
The Investment Consultant

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Topics to be Covered:

- Selecting an Investment Consultant
- Working with the Investment Consultant
- Evaluating the Investment Consultant





Selecting a Consultant

Florida Statute Requirements

- **Every 3 years:** plan must hire a “Professionally Qualified **Independent Consultant**”
- Provide services on a flat-fee basis.
- Not associated with the money manager(s) for the pension fund.
- Makes calculations on a time-weighted basis, net of fees.



Firm Considerations



Resources (dedicated)



Assets under advisement



Organizational Structure



Client References

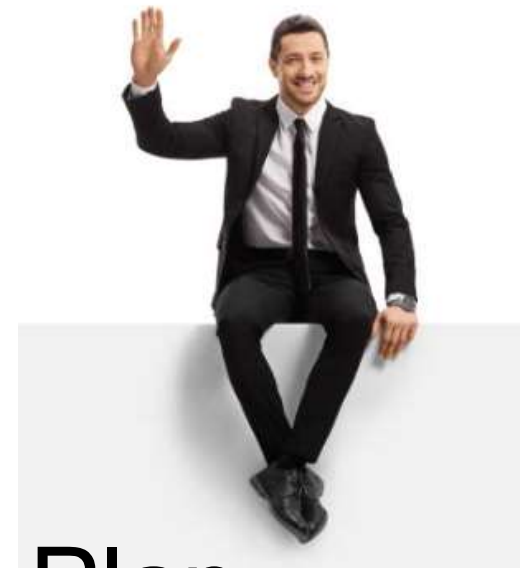
Consultant Considerations

- Education

- Credentials

- Experience

- Professional Style/Fit for the Plan

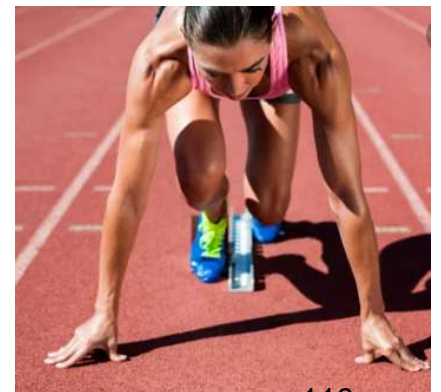


Working with the Consultant



Up Front Work

- Assess plan: objectives, risk tolerance, etc
- Discuss asset allocation and types of investments
- Create/amend the Investment Policy Statement (required by FL statute 112.661)
- Select managers/funds



Asset Allocation Sample

Broad Asset Class Allocation (%)

	Policy Mix	Mix 1	Mix 2
U.S. Aggregate Bonds	22.50	22.50	22.50
U.S. High Yield Bonds	5.00	5.00	5.00
World ex-U.S. Government Bonds	5.00	2.50	0.00
U.S. Large Cap	30.25	30.25	30.25
U.S. Mid Cap	7.60	7.60	7.60
U.S. Small Cap	3.20	3.20	3.20
EAFE Equity	8.00	8.00	8.00
Emerging Markets Equity	3.45	3.45	3.45
U.S. Core Real Estate	10.00	10.00	10.00
Global Core Infrastructure	0.00	2.50	5.00
Direct Lending	5.00	5.00	5.00

Single Year Expectations (%)

	Policy Mix	Mix 1	Mix 2
Arithmetic Mean	7.71	7.77	7.82
Standard Deviation	10.33	10.39	10.46
Sharpe Ratio	0.75	0.75	0.75

For illustrative purposes only. There is no guarantee that other clients will experience similar results as various factors can cause actual outcomes to differ materially. Note not all asset classes are appropriate for every client portfolio. Past performance does not guarantee future results.

Investment Policy Statement (“IPS”)

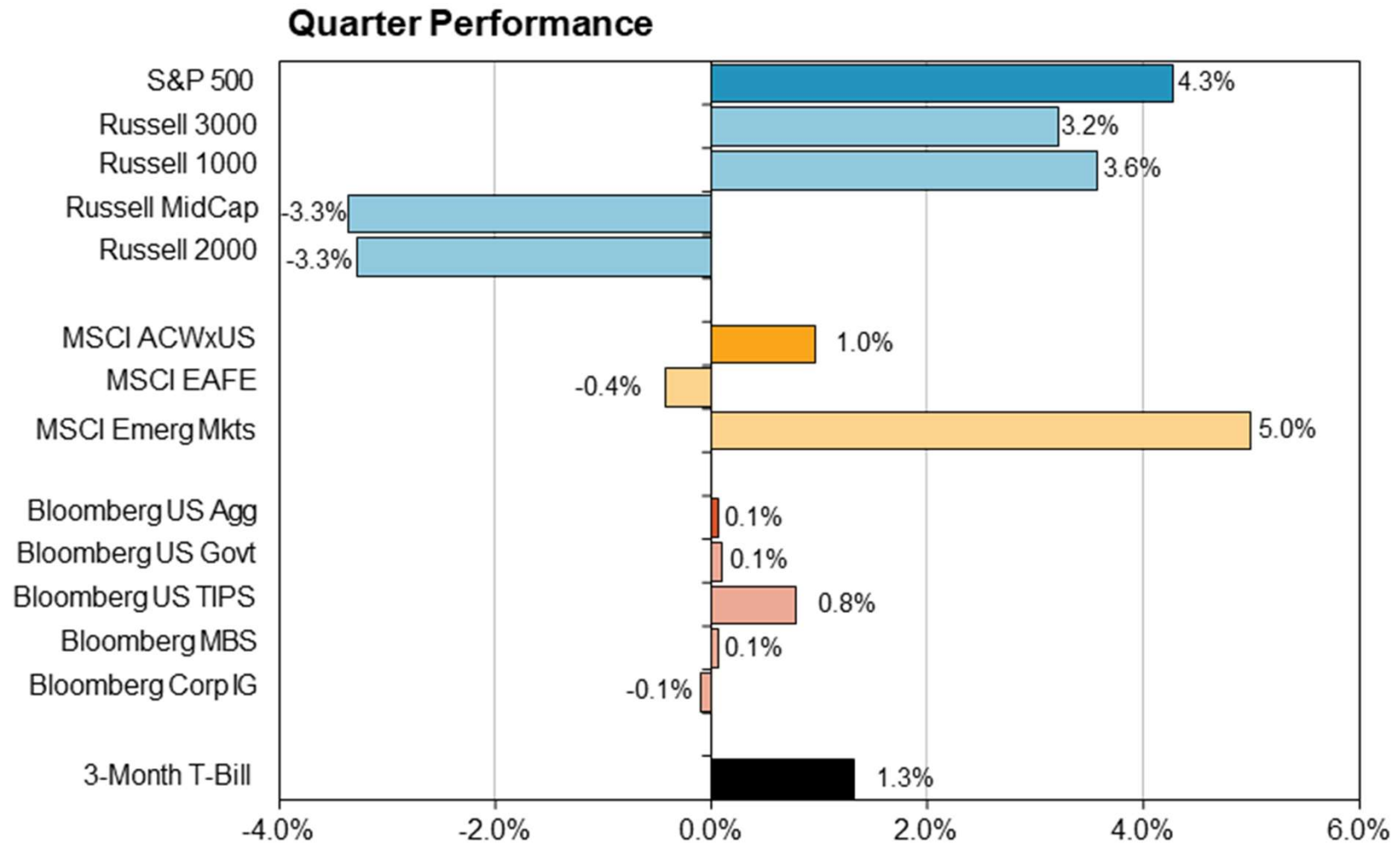
- Outlines roles of all parties involved with Fund
- Statutory requirements for investing funds
- Outlines types of assets to invest/not invest in
- How success of the program will be measured
- Sets amounts to be invested in each asset class
- And more
- Defines how risk will be managed

Ongoing Work

- Attend quarterly meetings
- Give economic update
- Report on plan and manager performance, IPS compliance
- Update on Asset Allocation and Rebalancing Needs
- Make recommendations
- Educate trustees
- Answer any questions



Economic Updates



As of 6/30/24. The results shown represent past performance and do not represent expected future performance or experience. Past performance does not guarantee future results.

Performance Updates Sample

Asset Allocation & Performance			
	Allocation		QTR
	Market Value \$	%	
Total Fund Composite	28,183,970	100.0	-9.38 (1)
Total Fund Policy			-10.80 (23)
Taft Hartley <=50 Million; >= 60% EQ Median			-11.71
All Taft Hartley Plans-Total Fund Median			-8.28
Total Equity Composite	18,048,677	64.0	-13.83
Total Equity Index			-16.19
Vanguard Equity (VOO) (Net)	47,719	0.2	-16.10 (59)
S&P 500 Index			-16.10 (59)
IM U.S. Large Cap Equity (SA+CF) Median			-15.66

How did the **plan** do?

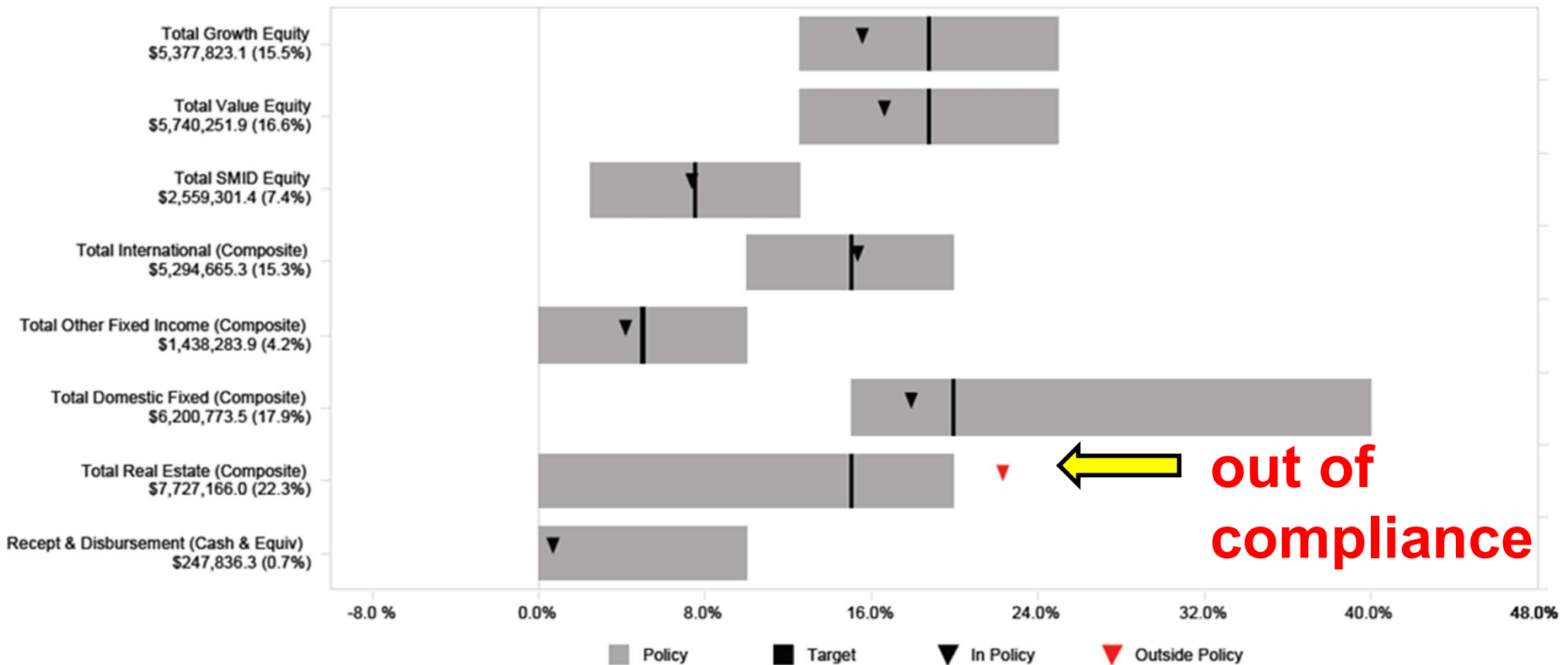
How did the **benchmark** do?

How did **similar plan types** do?

How did **individual managers** in the plan do?

For illustrative purposes only. The above demonstrates a SAMPLE scenario and therefore should not be viewed as a guarantee. Past performance is no guarantee of future results. There is no guarantee that other clients will experience similar results as various factors can cause actual outcomes to differ materially.

Asset Allocation



For strictly illustrative purposes only.

Investment Policy Compliance

Compliance Checklist

Total Fund

As of December 31, 2021

Total Fund Compliance	Yes/No
The total plan gross return equaled or exceeded the total plan benchmark over the trailing three year period.	Yes
The total plan gross return equaled or exceeded the total plan benchmark over the trailing five year period.	Yes
The total plan gross return ranked within the top 50th percentile of its peer group over the trailing three year period.	Yes
The total plan gross return ranked within the top 50th percentile of its peer group over the trailing five year period.	Yes
Equity Compliance*	Yes/No
The total domestic equity returns meet or exceed the benchmark over the trailing three year period.	Yes
The total domestic equity returns meet or exceed the benchmark over the trailing five year period.	Yes
The total domestic equity returns ranked within the top 50th percentile of its peer group over the trailing three year period.	Yes
The total domestic equity returns ranked within the top 50th percentile of its peer group over the trailing five year period.	Yes
The total international equity returns meet or exceed the benchmark over the trailing three year period.	Yes
The total international equity returns meet or exceed the benchmark over the trailing five year period.	Yes
The total international equity returns ranked within the top 50th percentile of its peer group over the trailing three year period.	Yes
The total international equity returns ranked within the top 50th percentile of its peer group over the trailing five year period.	Yes
The domestic equity allocation was greater than or equal to 33% or less than or equal to 43% of the total fund value at market.	Yes
The international equity allocation was greater than or equal to 15% or less than or equal to 22% of the total fund value at market.	Yes

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Evaluating the Consultant

- Plan Success/Results
- Service Levels
- Fees
- Transparency



More on Transparency

Ask your Consultant:

- Registered with the SEC?
- Any relationships with money managers/broker dealers?
- If so, are they compensated for those?
- How are conflicts of interest managed?
- Are they a fiduciary?