



Fiduciary Prudence in Times of Headwinds

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UNIVERSAL GUIDING PRINCIPLES FOR FPPTA PENSION BOARDS



Determine key decision-makers; identify who's going to lead

Collaboratively develop goals and objectives with key decision-makers

Align goals and objectives with organization's mission and ethics

Align goal and objectives with regulations, policies, and procedures

Determine sources and levels of risks that may prevent goal attainment

Determine sources and levels of assets available for goal attainment

Determine each goal's time horizon

Determine each goal's short-term objectives

Develop a strategy considering RATE - Risks, Assets, Time Horizon, and Expected Outcomes

Verify the strategy is inclusive of generally accepted best practices

Verify key decision-makers have the time, talent, technology, and temperament to implement the strategy

Brief all key decision-makers on the strategy

Determine whether the right resources, people, and technology are in place

Employ a consistent due diligence process when selecting prudent experts

Control and account for costs, fees, and expenses

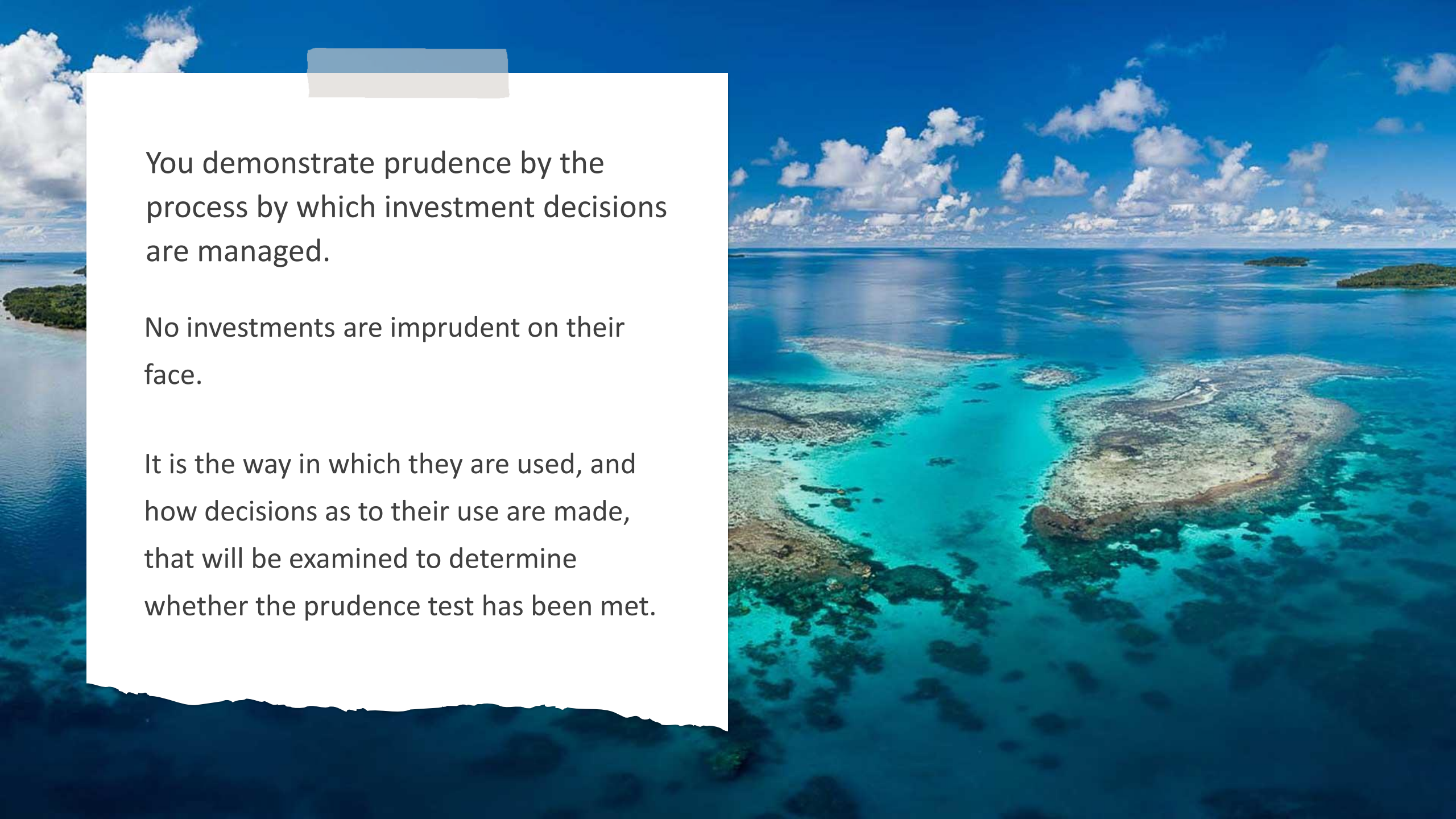
Confirm reasonableness and appropriateness of costs, fees, and expenses

Monitor the strategy to periodically determine whether goals and objectives can be met

Reallocate resources, when necessary, in order to meet goals and objectives

Ensure same due diligence process that was used to select prudent experts is also used to monitor the experts

Formalize process to monitor for self-dealing and conflicts of interest

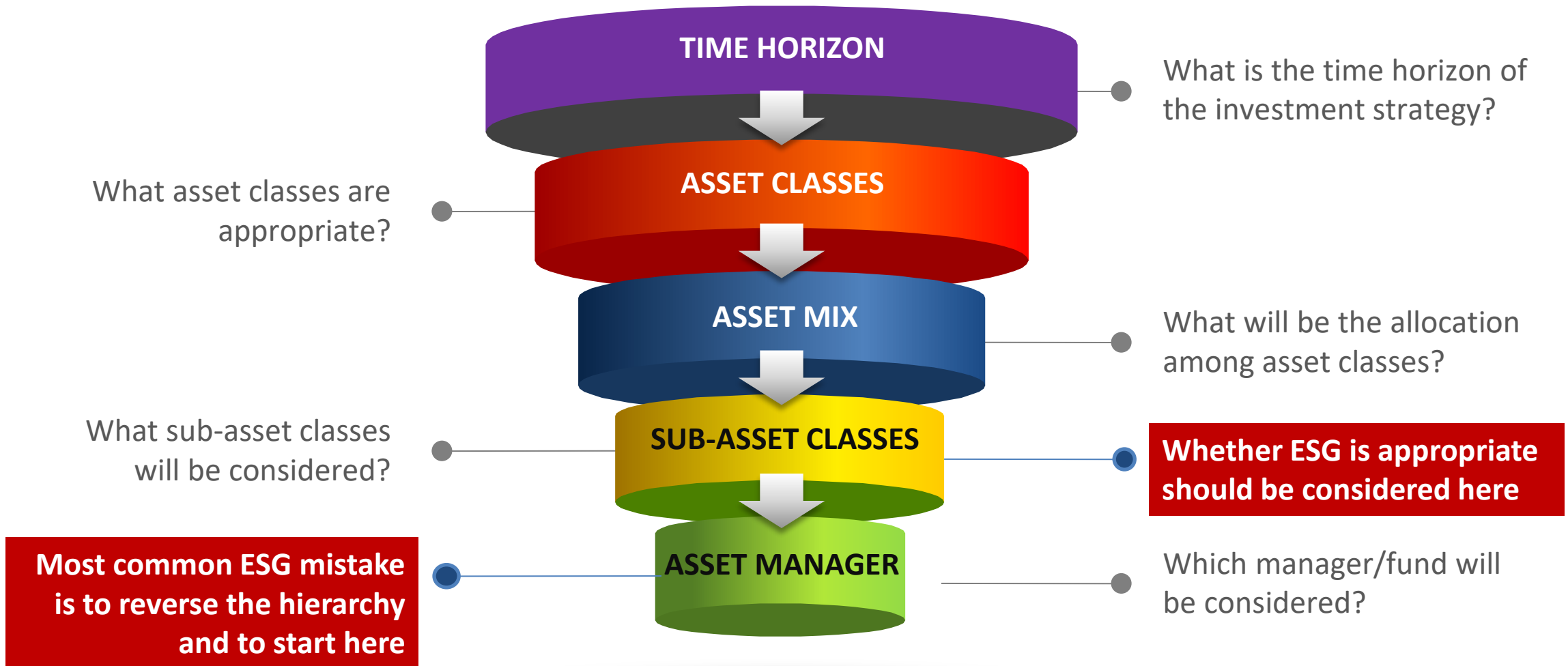
An aerial photograph of a tropical atoll. The water is a vibrant turquoise color, transitioning to a deeper blue as it extends towards the horizon. The atoll's structure is visible, showing a central lagoon surrounded by a ring of land with green vegetation. The sky is a clear, bright blue with scattered white clouds. The text is overlaid on a white rectangular area on the left side of the image.

You demonstrate prudence by the process by which investment decisions are managed.

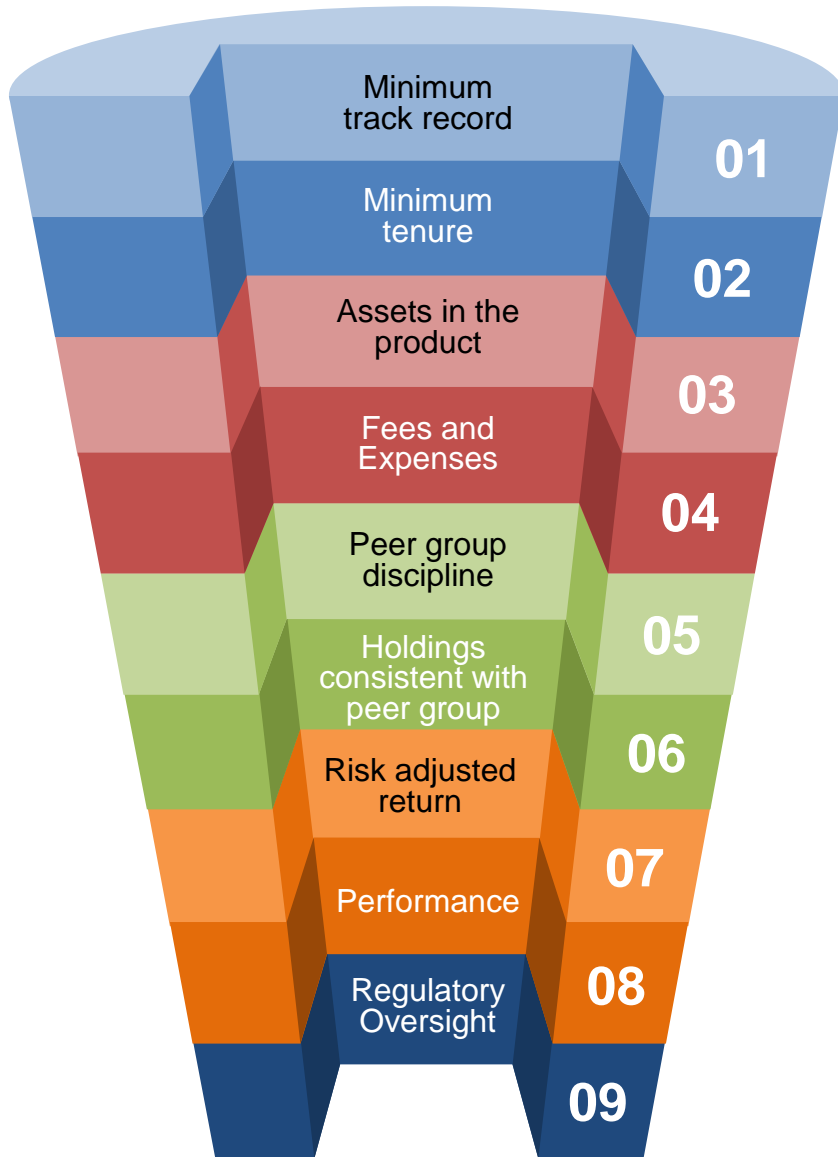
No investments are imprudent on their face.

It is the way in which they are used, and how decisions as to their use are made, that will be examined to determine whether the prudence test has been met.

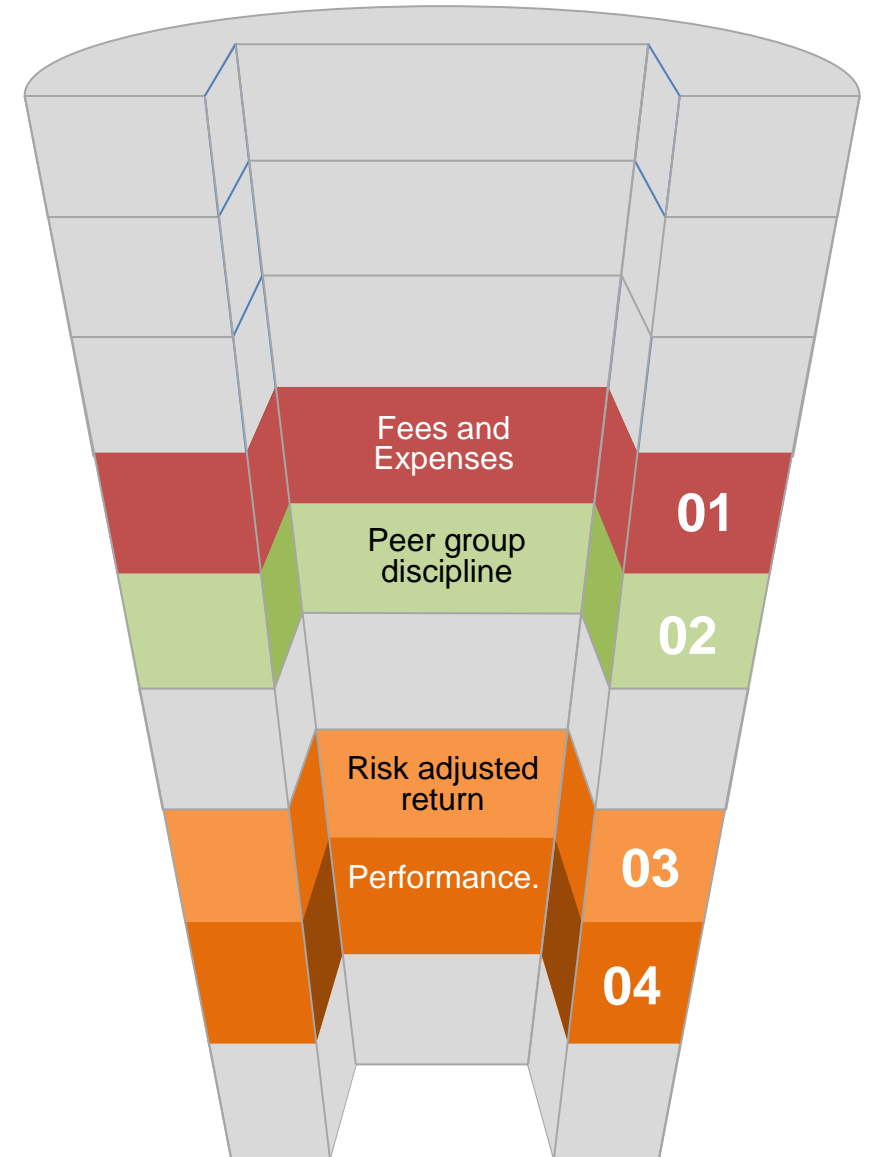
THE HIERARCHY OF DECISIONS



Typical Money Manager Due Diligence



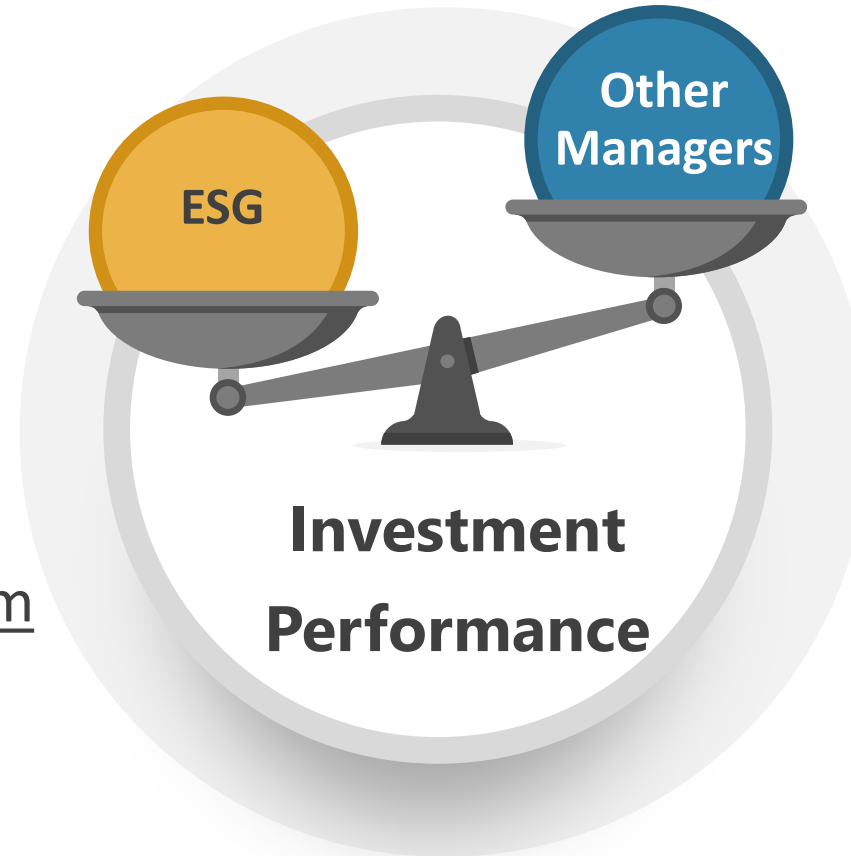
When Pecuniary Factors Are Applied



‘Pecuniary’ - factors that are expected to have a material effect on risk and/or return



ESG PERFORMANCE OVER THE LONG-TERM:



ESG will typically outperform when active managers are beating indexes.

ESG will typically underperform when indexes are beating active managers.

Be aware of end-point sensitivity