation that may have been paid for asset placement are appropriately applied, utilized, and documented.

f) There is a process to periodically review the organization’s effectiveness in meeting its fiduciary responsibilities.