The Practices

Investment Stewards and Investment Advisors have the most important, yet most misunderstood, role in the investment process: to manage the investment Practices, without which the other components of the investment strategy cannot be defined, implemented, or evaluated. The Investment Steward is responsible for managing the overall investment strategy: deciding on the asset allocation, defining the details of the strategy, implementing the strategy with appropriate Investment Managers, and monitoring the strategy on an ongoing basis.

Each practice for Investment Stewards and Investment Advisors have been substantiated by legislation, case law, and/or regulatory opinion letters from ERISA, UPIA, UPMIFA, and MPERS. The substantiation can be viewed in the Legal Memoranda handbook, with full citations listed in the respective handbooks.

Step 1: Organize

Practice S-1.1
Investments are managed in accordance with applicable laws, trust documents, and written investment policy statements (IPS).
Practice S-1.2
The roles and responsibilities of all involved parties (fiduciaries and non-fiduciaries) are defined, documented, and acknowledged.
Practice S-1.3
Fiduciaries and parties in interest are not involved in self-dealing.
Practice S-1.4
Service agreements and contracts are in writing, and do not contain provisions that conflict with fiduciary standards of care.
Practice S-1.5
Assets are within the jurisdiction of appropriate courts, and are protected from theft and embezzlement.

Step 2: Formalize

Practice S-2.1
An investment time horizon has been identified.
Practice S-2.2
A risk level has been identified.
Practice S-2.3
An expected, modeled return to meet investment objectives has been identified.
Practice S-2.4
Selected asset classes are consistent with the identified risk, return, and time horizon.

Practices S-2.5
Selected asset classes are consistent with implementation and monitoring constraints.
Practice S-2.6
There is an IPS which contains the detail to define, implement, and manage a specific investment strategy.
Practice S-2.7
The IPS defines appropriately structured, socially responsible investment (SRI) strategies (where applicable).

Step 3: Implement

Practice S-3.1
The investment strategy is implemented in compliance with the required level of prudence.
Practice S-3.2
Applicable “safe harbor” provisions are followed (when elected).
Practice S-3.3
Investment vehicles are appropriate for the portfolio size.
Practice S-3.4
A due diligence process is followed in selecting service providers, including the custodian.

Step 4: Monitor

Practice S-4.1
Periodic reports compare investment performance against appropriate index, peer group, and IPS objectives.
Practice S-4.2
Periodic reviews are made of qualitative and/or organizational changes of investment decision-makers.
Practice S-4.3
Control procedures are in place to periodically review policies for best execution, “soft dollars,” and proxy voting.
Practice S-4.4
Fees for investment management are consistent with agreements and with all applicable laws.
Practice S-4.5
“Finder’s fees” or other forms of compensation that may have been paid for asset placement are appropriately applied, utilized, and documented.
Practice S-4.6
There is a process to periodically review the organization’s effectiveness in meeting its fiduciary responsibilities.