



## Lockton Investment Advisors, LLC

### Part 2A of Form ADV The Brochure

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Lockton Investment Advisors, LLC (“LIA” or the “Advisor”) is an investment adviser that is registered with the United States Securities and Exchange Commission (“SEC”). Registration with the SEC does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of LIA. If you have any questions about the contents of this brochure, please contact the LIA Compliance Department at 816-960-9000. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about LIA is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Material Changes

This brochure contains information about the Advisor. The last annual update to the brochure was January 2016. At this time LIA and its affiliate LFA are no longer associated with the Municipal Securities Rulemaking Board. In addition this version has been rewritten to ensure services are clearly described.

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## Description of Advisory Business

LIA was founded and registered with the SEC as an investment adviser in April 2007. LIA is principally owned by Lockton Insurance Agency, Inc. which is owned by Lockton, Inc.

LIA provides operational and investment consultation services (“Services”) to the sponsors of pension plans (“Client”) on a non-discretionary and/or discretionary basis subject to the objectives and conditions set forth in the Client’s written Investment Policy Statement (“IPS”) and Advisory Services Agreement (“ASA”). Services include fiduciary and non-fiduciary services as defined under ERISA. Services, governing terms and conditions are set forth in the Client’s ASA, and are categorized as Non-Discretionary Fiduciary Services, Discretionary Fiduciary Services, or Non-Fiduciary Services..

**Note:** LIA does not provide advisory services with respect to the following types of plan assets: employer securities (company stock), real estate (but excluding real estate funds and publicly traded REITS), participant loans, non-publicly traded securities or assets that have not been selected by LIA, other illiquid investments, or brokerage window programs. These exclusions do not include Collective Investment Funds.

**Non-Discretionary Fiduciary Services:** LIA’s Non-Discretionary Fiduciary services are designed to be consistent with ERISA section 3(21) and may include assisting the Client in the design of the plan’s investment architecture including portfolio strategies, investment funds (e.g. mutual funds) and recommendations for providers to service and manage the plan and plan assets. LIA conducts a lengthy due diligence process on the providers as well as the mutual funds recommended to Clients. LIA’s Services include assistance with the

development and implementation of an IPS. On an ongoing basis, LIA will monitor and compare the performance of the investment fund choices against the objectives and conditions set forth in the IPS. LIA will compare the performance of investment managers with criteria outlined in the IPS, as well as with established benchmarks and peer groups, and recommend changes when appropriate. While LIA provides recommendations regarding providers (i.e. record-keepers) to Clients, LIA's Clients are responsible for making any decision to hire and/or terminate the plan providers. LIA may assist with the implementation of any recommended changes as agreed upon with the Client.

**Discretionary Fiduciary Services:** LIA's Discretionary Fiduciary Services are designed to be consistent with ERISA section 3(38) and include the creation and management of the plan's fund menu including the determination of investments and asset allocation for custom model portfolios (e.g. risk-based, target date portfolios). LIA's Discretionary Fiduciary Services include the development and implementation of an IPS to document and guide the selection and monitoring of the plan's investments. Investment summaries and communications regarding LIA's prudent due diligence process are available and delivered to Clients on an annual basis or other frequency identified in the ASA.

**Non-Fiduciary Services:** LIA provides Non-Fiduciary Services including plan design, compliance and service provider searches. LIA may also provide educational sessions regarding the investments in the plan.

LIA currently advises \$48.08 billion in Plan assets, approximately \$10 billion of which are covered by our Discretionary Fiduciary Services.

## Fees and Compensation

LIA may charge a pre-determined fixed fee, hourly fee, or fee based upon a percentage of plan assets. The exact fee for a specific Client will be negotiated in advance of services rendered and will be clearly set forth in the executed ASA between LIA and the Client. Annual fees will be billed in quarterly installments, generally in advance, within 30 days after the start of each quarter. Hourly fees will be billed in arrears within 30 days following services rendered. Fees calculated as a percentage of assets are payable quarterly in arrears and will be based on the market value of all assets in the plan on the last trading day of each calendar quarter. Other fee payment arrangements may be negotiated by the Client and reflected in the executed ASA. In some cases, negotiation of fees may result in different fees being charged for similar services of other Clients. The Client will be invoiced by LIA for the fees or, at the direction of the Client, fees may be collected by the record-keeper directly from the plan and remitted to LIA.

**Fixed and Hourly Fees:** Fees are based on the scope of services agreed upon in the ASA and must be reasonable in light of geographical location, complexity of engagement, size of plan and other relevant factors.

RANGE:    \$5,000 to \$300,000 fixed fee                      \$100 to \$750 per hour

**Basis Points:** Based on specific asset levels in plan at dates provided in the engagement.

RANGE:    \$0 to \$20,000,000	10-100 bps of Plan AUM
\$20,000,001 to \$40,000,000	5-50 bps of Plan AUM
\$40,000,001 and above	3-25 bps of Plan AUM

In some arrangements negotiations may result in Clients paying different fees that may be more or less than those reflected in the schedule listed above for similar services.

Plan assets are invested in funds that independently charge fees. Therefore, the Client or the plan also bear fees in addition to those described above. At the Client's consent, LIA may bill out-of-pocket expenses (such as overnight mailings, messenger, translation fees, etc.) at cost to the Client.

LIA or the Client may terminate the agreement with 30 days' written notice to the other party. LIA will refund to the Client a pro-rata portion of any advisory fees collected in advance of services being rendered.

**Referral Fees:** LIA may receive compensation for the referral of an employer to a third-party broker-dealer. The amount of any such referral compensation is dependent on the products or services purchased by the employer with the third-party broker-dealer, all of which such products or services are unrelated to and outside of the scope of the plan and LIA's services provided to Client. The amount of any referral compensation paid is disclosed by LIA and the third-party to the employer.

## **Performance Based Fees and Side-by-Side Management**

In certain scenarios, performance based fee arrangements may be structured for Clients who have plans with over \$1 million in plan assets. Such fees are calculated in comparison to a recorded index (e.g. S&P 500, Russell 2000, Dow Jones Industrial Average) or other investment performance measure identified by the SEC through rule, regulation, or order. Such fee consideration and calculation will be done at intervals no less frequent than one year.

## **Types of Clients**

As discussed in the Advisory Business section, LIA provides operational and investment consultation services to the employers who sponsor qualified defined benefit and defined contribution pension plans as well as non-qualified deferred compensation plans and other employer sponsored benefit plans. LIA may, on occasion, also provide investment consultation and management services to institutional trusts, endowments or foundations.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

LIA maintains a robust due diligence process to obtain information on the appropriate investment vehicles (e.g. mutual funds) and managers recommended to or selected for Clients. Specific information generated as part of this process is compared to industry standards. LIA also obtains information via industry investment data service providers such as Morningstar. Once the investment vehicles and provider are recommended to or selected for a Client, those securities and providers are reviewed on an ongoing basis. LIA will conduct ongoing reviews as outlined in the ASA. For a full description of LIA's services, please refer to the Advisory Business section above.

Investing in securities involves risk of loss that all Clients and their plan participants should be prepared to bear. Additionally, LIA will not have the opportunity to evaluate in advance the specific investments made by any third-party managers. As a result, the rates of return to Clients will primarily depend upon the choice of investments and management decisions of third-party managers. Investment returns could be adversely affected by the performance of such managers. LIA and its Clients depend on third-party managers to develop the appropriate systems and procedures to control operational risks. Operational risks arising from mistakes made in the confirmation or settlement of transactions, from transactions not being properly booked, evaluated or accounted for or other similar disruption in operations, may cause the Client accounts to suffer financial losses.

## Disciplinary Information

LIA and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a Client's evaluation of the Advisor or its personnel.

## Other Financial Industry Activities and Affiliations

LIA is affiliated with Lockton Companies, LLC an international insurance brokerage organization. LIA's related persons are licensed as insurance agents on behalf of Lockton Companies, LLC and may offer or sell a variety of insurance products (including property and casualty insurance, as well as health and welfare insurance services) to companies and other prospects who are or become LIA Clients. In addition, related persons of Lockton Companies, LLC may also sell insurance products or provide insurance consulting services to entities that are recommended by LIA to provide services to Clients (i.e. money managers, investment companies or other service providers). Compensation in the form of insurance commissions may be derived from the sale of insurance products. Conflicts of interest may arise when LIA is providing investment advisory services and related persons are making insurance recommendations to Clients. The management of conflicts of interest falls under LIA's Code of Ethics and is described below.

LIA is also affiliated with Lockton Financial Advisors, LLC ("LFA"), a broker-dealer registered with the SEC. LFA is a member of the Financial Industry Regulatory Authority and Securities Investor Protection Corporation. Registered representatives of LFA, who also may be related persons of LIA, may receive commissions for the sale of certain variable insurance products and other securities. LIA's related persons do not execute trades or perform transactional brokerage services. Therefore, LIA does not receive commissions for effecting transactions on any securities that are recommended to advisory Clients in which fees are charged. Any cash compensation received by LIA is credited toward the advisory fees outlined in the Client's ASA.

## Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

LIA, its principals, officers, directors, members and employees ("Associates") are permitted to purchase securities for their personal accounts that may also be recommended to Clients. To avoid any potential conflicts of interest involving personal trades, LIA has adopted a formal Code of Ethics ("Code") and insider trading policy and procedure. LIA's Code requires, among other things that Associates:

- Act with integrity, competence, diligence, respect and in an ethical manner with the public, Clients, prospective Clients, employers, associates, colleagues in the investment profession and other participants in the global capital markets;
- Place the integrity of the investment profession, the interests of Clients and the interests of Advisor above one's own personal interests;
- Adhere to the fundamental standard that Associates should not take inappropriate advantage of their position;
- Avoid any actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with this Code and the personal trading policies;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect favorably on the Associate and the profession;
- Promote the integrity of, and uphold the rules governing, capital markets;

- Maintain and improve the Associate's professional competence and strive to maintain and improve the competence of other investment professionals;
- Comply with applicable provisions of the state and federal securities laws.

LIA's Code also requires Associates to: 1) pre-clear certain personal securities transactions, 2) report personal securities transactions on at least a quarterly basis, and 3) provide LIA with a detailed summary of certain holdings (both initially upon commencement of employment or membership and annually thereafter) over which such Associates have a direct or indirect beneficial interest.

A copy of the Code shall be provided to any Client or prospective Client upon request. Copies may be requested through any Lockton associate or may be obtained by contacting LIA's Compliance Department at 444 W 47<sup>th</sup> Street, Suite 900, Kansas City, Missouri 64112, 816-960-9000.

## **Brokerage Practices**

LIA does not perform trading activities or other transactional brokerage services. As such, LIA does not place orders on behalf of its Clients and therefore does not aggregate the purchase or sale of securities for various Clients. Further, LIA does not have authority to select broker-dealers on behalf of Clients.

## **Review of Accounts**

On a periodic basis or as set forth in the Client's ASA (but no less frequent than annually), LIA Associates assigned to each Client will perform an investment review that may include, but is not limited to, the following pieces of information: changes in the Client's circumstances, changes in the plan or providers, performance returns, expense ratios, benchmarks, fund personnel, and fund rankings. At least annually, LIA will also provide Clients with a written report detailing reviews of the following items: asset allocation, investment options, risk and return analysis, fees and expenses charged, style drift, correlation and performance returns.

## **Client Referrals and Other Compensation**

LIA's Associates may attend conferences, educational meetings, or other industry events sponsored by unaffiliated plan and investment product providers and fund companies that may be recommended to or selected on behalf of Clients. In addition, LIA's Associates may participate in steering and/or advisory committees of the plan providers. The plan providers or fund companies will often pay the travel expenses for LIA's Associates to attend these meetings and/or events which may include airfare, lodging, meals, and entertainment. LIA's Associates do not receive any other type of compensation related to these meetings and/or events. Invitations to attend these events are reviewed by LIA Compliance to ensure the expenses are reasonable.

LIA sponsors conferences in which unaffiliated plan providers, insurance carriers, broker-dealers, investment advisers and/or other unaffiliated third parties ("Vendors") are invited to present information about their services or proprietary products to LIA's Associates. LIA may recommend these Vendors to its Clients. Vendors pay a sponsorship fee to defer a portion of the costs associated with organizing and conducting LIA's conferences. A portion of these costs may be used to provide entertainment functions to the attendees of the conferences, including LIA's Associates.

One or more current LIA Clients are affiliated with an investment company. The funds offered by these investment companies may be selected by LIA to be recommended to other LIA Clients. LIA relies on its investment due diligence and review process to address conflicts related to these relationships.



LIA's Associates may receive consulting services, marketing support, training sessions and market research services provided by and paid for by unaffiliated plan and investment product providers that may be recommended to Clients. The management of conflicts of interest falls under the LIA's Code of Ethics, which is described above.

Certain LIA member affiliates ("Solicitor Members") who are not licensed and do not provide investment advisory or fiduciary services act as solicitors on behalf of LIA. Solicitor Members are licensed as insurance agents on behalf of one or more series of Lockton Companies, LLC or an affiliated entity. LIA's advisory services are marketed directly by Associates and/or Solicitor Members of LIA. LIA may compensate its Associates and/or Solicitor Members for referring Clients to the Advisor. LIA's payment of such compensation does not affect the amount of fees paid by the Client. The status of each "solicitor" as an Associate or Solicitor Member of LIA is disclosed to the Client at the time of the referral. The referral of LIA's advisory services does not involve investment advice activity or fiduciary or non-fiduciary services requiring a license and a Solicitor Member may not be licensed but may receive a portion of the compensation received by LIA as a Solicitor Member, along with another licensed LIA member, for such marketing or referral efforts. Such referral compensation generally consists of a percentage of the fees earned by LIA and represents no additional expense to Client. Such compensation may continue beyond the initial referral as long as LIA provides services to Client and may also be paid for a past referral.

LIA or its affiliate LFA may receive compensation for the referral of a Client to a third-party broker-dealer. The amount of any such referral compensation is dependent on the products or services purchased by the Client which products or services are unrelated to and outside of the scope of LIA's services. The amount of any referral compensation paid is disclosed by LIA such third-party broker dealer to the Client.

LIA may compensate unaffiliated third parties for referring advisory Clients. Such solicitation or referral fees generally consist of a percentage of the fees earned by LIA. The referral fees represent no additional expense to the Client. All referral arrangements will conform to Rule 206(4)-3 under the Advisers Act.

## **Custody**

LIA does not maintain custody of Client assets or securities, nor is any affiliate authorized to hold or receive any stock, bond or other security or investment certificate or cash (except in the payment of its advisory fee) that is part of the Client's plan. Custody of plan assets will be maintained with the independent trustee or independent custodian selected by Client.

## **Investment Discretion**

Please refer to the Advisory Business section for a description of LIA's Discretionary Fiduciary Services.

## **Voting Client Securities**

LIA does not exercise proxy voting authority over securities held in Client accounts. The Client will be responsible for exercising proxy voting authority or designating another party to perform this function. LIA will not be deemed to have proxy voting authority solely as a result of providing advice or information about a particular proxy vote to a Client. Clients will make arrangements to receive any proxies or other solicitations directly from their custodian or transfer agent or direct these communications to another party. LIA does not provide any advice or recommendations to Clients with regard to class action lawsuits.

## **Financial Information**

LIA has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage Client accounts.