



Form ADV Part 2A: Firm Brochure

Item I

Cover Page

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Stairway Partners, LLC (Stairway) is an Investment Adviser registered with the United States Securities and Exchange Commission (SEC). Registration of an investment adviser does not imply a certain level of skill or training.

The oral and written communications of an advisor provide clients and prospective clients with important information about which they determine to hire or retain an advisor. This brochure provides information about the qualifications and business practices of Stairway.

If you have any questions about the contents of this brochure, please contact us at (630) 371-2626 or email stairwaypartners@stairwaypartners.com.

The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about Stairway Partners, LLC is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 Material Changes

As a fiduciary, Stairway has an ongoing obligation to inform its clients of any material information that could affect our advisory relationships. This Item 2 is used to provide clients with a summary of any material changes that have been made to our Form ADV Part 2A, commonly called a Brochure, since the previous annual update. Our last annual update was made on March 2, 2011.

This Brochure is materially different from our previous annual filing because Stairway began providing non-discretionary portfolio advisory services to Managed Account Advisors. More information about this business activity can be found in Items 4, 5, 7 and 12.

A copy Stairway's Brochure may be requested by contacting our Chief Compliance Officer at (630) 371-2626. Alternatively, our Brochure is always available to our clients on our website by selecting the 'Legal' tab at www.stairwaypartners.com.

Additional information about Stairway Partners, LLC is available on the SEC's website at www.adviserinfo.sec.gov. The SEC's website also provides information about any persons affiliated with Stairway who are registered, or are required to be registered, as investment adviser representatives of the firm.

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Item 4 Advisory Business

Our Owners

Stairway Partners, LLC was founded in May 2004 by our principal owner Anthony Richards and other senior investment colleagues from Brinson Partners – an industry pioneer in the areas of global investing and asset allocation.

Our Advisory Services

Investment Management Services

Stairway's core business is investment management. Our mission is to provide our clients with a low-cost comprehensive institutional investment capability that focuses on global asset allocation and risk management. Our investment approach centers on the liquid global markets with an emphasis on long-term investment strategies that manage the asset allocation process around the risk preference of each client.

Our disciplined and rigorous approach to investing comes from our collective knowledge in serving large institutional clients over many years. Stairway's fundamental investment belief is that asset allocation is the single most important determinant of success in any investment plan. More specifically, we believe the dominant amount of risk and return comes from the asset class mix, not from the selection of individual investments.

We provide investment management services primarily to high net worth individuals and institutional clients. Stairway is a process-driven firm that incorporates an expected risk and return framework that is applied to each of our clients individually through the development of their benchmark and investment policy. Clients enter into an Investment Advisory Agreement with Stairway in which we work with each client to construct the benchmark and investment policy that best suits the client's investment objectives. The Investment Advisory Agreement grants Stairway the discretionary authority to supervise and direct the investment of client assets in accordance with their stated objectives. Clients retain full ownership of their securities and pay a fee to Stairway for providing investment management services.

Subadvisory Services

Stairway offers discretionary investment management services as a subadvisor to clients of independent financial advisors (or "Financial Advisors"). A Financial Advisor works with its clients to select the investment policy that best meets the client's investment objectives. Stairway is granted limited discretionary authority to direct the on-going investment of the assigned assets pursuant to the investment policy selected by the client in coordination with their Financial Advisor. The Financial Advisor monitors the performance and suitability of Stairway's subadvisory services and maintains regular contact with its clients.

The advisory fee charged by Stairway for discretionary subadvisor management services is based on the aggregate market value of client assets under management for each separate Financial Advisor. In addition to fees paid to Stairway for providing subadvisor services, Financial Advisor clients pay management fees to their Financial Advisor for client services not performed by Stairway. Subadvisor asset management fees are paid to Stairway by each client. Stairway does not receive any compensation from, or pay any compensation to, the Financial Advisor.

Portfolio Advisory Services

Stairway offers portfolio advisory services to independent financial advisors (or "Managed Account Advisors"). We serve as a non-discretionary investment subadvisor and provide

investment strategy recommendations for use in the managed account platforms of Managed Account Advisors. Stairway furnishes investment advice regarding the construction and maintenance of model portfolios. Upon receiving a trading strategy recommendation from Stairway, the Managed Account Advisor is responsible for execution of that strategy. The Managed Account Advisor determines the investment vehicles available on their platform, the timing of implementation, and the level of assets to invest in the strategies recommended by Stairway.

Stairway receives a portion of the Managed Account Advisor's advisory fee. This fee is set forth in the managed account subadvisor agreement and is paid to us by the Managed Account Advisor. The fee is calculated based on the "assets under advisement" by Stairway in the managed account platform, usually at the end of a quarter. Stairway has no direct relationship with the clients of the Managed Account Advisor.

Our Assets Under Management (AUM)

Stairway manages its investment advisory and subadvisory client assets on a discretionary basis. **As of February 21, 2012 Stairway had \$259,500,000 of client assets managed on a discretionary basis.**

Item 5 Fees and Compensation

Investment Management Fees

All of our client assets are maintained in accounts at unaffiliated qualified custodians. This means that Stairway does not have custody of client assets unless authorized in writing by the client and even then, only to deduct the quarterly investment advisory fees. Clients may elect to be billed for quarterly fees rather than having the fees deducted from their account.

Our annualized fees are noted in the table below labeled "Assets Under Management". The specific manner in which fees are charged by Stairway is established in the Investment Advisory Agreement. Fees begin to accrue at the time Stairway begins managing an account and are due at the beginning of each calendar quarter thereafter. Fees are calculated based on the total market value of the assets of the account at that time, and if authorized by the client, are deducted by Stairway from the client's custodial account.

The fee rate applied to a portfolio is computed based on the weighted average of the asset amount in each rate bracket. For example, a client with \$5 million in assets under management would pay 0.75% on the first \$3 million and 0.65% on the next \$2 million, making their weighted average fee rate 0.71%.

<u>Assets Under Management</u>	<u>Annual Rate</u>
First \$3 million	0.75%
Next \$3 million	0.65%
Next \$4 million	0.50%
Excess over \$10 million	0.35%

Either the client or Stairway may terminate the relationship on 30 days prior written notice. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

Similar advisory services may be available from other advisors at a lower cost. Stairway's fees are exclusive of, and in addition to, brokerage commissions, transaction fees, and other related costs and expenses which are assessed by a broker or custodian and are incurred by the client.

Stairway does not utilize “soft dollars” or other similar forms of compensation from third parties. We do not receive any portion of the commissions, fees, and costs that clients pay to a broker or custodian. Please see Item 12 for a detailed summary of our brokerage practices including the factors that Stairway considers in selecting executing brokers and determining the reasonableness of their commission charges.

Subadvisory Fees

When Stairway provides discretionary investment management services as a subadvisor to the client of a Financial Advisor, the client pays two advisory fees: a fee is paid to Stairway and a separate fee is paid to the Financial Advisor. Subadvisory clients receive a disclosure statement from their Financial Advisor that specifically describes the fees they will pay to both Stairway and to their Financial Advisor.

The advisory fee paid to Stairway for subadvisory asset management is calculated quarterly based on the combined market value of all client assets under management by Stairway on behalf of a single Financial Advisor. The advisory fee is negotiated between Stairway and the Financial Advisor and is set forth in the Investment Subadvisor Agreement. Fees are deducted from the client’s custodial account by Stairway. We do not receive any compensation from, or pay any compensation to, the Financial Advisor.

As with our investment advisory fees, subadvisory fees begin to accrue at the time we begin providing asset management services and fees are due at the beginning of each calendar quarter thereafter. The fees are deducted by Stairway from the custodial account of the client. The client may terminate the relationship on 30 days prior written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

Portfolio Advisory Fees

When Stairway provides non-discretionary portfolio advisory services to a Managed Account Advisor, we have no direct relationship with the Managed Account Advisor’s client. Stairway is paid an advisory fee by the Managed Account Advisor. Our fee is a portion of the fee charged by the Managed Account Advisor to its client. The fee is calculated by the Managed Account Advisor pursuant to a managed account subadvisor agreement executed between Stairway and the Managed Account Advisor.

Item 6 Performance-Based Fees and Side-by-Side Management

Stairway does not charge a performance-based fee and therefore does not engage in side-by-side management of client assets (i.e., managing client accounts that are charged performance based fees along side accounts that are not charged performance fees.)

Item 7 Types of Clients

Stairway provides discretionary investment management services primarily to high net worth individuals, foundations, charitable organizations and institutional clients. We generally require our clients to have a minimum asset value of \$1,000,000 to open an account to be managed by the firm. For subadvisory clients, Stairway requires a minimum asset value of \$300,000 to open an account. We may make exceptions to the foregoing at our discretion, and have historically done so for employees of the firm.

Item 8**Methods of Analysis, Investment Strategies and Risk of Loss****Methods of Analysis**

Stairway's methods of analysis include using our own proprietary valuation framework to build expected risks and returns for each asset class over relevant time horizons. Return is a function of expected fundamental cash flows discounted for the risk inherent in each asset class. Our risk model incorporates expected volatility and correlation, and quantifies risk on both a relative (to client's benchmark as stated in their investment policy) and absolute basis for each client portfolio.

Stairway provides performance attribution on actual returns for each client portfolio. This analysis is useful in understanding which exposures and investment decisions added to or detracted from value. Accountability is a key driver of Stairway's process.

Investment Strategies

Stairway is characteristically a long-term investor for our clients. We believe that keeping transaction costs low is a significant benefit. Our investment actions are typically the result of price changes in the market relative to fundamentals. Such price changes may necessitate a change in strategy to either invest in areas that have become attractive, or reduce risk in markets that we believe have become overpriced. Generally, portfolio changes are implemented universally across accounts consistent with each discrete investment policy.

Underpinning the investment strategies of the firm is the building and maintaining of custom benchmarks and policies for each client. Stairway uses an internally developed methodology of translating a client's investment objectives and risk preferences into a long-term, explicit investment policy. We have also assembled a proprietary database that encompasses the liquid global capital markets. The data include risk, return, financial and economic variables and are sourced from various index providers and other intermediaries. These data are used in our proprietary research and modeling and are regularly updated.

Stairway may offer investment advice in managing portfolios consistent with each client's objectives, benchmark and investment policy using the following types of securities: Equity securities (exchange-listed, over-the-counter, and foreign issuers), warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, mutual fund shares, US government securities, and options on securities. We may also engage in foreign currency transactions including but not limited to, hedging non-US currency exposure in US dollars to reduce the risk presented by overpriced foreign currency or converting US dollar exposure into more attractive foreign currencies.

Types of Investments and Risk of Loss

Liquidity, transparency and low costs are all factors important in Stairway's selection of investment vehicles and are reasons Stairway primarily invests client assets in open-end mutual funds (MUTFs) and Exchange Traded Funds (ETFs). A MUTF is a company that pools money from many investors and invests the money in a combination of stocks, bonds, or other assets. Each share of a MUTF represents an investor's proportionate ownership of the fund's holdings and the income those holdings generate. Open-end MUTFs are not traded by investors on an exchange but are issued by the fund to each new investor and are redeemed back to the fund at their current net asset value when an investor withdraws.

An ETF is a security that tracks an index or basket of assets like an index fund, but trades like a stock on an exchange at approximately the same price as the net asset value of its underlying assets. Stairway believes ETFs are attractive as investments because of their low cost, tax-

efficiency, and stock-like features. Both ETFs and MUTFs are an effective tool in implementing our core investment belief that asset allocation is the most important factor in an investment plan.

Stairway generally trades in only very liquid, highly-capitalized MUTFs and ETFs. As with any investment vehicle, there are risks. Some of the potential risks to be aware of in connection with trading in ETFs include stock market risk, liquidity risk, currency risk and credit risk. Equity-based ETFs are subject to risks similar to those of stocks; fixed income-based ETFs are subject to risks similar to those of bonds. Investment returns will fluctuate and are subject to market volatility so that an investor's shares, when sold, may be worth more or less than their original cost.

Similarly, while the risks associated with MUTF trading vary depending on the specific objective of the MUTF, the potential downside is the same – loss of principal and income. Some of the risks to be aware of in connection with investing in MUTFs include market risk, asset class risk, issuer risk, and management risk. Every fund issues a prospectus which provides detailed information about the MUTF including the material risks associated with investing.

Please note that investing in securities involves risk of loss that clients should be prepared to bear. Past performance with respect to an investment or an investment adviser is not an indication of future performance.

Item 9 Disciplinary Information

Stairway is required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of our firm, or the integrity of Stairway's management. Neither Stairway, nor its owners or employees have any current or past involvement with any legal or disciplinary events.

Item 10 Other Financial Industry Activities and Affiliations

Stairway has no current outside financial industry activities or affiliations.

Item 11 Code of Ethics, Participation/Interest in Client Transactions and Personal Trading

Code of Ethics

Stairway has adopted a Code of Ethics applicable to all employees of the firm (or "associated persons"), describing our high standards of business conduct, and our fiduciary duty to our clients. Among other things, the Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, and personal securities trading procedures. Stairway's associated persons are required to follow our Code of Ethics and to acknowledge annually their understanding of, and continued compliance with, the terms of the Code of Ethics.

Stairway's clients or prospective clients may request a copy of our Code of Ethics by contacting our Chief Compliance Officer.

Participation/Interest in Client Transactions

Stairway does not engage in any proprietary trading. We do not buy or sell as principal to any of our clients or act as an investment adviser to an investment company. Nevertheless, most of Stairway's associated persons have portfolios managed by Stairway. The portfolios of our associated persons are treated the same as every other client account, including purchasing and

selling securities at the same time and paying the same fees as all of our client accounts. (See Item 12 below for a detailed discussion of aggregating transactions.)

Personal Trading

Subject to satisfying our Code of Ethics and applicable laws, associated persons of Stairway may trade for their personal securities accounts including in securities which Stairway transacts for its clients. All personal securities transactions by or for associated persons in their outside brokerage accounts, are subject to Stairway's internal compliance program. Our compliance policies and procedures include disclosure and reporting requirements designed to prevent actual or apparent conflicts of interest between transactions effected by employees for their own brokerage accounts and transactions made by Stairway for its clients. In particular, the Code of Ethics requires pre-clearance of personal transactions, and restricts employee trading in close proximity to client trading activity. Employee trading is regularly monitored under the Code of Ethics to reasonably prevent conflicts of interest between Stairway and our clients.

Item 12 Brokerage Practices

Soft Dollars

As mentioned in Item 5, Stairway does not enter into soft dollar arrangements. Soft dollar arrangements are frequently associated with brokerage practices and involve an investment manager directing brokerage transactions to certain brokers in return for research products and other economic benefits. All resources received and used by us in conducting our business, including outside research, data vendors, software and hardware are paid for directly by Stairway. Additionally, we conduct our own proprietary research. Stairway has built proprietary models for risk, valuation, and performance attribution as well as developed an in-house portfolio analytics system.

Best Execution

Investment management and subadvisor clients of Stairway authorize us, in our sole discretion, to place orders for their accounts with broker-dealers we select. Stairway chooses brokers based on our evaluation of best execution, including the size and difficulty of completing the transaction and the most reasonable costs for our clients. Stairway also may take into consideration particular expertise in the type of security or transaction, access to relevant markets and prior experience, or the value of ongoing relationships with a broker. We will evaluate and seek competitive commission rates but will not necessarily attempt to obtain the lowest possible commissions for transactions.

Order Aggregation and Transaction Allocation

It is our goal to provide individualized asset management services to each of our clients while ensuring that the execution and distribution of transactions among participating client accounts is fair and equitable. One of the ways we accomplish this is by aggregating or “bunching” our client orders in an effort to obtain more favorable execution prices or commission rates. Order aggregation is the process of combining together orders to purchase or sell the same security as a single larger order. Stairway will always aggregate client orders for execution when effecting portfolio rebalancing and strategy change transactions. Under other circumstances, we will aggregate orders when we believe that doing so will be in the best interest of the participating client portfolios. Once executed, we allocate aggregated transactions in a manner consistent with our fiduciary obligations to our clients in that every client account participating in an aggregated order is allocated trades at the average execution price, and execution costs are shared in proportion to each account's participation.

Stairway primarily transacts in highly liquid, well-capitalized securities such that “partial fills” are unlikely. However, in instances when an aggregated order is only partially executed, or executed at different prices, we will use price averaging to allocate the transaction to accounts pro rata based on each portfolio’s participation. In addition, Stairway maintains a Trade Aggregation and Allocation Policy to ensure aggregated orders are allocated in accordance with applicable laws and regulations.

Dissemination of Investment Strategy Recommendations

Part of our duty as a non-discretionary portfolio advisor is to provide our investment strategy recommendations to Managed Account Advisors on a timely and equitable basis with Stairway’s other clients. It is Stairway’s practice to disseminate our investment strategy recommendations at or about the same time that we begin the process of implementing the recommendations for our investment management and subadvisor clients. This practice is intended to ensure that all of Stairway’s clients are afforded a fair opportunity to participate in an investment strategy during the same time period.

Directed Brokerage

A client may direct Stairway, in writing, to use a particular broker to execute all transactions for their account (directed brokerage). Under such circumstances, the client will assume sole responsibility to negotiate terms and arrangements for the account with the broker. Stairway will not seek better execution services or prices from other brokers and may not be able to aggregate such transactions with orders for other accounts managed by us. As a result, clients electing to direct brokerage may pay higher commissions or other transaction costs or receive less favorable net prices on transactions for their accounts than might otherwise be the case.

Item 13 Review of Accounts

Stairway’s Managing Principals, Anthony Richards and James Jackson, regularly review all client accounts. A review of each account is made on a monthly basis when the performance analysis for the prior month has been completed. The Managing Principals conduct the formal reviews of each account including evaluating performance and appropriateness of benchmarks and investment policies. This analysis includes the account’s return, attribution of return to management decisions, and performance relative to the client’s objectives.

Accounts are also reviewed whenever transactions are made in the account, when significant market movements occur, or when major news developments take place which may affect the portfolios. Stairway maintains a proprietary portfolio analytic system which includes a “drift monitor” to identify potential deviations from strategy across all client portfolios. Account reviews can also be triggered by notification of material changes in client circumstances that may necessitate adjustments in the client’s investment policy. Further, an automatic daily reconciliation is made between Stairway’s accounting system and the accounting downloads received from the qualified independent custodian(s) maintaining our clients’ assets.

Trade confirmations of all transactions and monthly account statements are delivered to each client by their custodian. Additionally, at any time, Stairway clients can access and view their portfolio holdings, risk, and performance on the firm’s website.

Item 14 Client Referrals and Other Compensation

Stairway currently does not have any referral arrangements.

Item 15 **Custody**

Other than with respect to the payment of quarterly fees made by deduction from a client's account held at an unaffiliated qualified custodian, Stairway does not maintain custody or possession of client account assets. Clients will receive trade confirmations and account statements directly from their qualified custodian. We urge clients to carefully review these statements. Stairway also reconciles the transaction and position files it receives from the custodian every day and makes a summary of client portfolio holdings available to each client on our website. Clients may elect to pay their quarterly fees by check rather than by deduction from their account.

Item 16 **Investment Discretion**

Stairway exercises discretionary authority over each of our client accounts subject to each client's stated investment guidelines as set forth in their investment policy and in accordance with any additional limitations established by the client. Before assuming discretionary authority, clients execute an Investment Advisory Agreement granting Stairway full power of authority to supervise and direct the investment of their assets on a discretionary basis. Similarly, subadvisory clients will execute a Limited Power of Attorney granting us investment discretion over the assigned assets.

Item 17 **Voting Client Securities**

Another element of Stairway's discretionary authority is the requirement that Stairway vote proxies on the securities held in our clients' portfolios. Stairway's Proxy Voting Policy requires all proxies to be voted in the best interest of our clients. **Clients may obtain a copy of our proxy voting policy and procedures upon request. Clients may also obtain information from Stairway about how we voted any proxies on their behalf.**

Stairway does not vote the proxies of our subadvisory clients. Subadvisory clients will receive proxies and other solicitations directly from their custodians and should contact their Financial Advisor with any questions about a particular solicitation.

Item 18 **Financial Information**

Stairway has no financial commitments that impair our ability to meet contractual and fiduciary obligations to our clients. Neither have we been the subject of a bankruptcy proceeding.