



## 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. There have been no material changes since its adoption.

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## 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 pension plans (“Client” or “Plan”) 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”). Services include fiduciary and non-fiduciary services as defined under ERISA. Services, governing terms and conditions are set forth in the Client’s Advisory Services Agreement, and are categorized as Non-Fiduciary Services, Non-Discretionary Fiduciary Services and/or Discretionary Fiduciary Services. LIA currently manages \$25.4 billion in Plan assets.

LIA’s Non-Discretionary Fiduciary services may include the development and implementation of an IPS. If the Client has an existing IPS, Advisor will review the provisions of the IPS and make recommendations for changes where appropriate. LIA will assist the Client in the design of its investment architecture including portfolio strategies, recommend providers to service and manage the plan assets, and recommend the investment funds (i.e., mutual funds) that are selected for each program. LIA conducts a lengthy due diligence process on the providers as well as the mutual funds recommended to Clients. 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. Advisor 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. LIA also provides Clients and plan participants with educational sessions regarding the investments in the Plan.

LIA’s Discretionary Fiduciary Services include the creation and management of the Plan’s fund menu and/ or custom model portfolios (e.g. risk-based, target date portfolios). LIA’s Discretionary Fiduciary Services include the development and implementation of an IPS, as well as the selection and monitoring of the Plan’s

investments in accordance with the IPS. Communications regarding our prudent due diligence process is available and delivered to Clients no less than annually.

While LIA provides recommendations regarding providers (i.e. record-keepers) to offer to Clients, (which are Non-Discretionary Fiduciary Services), LIA's Clients are responsible for making the ultimate decision to hire and/or terminate the plan provider. LIA may assist with the implementation of any recommended changes as agreed to with the Client.

## 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 will be negotiated in advance of services rendered and will be clearly set forth in the executed Advisory Services Agreement between LIA and the Client. Annual fees will be billed in quarterly installments 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. In special circumstances, other fee paying arrangements may be negotiated. In some cases, negotiation of fees may result in different fees being charged for similar services and may be more or less than the stated fee schedule. At the direction of the Client, fees are collected directly from the Plan by the Plan record-keeper, or the Client may be invoiced directly for fees outside of the Plan.

**Fixed and Hourly Fees:** Fees are based on scope of services agreed upon in the Advisory Services Agreement 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   |

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.

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

In certain scenarios, performance based fee arrangements may be structured for Plans over \$1 million. Such fulcrum 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 embraced by the SEC through rule, regulation, or order. Such fee consideration and calculation will be done at intervals of no less than one year.

## Types of Clients

As discussed in the Advisory Business section, LIA provides operational and investment consultation services to 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 obtains a great deal of its information on the underlying managers and investment vehicles (e.g. mutual funds) through its due diligence process. 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 provider and mutual funds are selected for the Plans, those securities and services of the provider are reviewed on an ongoing basis. LIA will conduct ongoing reviews as outlined in the Advisory Services Agreement. 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 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 unfavorable performance of such managers. LIA depends 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. 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 Clients. In addition, related persons of Lockton Companies, LLC may also sell insurance products or provide insurance consulting services to the providers (i.e. money managers, investment companies or other service providers) or their affiliated entities that may also be recommended to Clients of LIA. Compensation in the form of insurance commissions may be derived from the sale of insurance products. The Advisor is subject to conflicts of interest when providing investment advisory services and 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, Securities Investor Protection Corporation, and Municipal Securities Rulemaking Board. 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 Advisory Services Agreement.

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

LIA, its principals, officers, directors and associates (“Associates”) are permitted to purchase securities for their personal accounts that may also be recommended to Clients. However, in no case will these be Reportable Securities, as defined in the Investment Advisers Act of 1940 (“Advisers Act”). 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 you should not take inappropriate advantage of your position;
- Avoid any actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with this policy;
- 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 credit on yourself and the profession;
- Promote the integrity of, and uphold the rules governing, capital markets;
- Maintain and improve your professional competence and strive to maintain and improve the competence of other investment professionals;
- Comply with applicable provisions of the 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 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**

LIA monitors Client accounts on a periodic basis as determined by the terms of the Client’s Advisory Services Agreement. LIA provides advice, which includes recommending changes in providers and/or mutual funds when necessary. Factors triggering recommendations may include the following: changes in the Client’s general circumstances, provider service issues related to the plan, performance of the mutual funds, expenses charged



to the mutual funds, changes in the personnel involved in the portfolio management of the mutual funds, etc. Client accounts are reviewed by the Associates that are assigned to those accounts.

On a periodic basis or as set forth in the Client's Advisory Services Agreement, LIA shall assist in the selection and monitoring of investments. These investment reviews present information regarding potential providers/managers that may include, but are not limited to, the following pieces of information: performance returns, expense ratios, benchmarks, 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 advisory services include providing pension plan Clients with recommendations of unaffiliated plan providers. As part of the due diligence process, Clients may meet with representatives of the recommended plan providers. LIA's Associates generally attend these meetings to provide guidance and/or recommendations to the Client. LIA's Associates may also attend conferences, educational meetings, or other industry events sponsored by unaffiliated plan providers and fund companies that may be recommended to 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.

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 also 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 act as an investment company or may be affiliated with an investment company. The investment funds of these investment companies may be selected by LIA to be included on Plans for other LIA clients. Therefore LIA is compensated by firms that may be selected to act as a fund manager for other Clients. In order to avoid conflicts related to these relationships, LIA has implemented an investment due diligence and review process that is applied consistently.

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

LIA's advisory services are marketed directly by officers or related persons of LIA in the course of their ordinary duties. LIA may compensate its Associates for obtaining Clients for 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 officer, director or related person of LIA is disclosed to the Client at the time of the referral.

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.

LIA receives fees from other financial services firms in return for the referral of certain investment adviser representatives; for providing Client leads to these representatives; and for providing facilities and ministerial

services to these representatives. A portion of these fees are distributed to the relevant investment adviser representatives.

## **Custody**

LIA does not maintain custody of Plan 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 Services.

## **Voting Client Securities**

Advisor will not exercise proxy voting authority over securities held in Client accounts. The obligation to vote Client proxies shall at all time rest with the Client. Advisor shall 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 receive any proxies or other solicitations directly from their custodian or transfer agent. LIA does not provide any advice or recommendations to Clients with regard to class action lawsuits (i.e., securities litigation).

## **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.



**LOCKTON®**