

How to add value for defined contribution clients

Vanguard Institutional Advisor's Alpha™ framework

Fiduciary considerations

- ✓ Ensure that your approach is grounded in the applicable fiduciary duties and fiduciary best practices for your clients.
- ✓ Develop deep case law and legal precedent knowledge to proactively ensure operational compliance and guard against enforcement action and litigation.
- ✓ Monitor the evolving fiduciary landscape to anticipate the direction of judiciary rulings and regulation as well as the subsequent enforcement actions and litigation in order to build fiduciary safeguards.
- ✓ Conduct thorough and ongoing training to educate clients on relevant fiduciary considerations, including the key differences between the 3(21) and 3(38) fiduciary services.

Investment policy statement

- ✓ Build a solid relationship with your client when partnering to create a comprehensive and durable investment policy statement (IPS) that addresses portfolio objective, asset allocation policy, risk management principles, and governance procedures.
- ✓ Leverage your relationship with your client and your ability as a behavioral coach to help your client adhere to the IPS over the long term. Opportunities for this include making manager hire/fire decisions, promoting positive investment committee behaviors, rebalancing, and benchmarking the portfolio.
- ✓ Monitor the IPS on an ongoing basis to ensure its alignment with the client's circumstances. This involves establishing and maintaining a process for reviewing and updating the IPS when material inputs to the IPS change, clearly documenting the rationale for any changes.

Plan design and monitoring

- ✓ Apply the tiered method to construct an appropriate investment lineup that will help achieve the primary goal of the plan sponsor as well as that of the plan participants.
- ✓ Develop a deep understanding of participant behavior. Leverage this understanding when implementing intelligent choice architecture to drive participant wealth creation.
- ✓ Employ an informed monitoring strategy for measuring participant wealth creation and evaluating plan effectiveness.

Note: All investing is subject to risk, including the possible loss of the money you invest.

How to add value for defined benefit clients

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Investment strategy

- ✓ Maintain a dynamic balance between return-seeking and liability-hedging assets as dictated by the funded status and portfolio objective.
- ✓ Incorporate a liability-driven investing approach, encompassing liability matching and a derisking glide path, to maximize funded status while minimizing funded status volatility.

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How to add value for nonprofit clients

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Plan design and monitoring

- ✓ Use broadly diversified, low-cost portfolios as a benchmark. Select and validate the appropriate strategic asset allocation to help the nonprofit achieve its goals based on its unique mission.
- ✓ Reduce institutional portfolio costs, whether using active or passive investment vehicles.

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