

# **U.S. Institutional Corporation**

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## **FORM ADV PART 2 BROCHURE**

This brochure provides information about the qualifications and business practices of U.S. Institutional Corporation. If you have any questions about the contents of this brochure, please contact us at 314-965-0426 or [lrmsky@usinstitutional.com](mailto:lrmsky@usinstitutional.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about U.S. Institutional Corporation is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for U.S. Institutional Corporation is 135555.

U.S. Institutional Corporation is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## **Item 2 Summary of Material Changes**

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material change.

Since the filing of our last annual updating amendment, dated March 14, 2019 we have no material changes to report.

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## **Item 4 Advisory Business**

### **Description of Services and Fees**

U.S. Institutional Corp. was founded in April 2005 as an independent institutional investment consulting firm. Our firm is 100% owned by John G. Russon. USI is registered with the United States Securities and Exchange Commission as a pension consultant under Rule 203A-2(b) of the Investment Advisers Act of 1940.

USI is an institutional investment consultant that provides consulting services to Insurance Reserves, Endowments and Foundations, Retirement and Employee Benefit Plans and other institutional clients. Our services to retirement and employee benefit plan sponsors or trustees assist them in meeting their management and fiduciary obligations under the Employee Retirement Income Security Act. We also provide financial/business consulting services to corporations and other business entities designed to assist clients in all aspects of financial management. Our general consulting services include:

We assess the risk tolerance of each client and then develop an investment strategy using broad asset classes to meet their income and total return targets. The client and our firm decide whether an asset class exposure should be attained using passive or active strategies.

### **CLIENT EDUCATION**

We consider investment education for plan participants and boards as an integral part of the services we provide where the goal is to supply clients with information to allow them to make sound investment and business decisions.

### **INVESTMENT POLICY DEVELOPMENT AND REVIEW**

We consider the Investment Policy Statement to be a key component of a client's investment program which we utilize as a "road map" to govern the program. The Investment Policy Statement generally includes a purpose statement, investment goals and objectives, responsibilities of key personnel, identification of key constraints, eligible investments, asset allocation and liability process, portfolio rebalancing process, risk management process, performance benchmarks and performance reporting process.

### **ASSET ALLOCATION ANALYSIS/REVIEW**

We perform an asset allocation analysis/review utilizing proprietary asset allocation models and assumptions designed to analyze risk and return and correlations between asset classes with the purpose of achieving the goals and objectives of the client's Investment Policy. Some of the models are built internally and are fully customized to each client's specific situations. The customized models produce a detailed asset allocation analysis incorporating client specific parameters.

### **INVESTMENT MANAGER SEARCHES**

We regularly meet with and interview existing and prospective managers to determine philosophy, process, discipline, and the current positioning of a client's portfolio. Our firm, to the extent possible, interviews portfolio managers directly to gain insight into management style, philosophy, competence, day-to-day risk controls, and the actual daily hands-on management of the portfolio. We assist clients in defining the mandate and identifying candidate managers. Searches can be done for investment providers as well including custodians and recordkeepers.

### **INVESTMENT MANAGER MONITORING**

We monitor investment managers to ensure that the manager is performing in a manner which we believe is satisfactory. We evaluate many factors including: performance relative to benchmarks and peers, adherence to guidelines, adherence to mandate/style, employee turnover, firm qualifications,

consistency of process and volatility and risk characteristics. In the event we conclude that a particular manager is deficient in any area, we will advise the client and may recommend terminating, however, the client shall have sole discretion to take any action as deemed necessary.

## **PERFORMANCE REPORTING**

We provide clients with monthly and/or quarterly performance reports that are customized to the needs and preferences of each client. Reports incorporate information we receive directly from the client's custodial bank, investment manager, and USI's analysis.

Our typical monthly reports provide a snapshot summary of the client's portfolio including performance compared to benchmarks for each manager, asset class composite and total fund composite for trailing periods through the previous month-end.

Our typical quarterly reports provide more detail on individual portfolios and on composites. The quarterly reports begin with a market environment section that details key events which impact the market during the quarter and a performance summary for the major domestic and international indices. In addition, the report may also include various holdings-based metrics and comparisons of the manager's historical performance versus appropriate benchmarks and peers. Fixed income analytics that include interest rate sensitivity, cash flow projections, sector breakdown and quality breakdown may be included as well, if relevant.

## **FINANCIAL/BUSINESS CONSULTING RELATED TO THE INVESTMENT PORTFOLIO**

We provide financial/business consulting services which are customized to meet the needs of clients on a case by case basis and which may include the following:

1. Peer group/best practices studies designed to assist clients in gaining a better understanding of their investment portfolio and financial ratios relative to peers.
2. Capital expenditure/debt financing analysis to enable clients to assess their capital structure and optimal sources of funding for capital expenditures.
3. Review of investments in subsidiaries to determine rates of return on investment.
4. Capital Structure Review designed to assist clients in analyzing optimal deployment of financial assets including lines of credit, long-term debt, fixed for floating swaps and the use of permanent capital versus surplus notes.

## **Types of Investments**

We provide non discretionary investment advice under the business name US Institutional Corporation. For clients who contract us for non discretionary management services, USI does not maintain discretionary authority or control with respect to client's accounts and we do not provide investment advice or recommendations regarding the purchase or sale of specific securities. We provide clients with alternatives and various courses of action; however, decisions regarding the investment of client's assets, the establishment of an investment policy, and the selection of investment managers remains with the client.

If you receive invoices from our firm, we encourage you to reconcile our invoices with the statement(s) you receive from the qualified custodian. If you find any inconsistent information between our invoice and the statement(s) you receive from the qualified custodian, please call our main office number located on the cover page of this brochure.

**Accuracy of Client Information**

In providing the contracted services, we are not required to verify any information we receive from you or from your other professionals (e.g. attorney, accountant, etc.) and we are expressly authorized to rely on the information you provide. You must promptly notify our firm if your financial situation, goals, objectives, or needs change for the purpose of reviewing, evaluating, and/or revising our previous recommendations and/or services.

**Types of Investments**

We do not primarily offer advice on one type of security over another and offer advice on a broad range of investments. You may request that we refrain from investing in particular securities or certain types of securities. You must provide these restrictions to our firm in writing.

**Assets Under Management**

As of December 31, 2019, the aggregate value of Plan assets which we consult on is approximately \$2,614,727,661. Our services are advisory in nature and we do not manage client assets.

**Item 5 Fees and Compensation**

Based on our understanding of the client's needs, we propose either a full-retainer relationship which includes all of our services and capabilities or a customized relationship. Our fees are negotiated with each client on a case by case basis and will be a function of the resources required to service the account. Further the fee may be impacted by the size of the portfolio(s), frequency of meetings, travel requirements, nature of the expected reporting and capabilities of the client staff.

Our annual fee is billed and invoiced quarterly in arrears based upon the value of the client's assets or based on the negotiated fee. Our asset based fees generally range between .02% and .50% times the asset base of the client and our fixed fees will vary on a case by case basis. Clients may be required to reimburse us for travel to and from client meetings.

The client may terminate the consulting agreement by providing us with thirty days written notice. In the event of termination, client will be charged a pro-rata fees based on the number of days in the quarter the agreement was in effect.

**Additional Fees and Expenses**

Advisory services offered by our firm may involve investments in mutual funds, commingled investment trusts, exchange traded funds and separate accounts. Clients are hereby advised that all fees paid to our firm for advisory services are separate and distinct from the fees and expenses charged by funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. Further, there may be transaction charges involved with purchasing or selling of securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian holding client funds or securities. Our policy is to disclose all fees and to assist our clients in understanding them. However, the client should review all fees charged by mutual funds, our firm, and others to fully understand the total amount of fees to be paid by the client.

## Item 6 Performance-Based Fees and Side-By-Side Management

We do not accept performance-based fees or participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees.

Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are calculated as described in the *Advisory Business* section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

## Item 7 Types of Clients

We provide advisory services designed to assist retirement and employee benefit plan sponsors or trustees in meeting their management and fiduciary obligations under the Employee Retirement Income Security Act. Other types of clients include Insurance Reserves, Endowment and Foundation and other institutional portfolios.

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

### Asset Allocation Theory and Methodology

Our asset allocation analysis begins with formulation of asset allocation assumptions. We have developed, maintain, and update asset allocation assumptions for various asset classes. These assumptions include return and risk assumptions for each asset class, as well as correlations between asset classes. Importantly, because we emphasize stochastic (*monte carlo*) asset allocation modeling, individual asset class risk assumptions do not have to be normally distributed.

Our asset allocation assumptions are then employed in two types of proprietary asset allocation models: An internally designed and built mean-variance model and a customizable, multi-period stochastic DFA (Dynamic Financial Analysis) models. Importantly, our DFA models are built internally and fully customized to each client's specific situation. In addition to incorporating distributions for our asset allocation assumptions, we also include annual distributions for other uncertain variables as applicable, such as annual spending, expenses, premiums, and claims. These customized models produce a detailed asset allocation analysis incorporating client-specific parameters that better reflects a realistic situation than a simple, static mean-variance analysis.

**Mean-Variance Asset Allocation:** We have developed and built a proprietary mean variance model which is used for preliminary asset allocation mix optimization as factors can be evaluated quickly and on-the-fly. However, mean-variance models suffer from two key deficiencies - they require the assumption of normal standard deviations and they do not allow for the dynamic incorporation of client-specific variables, such as cash flows, spending, and liabilities, over multi-period time frames. These shortcomings are addressed via customizable, proprietary stochastic DFA models.

**Stochastic DFA Models:** We have developed multiple proprietary multi-period DFA models. These models allow for the incorporation of cash flows, spending, and liabilities over multiple time periods, producing a more detailed and dynamic asset allocation analysis. Via a 10,000 trial monte carlo simulation and given our input assumptions, we obtain a broad view of potential outcomes for future years. Importantly, our DFA models are built internally and fully customized to each client's specific situation. These customized models produce a detailed asset allocation analysis incorporating client-specific parameters that better reflects a realistic future situation.

### **Development of Asset Class Assumptions**

Assumptions are based on a ten-year forward time horizon and are updated annually. Our asset class assumptions are developed on the basis of the belief that assumptions should incorporate known variables that do influence the general level of long-term returns, such as current market valuation levels and focus less on unknown and unjustifiable assumptions. Incorporating these beliefs, a unique, custom model has been developed for each distinct asset class's assumptions that encompass the unique characteristics of the asset class. We avoid taking a single, basic approach to assumption formulation, such as a simple building block approach, which fails to capture the unique characteristics of each asset class. Volatility and correlation assumptions, which tend to be a bit more stable than return assumptions, are generally historically based with relevant adjustments. We will also develop custom investment assumptions as needed.

### **Portfolio Structure**

The portfolio structure must be an efficient implementation of the asset allocation. It must also be designed to achieve the goals and objectives of the investment policy. Our process for recommending an overall portfolio structure takes many factors into consideration:

- Goals, objectives and constraints detailed in the Investment Policy
- Views and predispositions of the trustees
- Investment sophistication of the trustees
- Results of the asset allocation study
- Cost/Benefit of certain investment vehicles (e.g. funds vs. separate accounts)
- Complexity and transparency of investments
- Performance reporting implications

We strive to structure clients' portfolios in the most cost efficient manner, while achieving the highest possible return within the parameters of the Investment Policy.

### **Risks of our investment strategies**

USI performs qualitative and quantitative research on asset classes and investment managers. There are inherent risks to investing including:

Market Risk - risk that the value of the investment will decrease due to market conditions.

Liquidity Risk - risk stemming from the lack of marketability of a security that cannot be bought or sold quickly

Business Risk - risk that an investment strategy undergoes a change in personnel or strategy.

### **Risk of Loss**

Investing in securities involves risk of loss. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that goals and objectives will be met. Past performance is in no way an indication of future performance.

## **Item 9 Disciplinary Information**

Neither our firm nor any of our management persons has any reportable disciplinary information.



## **Item 10 Other Financial Industry Activities and Affiliations**

John Russon, Managing Director of US Institutional Corporation, is also employed by Zeigler Capital Management and may recommend the services of Zeigler Capital Management for clients if appropriate and suitable. This represents a conflict of interest because Mr. Russon may have an incentive to recommend Zeigler Capital Management for the purpose of generating advisory fees rather than solely based on client needs. To address this conflict, Mr. Russon receives no direct benefit from the referral of clients to Zeigler Capital Management, however he may benefit indirectly as an employee of the firm. Additionally, clients of US Institutional Corporation are under no obligation, contractually or otherwise, to engage in advisory services from Zeigler Capital Management or any other recommended investment advisor.

## **Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **Code of Ethics**

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Associated Persons are expected to adhere strictly to these guidelines. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Clients or prospective clients may obtain a copy of our Code of Ethics by contacting us at the telephone number on the cover page of this brochure.

### **Participation or Interest in Client Transactions**

Neither our firm nor any persons associated with our firm has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure.

### **Personal Trading Practices**

We do not recommend specific securities to clients.

## **Item 12 Brokerage Practices**

We do not recommend broker-dealers/custodians for clients.

### **Directed Brokerage and Block Trades**

We do not execute individual securities transactions in client accounts.

### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

## Item 13 Review of Accounts

### Reviews

We formally review each client's investment policy and asset allocation on an annual basis. Significant changes in the client's situation may warrant an interim review.

We monitor the performance of a consulting client's assets as a whole and each manager individually on a monthly or quarterly basis. Based on qualitative and quantitative analysis, we may recommend replacement of an existing manager, and/or allocation of client's assets among other portfolio managers.

We utilize many of the same tools for ongoing manager evaluation that are utilized during the manager search process. Examples of the items monitored (depending on your account) may include:

- Performance relative to benchmarks and peers on a continuous basis
- Adherence to guidelines
- Adherence to mandate/style
- Employee turnover
- Rapid increase/decrease in assets under management
- Consistency of process
- Volatility and risk characteristics

If we have concerns regarding any of these items, we will bring them to the client's attention immediately.

### Reports

All clients receive written reports issued as described above under performance reporting. Our performance reports provide our clients with detailed information at the total portfolio level and at the individual manager level. Our goal is to provide each of our clients with the information necessary to make informed decisions on an ongoing basis.

For each manager we provide historical performance for various periods since inception vs. the appropriate benchmark and peers. In addition to performance, holdings-based metrics may be included.

Our reports may include a section for each manager based on written Goals and Objective Guidelines. The report reviews whether the manager met its performance and risk objectives, while remaining in compliance with any restrictions and guidelines placed on the account by the client.

We provide our clients with a monthly summary report which contains a comparison of benchmark index performance and summarizes key economic conditions.

We encourage you to reconcile our reports with those received from the qualified custodian. If you find your holdings differ between these two statements, please call our main office number located on the cover page of this brochure.

## Item 14 Client Referrals and Other Compensation

We do not receive any compensation from any third party in connection with providing advice.

We may compensate non-employee (outside) individuals and/or entities (Solicitors) for client referrals. In order to receive a cash referral fee from our firm, Solicitors must comply with the requirements of the jurisdictions in which they operate. If clients are referred to our firm by a Solicitor, they will receive a copy of this Disclosure Brochure along with the Solicitor's disclosure statement at the time of the referral. If you become a client, the Solicitor that referred you to our firm may receive a percentage of the advisory fee you pay our firm for as long as you are a client with our firm, or until such time as our agreement with the Solicitor expires. Clients will not pay additional fees because of this referral arrangement. Referral fees paid to a Solicitor are contingent upon your entering into an advisory agreement with our firm. Therefore, a Solicitor has a financial incentive to recommend our firm to you for advisory services. This creates a conflict of interest; however, you are not obligated to retain our firm for advisory services. Comparable services and/or lower fees may be available through other firms.

Solicitors that refer business to more than one investment adviser may have a financial incentive to recommend advisers with more favorable compensation arrangements. We recommend that you request the Solicitor to disclose to you whether multiple referral relationships exist and whether comparable services may be available from other advisers for lower fees and/or where the Solicitor's compensation is less favorable.

See Item 10 for information regarding client referrals to other investment advisors.

## **Item 15 Custody**

We do not maintain custody of client assets and we do not debit advisory fees directly from client accounts.

## **Item 16 Investment Discretion**

We do not engage in discretionary investment advice.

## **Item 17 Voting Client Securities**

We will not vote proxies on behalf of client accounts. If Plans own shares of applicable securities, the Plan fiduciaries are responsible for exercising rights to vote. Clients should receive proxy materials directly from the account custodian. However, in the unlikely event we were to receive any written or electronic proxy materials, we would forward them directly to clients by mail, unless we are authorized to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies. Additionally, we do not determine if securities held by clients are the subject of a class action lawsuit, nor do we initiate or participate in litigation to recover damages on a client's behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by clients.

## **Item 18 Financial Information**

Our firm does not have any financial conditions or impairments that would prevent us from meeting our contractual commitments to you. We do not take physical custody of client funds or securities, or serve as trustee or signatory for client accounts, and, we do not require the prepayment of more than \$1,200 in fees six or more months in advance. Therefore, we are not required to include a financial statement with this brochure.

## **Item 19 Requirements for State Registered Investment Advisers**

We are a federally registered investment adviser; therefore, we are not required to respond to this item.

## **Item 20 Additional Information**

### **Your Privacy**

We view protecting our customers' private information as a top priority and, pursuant to the requirements of the Gramm-Leach-Bliley Act, we have instituted policies and procedures to ensure that customer information is kept private and secure.

We do not disclose any non-public personal information about you to any non affiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to nonpublic personal information about clients to those employees who need to know that information in order to provide products or services to the client. As emphasized above, it has always been and will always be our Firm's policy never to sell information about current or former customers or their accounts to anyone. It is also our policy not to share information unless required to process a transaction, at the request of a customer, or as required by law.