

## **Integrated Fiduciary Program**

# Retirement Consultants

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- **The Outsourced CIO Conundrum**

- The client is committed to an outsourced CIO solution for this pool of money
- The assets are too small to attract quality outsourced CIO providers

- **The New England Retirement Consulting Conundrum**

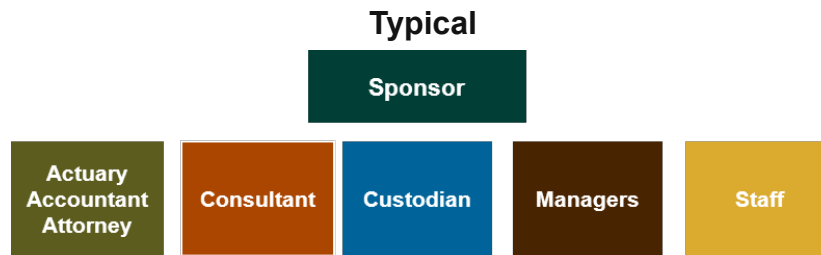
- A large plan (\$200 million and up) solution is available – advisors have the process in place to identify the best OCIO provider
- For the smaller plan there is no optimal solution and advisors do not want the client/prospect to go to a wirehouse for help

# The OCIO Solution

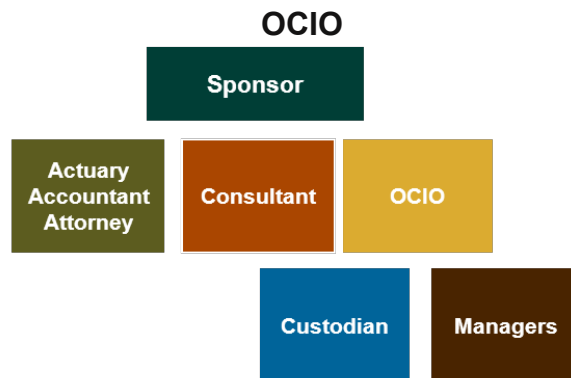
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- **Fiduciary Advisor Advocates – an elegant small plan OCIO solution**
  - Institutional quality Investment Policy Statement
  - Institutional quality investment research- capital markets and investment managers
  - Institutional quality Implementation
  - Institutional quality Performance Reporting

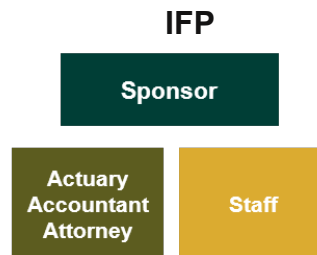
# Fiduciary Models



- Cumbersome structure
- Numerous fiduciary touch-points
- Limited expertise to select each vendor
- Increasingly complex Fiduciary environment, staffing is critical
- No economies of scale



- OCIO is primarily investment function
- Does not mitigate operational or implementation risk – may increase it
- NERC has the insight to ensure operational and investment functions work for their clients



- One fiduciary touch-point
- Operational efficiencies, implementation risk control
- Economies of scale
- Best Practices with Best in Breed resources across both operational and investment spectrums

## **How & Why the Integrated Fiduciary Program Works**

# Integrated Fiduciary Program

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- **The Integrated Fiduciary Program offers a turnkey, institutional quality advisory service adhering to fiduciary standards:**
  - Fully Integrated Investment Program:
    - Capital Market Assumptions
    - Strategic Asset Allocation
    - Independent Initial and ongoing manager research
    - Fiduciary Implementation
  - Reporting and Monitoring:
    - Account performance reporting
    - Quarterly Market Commentary
    - Quarterly Manager Reviews
  - Marketing Support:
    - Library of Presentation Materials
    - Library of Sample RFP responses
    - Library of Educational Pieces

***Simple yet powerful***  
***Simple yet distinguishing***

# Why Does it Matter?

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- **Middle Market Institutional Marketplace (Roughly \$5-\$250M):**

- Large: estimated to be in excess of \$1.5T
- Underserved: limited if any access to institutional quality capabilities
- Decentralized: opportunities in your community

- **Fiduciary Standards Apply:**

- When assets are advised to or overseen which are for the 'benefit of others'. For example- the local community trust, endowments, foundations, defined benefit plans
- Regardless of size- the same fiduciary responsibility, obligation and potential liability exists whether the fund is \$10M or \$10B

- **Large Funds Have Advantages Which Middle Market Funds Do Not:**

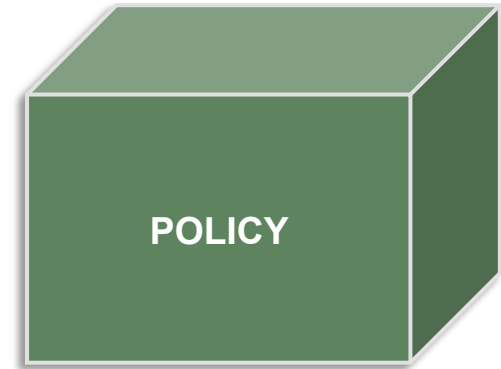
- Hire dedicated internal staff
- Hire Institutional consultants
- Hire Master Trustee Banks
- Negotiate favorable manager terms (power of the dollar)

***The Integrated Fiduciary Program allows you to provide capabilities and processes which are generally reserved for large asset pools***

# Our Integrated Service Offering

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- Asset / Liability review
  - Set strategic asset allocation and manager structure
  - Develop written Investment Policy Statement
  - Establish effective reporting
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- Capital Markets Update
  - Comprehensive Quarterly Performance Report
  - Peer group comparisons
  - Compliance reporting
  - Action steps
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- Identify appropriate investment products
  - Overlay manager for implementation and policy compliance
  - Coordinate rebalancing and brokerage
  - Proper custody



# Strategic Partnerships – Key to the Service Offering

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## Important strategic partners involved in the delivery of our Service

### ● Consultants

- Registered Investment Advisor
- Serves Middle Market Institutional and Wealth Management Clientele in a Fiduciary Capacity

### ● Fiduciary Advisor Advocates

- Organization at forefront of spearheading fiduciary standards to middle market
- Select community of like minded advisors
- Oversee strategic relationships with research, investment and educational partners

### ● Callan Associates

- Leading Institutional Consulting Firm
- Serves large Institutional Fund Sponsors and Middle Market Investment Consulting Firms
- Core competencies in strategic investment planning, capital market and manager research, database and analytics, and fiduciary education
- Proprietary resources

### ● Natixis Global Advisors

- Global Asset Manager
- Managed Portfolio Advisors – A leader in Overlay Management

### Roles and Responsibilities

- Main Point of Contact
- Client Coordinator
- Client service participation
- Apply Consulting Resources to meet your needs

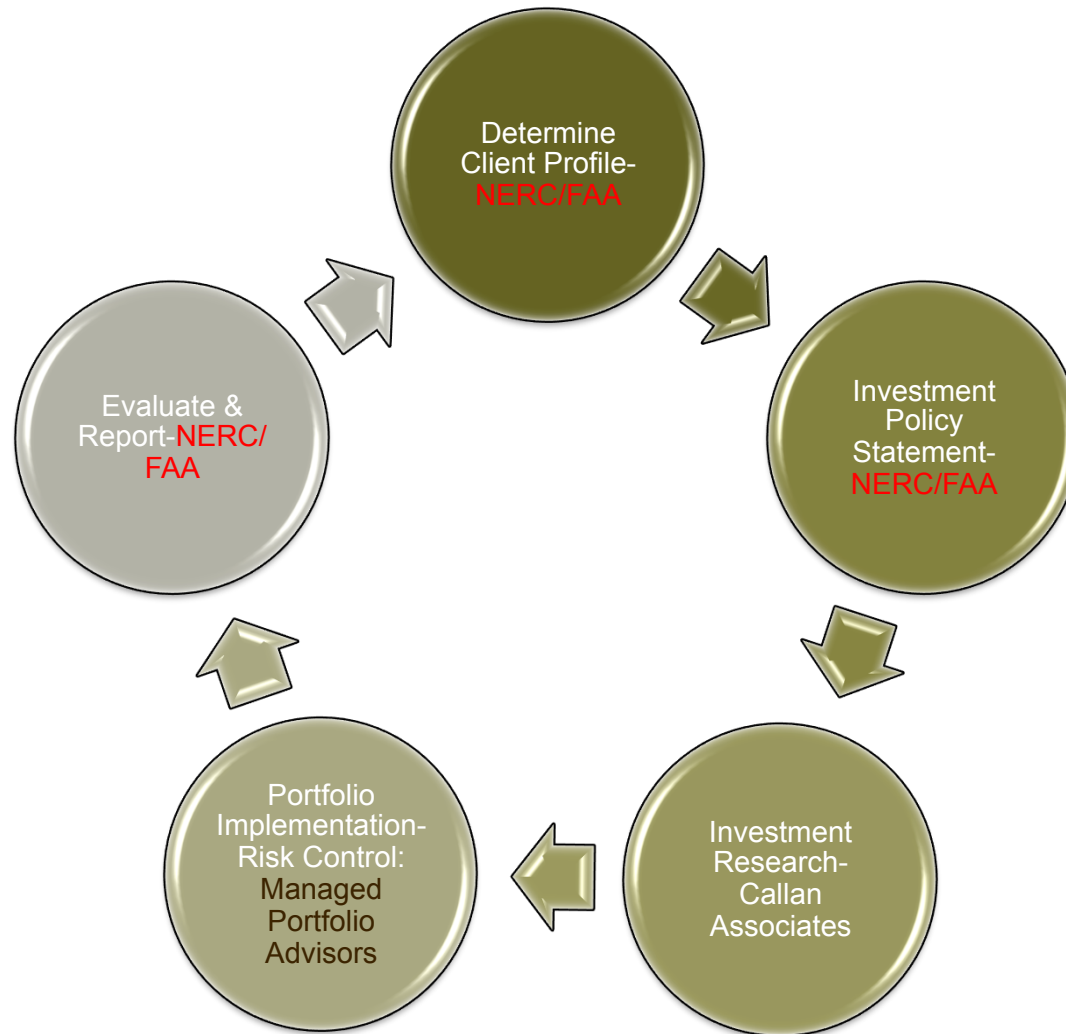
- Forum for continuing education
- Analytic, operational and client service support
- Client service responsibilities or support
- Responsible for continuing to enhance Fiduciary institutional quality resources

- Service Sponsor and Program Coordinator
- Capital Market Research
- Manager Research
- Maintain Investment Manager Platform
- Analytical and Consulting Support
- Performance Measurement Reporting

- Implementation Coordinator
- Overlay Management ensuring proper risk control
- Best Execution
- Portfolio Restrictions
- Portfolio Administration

# Integrated Fiduciary Program- Roles/ Responsibilities

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# Implementation – The Forgotten “Landmine”

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- **Big Plans Have Master Trustee Banks:**

- Custody
- Trade execution
- Rebalancing
- Transition management
- Reporting

- **Small Plans Have:**

- Broker custody
- Trade execution favoring brokers
- Opaque reporting

***The FAA/Natixis partnership brings a superior implementation program to the smaller plan***

# Natixis Global Asset Management, S.A.

Asset management holding company

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Natixis Global Asset Management S.A. (\$838.2 billion AUM<sup>1</sup>) is a subsidiary of Natixis, the corporate, investment management and financial services arm of Groupe BPCE. The firm ranks as **one of the largest asset management companies in the world**<sup>2</sup> with more than 20 investment managers in the U.S., Europe and Asia. NGAM's **multi-affiliate structure provides a single point of access** to specialized professionals with unique insights and diverse approaches to investing. The firm's hallmark is a consultative approach based on listening and understanding clients' needs. It goes beyond products to create comprehensive investment solutions for institutions, intermediaries and individuals. It's called **Better thinking. Together.**<sup>®</sup> and it helps clients around the globe make the most of complex markets.

<sup>1</sup> Net asset value as of September 30, 2013. Assets under management (AUM) may include assets for which non-regulatory AUM services are provided. Non-regulatory AUM includes assets which do not fall within the SEC's definition of 'regulatory AUM' in Form ADV, Part 1.

<sup>2</sup> Cerulli Quantitative Update: Global Markets 2013 ranked Natixis Global Asset Management, S.A. as the 15th largest asset manager in the world based on AUM as of December 31, 2012.

# Industry-leading investment thinkers

(As of 9/30/2013)



Expertise: Index-based solutions  
Founded: 2002  
Headquarters: Oakland, CA  
AUM: \$460 M/€340 M



Expertise: U.S. private equity  
Founded: 2008  
Headquarters: New York, NY  
AUM: \$1.2 B/€877 M



Expertise: Overlay management  
Founded: 2005  
Headquarters: Oakland, CA  
AUM: \$11.1 B/€8.2 B



Expertise: Real estate investments  
Founded: 1981  
Headquarters: Boston, MA  
AUM: \$18.0 B/€13.3 B



Expertise: Hedged equity strategies  
Founded: 1977  
Headquarters: Cincinnati, OH  
AUM: \$11.9 B/€8.8 B



Expertise: Fixed-income specialist managing taxable and tax-exempt bond portfolios  
Founded: 2001 with consistent leadership since 1987. Headquarters: Oak Brook, IL  
AUM: \$12.5 B/€9.2 B



Expertise: Absolute return strategies  
Founded: 1999  
Headquarters: Cambridge, MA  
AUM: \$3.7 B/€2.8 B



Expertise: Global/international investments  
Founded: 1994  
Headquarters: Ft. Lauderdale, FL  
AUM: \$4.2 B/€3.1 B



Expertise: Money market funds & cash management services  
Founded: 1970  
Headquarters: New York, NY  
AUM: \$16.6 B/€12.3 B



Expertise: Alternative investment management  
Founded: 1988  
Headquarters: Chicago, IL  
AUM: \$8.9 B/€6.6 B



Expertise: Value investments  
Founded: 1976  
Headquarters: Chicago, IL  
AUM: \$105.9 B/€78.2 B



Expertise: U.S. small- and mid-cap value investments  
Founded: 1984  
Headquarters: San Francisco, CA  
AUM: \$2.0 B/€1.5 B



Expertise: Concentrated equity portfolios  
Founded: 1990  
Headquarters: Boston, MA  
AUM: \$3.8 B/€2.8 B



Expertise: Actively managed, research-driven equity and fixed-income portfolios  
Founded: 1926  
Headquarters: Boston, MA  
AUM: \$189.6 B/€140.1 B



Expertise: Value equity investments  
Founded: 1970  
Headquarters: Houston, TX  
AUM: \$8.9 B/€6.6 B

AUM as of 30 September 2013.

<sup>1</sup> A division of NGAM Advisors, L.P.

<sup>2</sup> Caspian Private Equity is a joint venture between Natixis Global Asset Management, L.P., Natixis, and Caspian Management Holdings, LLC.

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# How Managed Portfolio Advisors (MPA) Works In the FAA/OCIO Environment

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- **NERC/FAA Select Custodian – Schwab, Fidelity, Pershing, etc.**
- **MPA is the Overlay Manager:**
  - Builds/trades manager portfolios
  - Manages cash flow needs
  - Ensures rebalancing
  - Manages transitions
  - Custom reporting

# Differentiators

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## MPA's approach to overlay management is unique in several ways

- Real-time trading
  - Trades performed as investment decisions are communicated throughout the day
  - Does not use an optimizer in the implementation process
  - Seeks to provide same experience to client as they would get directly with manager
- Coordinated trading
  - Allows subadvisors to control trading through step-outs
  - Seeks to participate in a trade rotation if not done as a step-out
- Adaptable portfolio implementation
  - Allows both model and non-model managers to participate
  - Accommodates both static and dynamic models
  - Municipal bond managers and custom strategies can participate via passive sleeves
- Fixed-income
  - Implements over \$2 billion in robust fixed-income portfolios
  - Experienced fixed-income trading team
- Sophisticated tax management\* process
  - Balances tracking error at the sleeve level with the opportunity to harvest losses
  - Configurable to meet unique sponsor needs or constraints
- Full customization capabilities
  - Allocations, manager selection and vehicle selection can all be customized at the account level
- Service models
  - Fully outsourced to MPA, through a partner, or partially outsourced
  - Allows sponsor to choose the arrangement that best suits their needs and constraints

\*Please note this is not tax advice.

# The NERC Advantage

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- **For the Smaller Plan Who Wants an Outsourced CIO Solution, NECS Offers:**
  - An institutional-quality solution
  - Attention to wealth building and administration
  - “Best in Breed” reporting, management, implementation