

# GUIDE TO INVESTMENT FIDUCIARY PRACTICES

## Step 1: Analyze Current Position

- 1.1 Investments are managed in accordance with applicable laws, trust documents, and written investment policy statements.
- 1.2 Fiduciaries are aware of their duties and responsibilities.
- 1.3 Fiduciaries and *parties in interest* are not involved in self-dealing.
- 1.4 Service agreements and contracts are in writing, and do not contain provisions that conflict with fiduciary standards of care.
- 1.5 There is documentation to show timing and distribution of cash flows and the payment of liabilities.
- 1.6 Assets are within the jurisdiction of U.S. courts, and are protected from theft and embezzlement.

## Step 2: Diversify - Allocate Portfolio

- 2.1 A risk level has been identified.
- 2.2 An expected, modeled return to meet investment objectives has been identified.
- 2.3 An investment time horizon has been identified.
- 2.4 Selected asset classes are consistent with the identified risk, return, and time horizon.
- 2.5 The number of asset classes is consistent with portfolio size.

UNIFORM FIDUCIARY STANDARDS OF CARE	Step 1 Analyze	Step 2 Diversify	Step 3 Formalize	Step 4 Implement	Step 5 Monitor
1. Know standards, laws, and trust provisions.	1.1 – 1.6	1.5	3.1, 3.2, 3.7	1.1, 4.2	1.5, 5.1, 5.2
2. Diversify assets to specific risk/return profile of client.	1.1, 1.5	2.1 – 2.5	3.1, 3.3	4.1	3.3, 5.1
3. Prepare investment policy statement.	1.1, 1.5, 3.1, 3.2	3.3	3.1 – 3.7	4.1 – 4.4	3.5 – 3.7, 5.1
4. Use “prudent experts” (money managers) and document due diligence.	1.2, 4.1, 4.2	4.1	3.1, 3.2, 3.4	4.1 – 4.4	5.1 – 5.3
5. Control and account for investment expenses.	4.3, 5.4, 5.5	2.5	3.1, 3.6	4.3, 4.4, 5.3 – 5.5	5.3 – 5.5
6. Monitor the activities of “prudent experts.”	1.4, 5.1	3.3, 5.1 – 5.3	3.1, 3.5 – 3.7	5.1 – 5.4	5.1 – 5.5
7. Avoid conflicts of interest and prohibited transactions.	1.1, 1.3, 1.4, 1.6	1.6	3.2, 3.7	1.3	5.5

## Step 3: Formalize Investment Policy

- 3.1 There is detail to implement a specific investment strategy.
- 3.2 The investment policy statement defines the duties and responsibilities of all parties involved.
- 3.3 The investment policy statement defines diversification and rebalancing guidelines.
- 3.4 The investment policy statement defines due diligence criteria for selecting investment options.
- 3.5 The investment policy statement defines monitoring criteria for investment options and service vendors.
- 3.6 The investment policy statement defines procedures for controlling and accounting for investment expenses.
- 3.7 The investment policy statement defines appropriately structured, socially responsible investment strategies (when applicable).

## Step 4: Implement Investment Policy

- 4.1 The investment strategy is implemented in compliance with the required level of prudence.
- 4.2 The fiduciary is following applicable “Safe Harbor” provisions (when elected).
- 4.3 Investment vehicles are appropriate for the portfolio size.
- 4.4 A due diligence process is followed in selecting service providers, including the custodian.

## Step 5: Monitor and Supervise

- 5.1 Periodic reports compare investment performance against an appropriate index, peer group, and IPS objectives.
- 5.2 Periodic reviews are made of qualitative and/or organizational changes of investment decision-makers.
- 5.3 Control procedures are in place to periodically review policies for best execution, soft dollars, and proxy voting.
- 5.4 Fees for investment management are consistent with agreements and with the law.
- 5.5 “Finder’s fees,” 12b-1 fees, or other forms of compensation that have been paid for asset placement are appropriately applied, utilized, and documented.

