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Pension Fund Services

What can you do to increase the operational efficiencies of your portfolio beyond asset allocation and manager selection?

Topics of Discussion

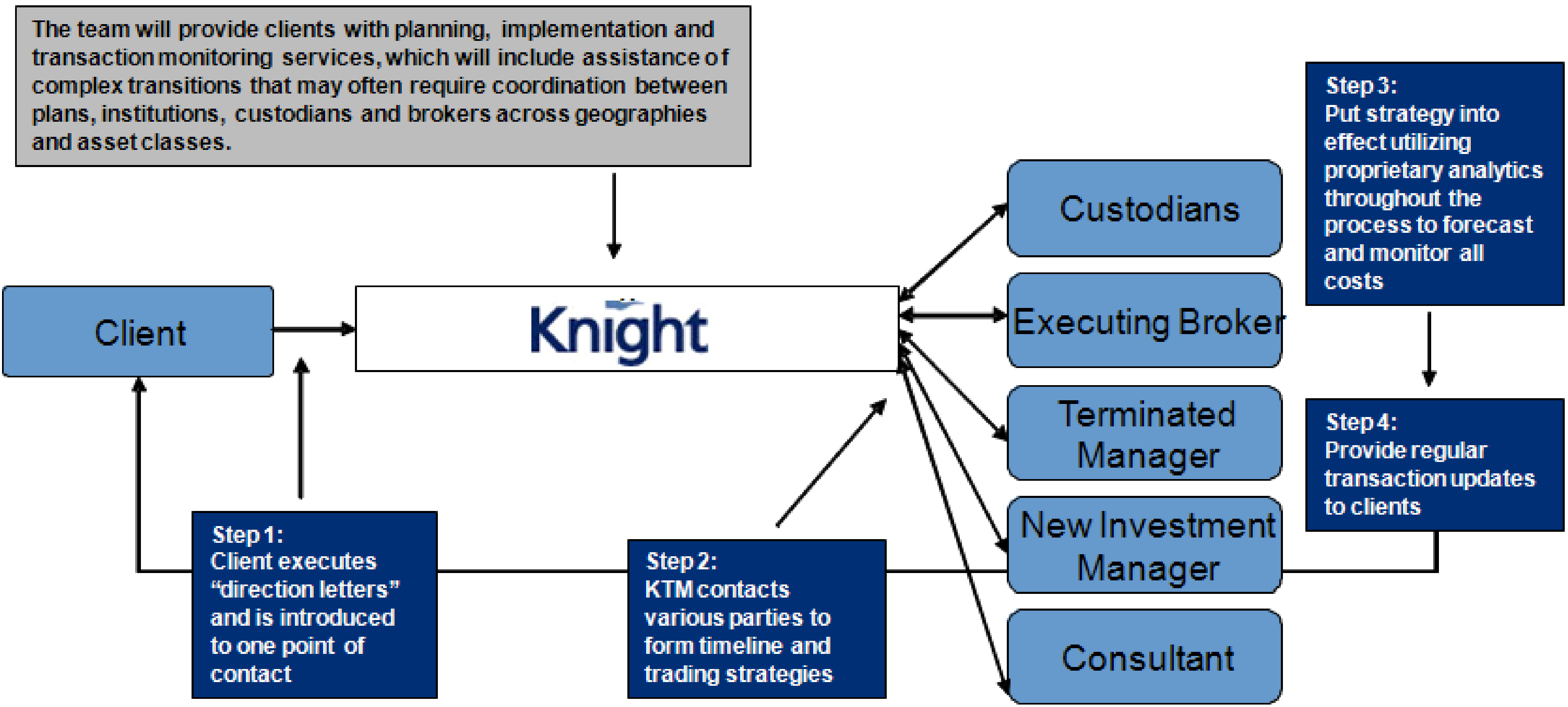
- Transition Management
- Commission Recapture
- ETF’s
- Foreign Currency (FX) Trading

Transition Management

Definition: Transition Management is the process of managing change in an investor's investments.

- When do you use it?
- Why do you use it?
- Who provides the service?
- How does it work?

Transition Management Process



Commission Recapture

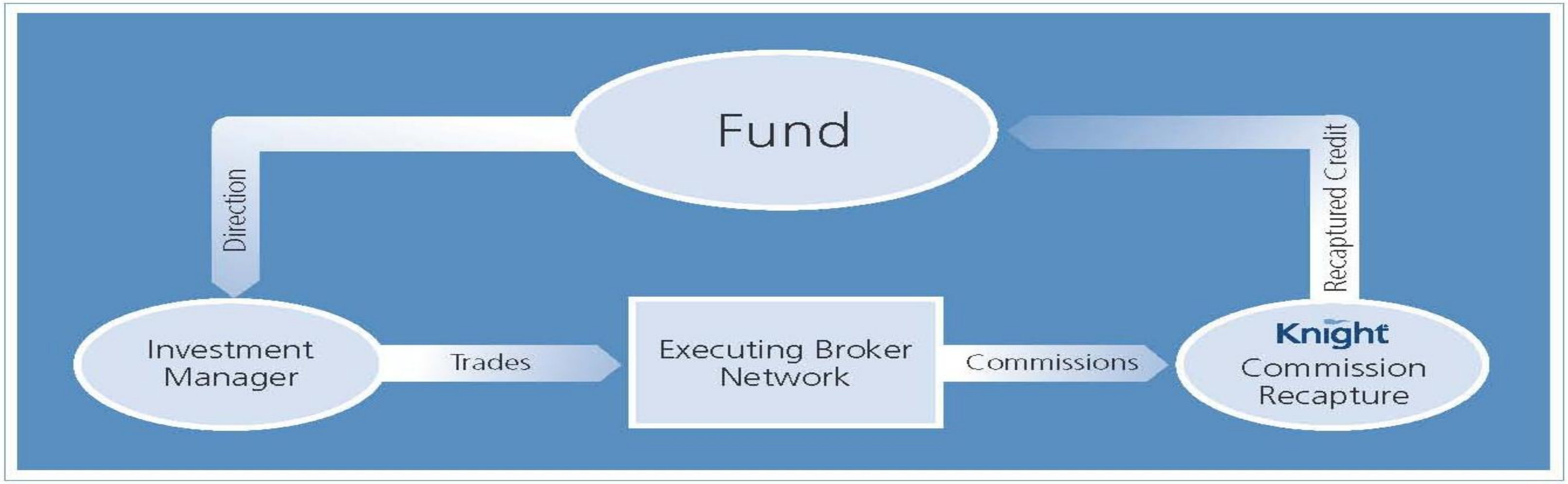
Definition: Commission Recapture is a service that can be used by pension plans to recapture some of the funds used for transaction costs (ie- commissions).

- How is a program put in place?
- What asset classes work best?
- How does Commission Recapture work?

Commission Recapture Services

Commission Recapture is used by institutional and fund investors to take back (recapture) commissions beyond the cost of execution.

- Asset classes that allow recapture include domestic equities, international equities and fixed income.
- Amount recaptured varies by asset class



ETF’s

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Asset allocation typically influences overall portfolio performance. Achieving the desired allocation can be expedited through the use of ETF's.

Definition:

- ETF is an investment vehicle traded on stock exchanges, much like stocks. An ETF holds assets such as stocks or bonds and trades at approximately the same price as the net asset value of its underlying assets over the course of the trading day. Most ETF’s track an index, such as the S&P 500 or MSCI EAFE.
- ETF’s are among the most liquid securities traded on the major stock exchanges.
- ETF’s are attractive because of their low costs, tax efficiency, and stock-like features.
- ETF’s allow a fund to have exposure to a desired asset class while choosing a new manager or as part of overall asset allocation

ETF Example

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Current asset allocation:

- 40% US Equities
- 20% Intl Equities
- 30% Fixed Income
- 10% Alternative Assets

Desired asset allocation:

- 30% US Equities
- 30% Intl Equities
- 30% Fixed Income
- 10% Alternative Assets

ETF Example Cont'd

Next Step—Manager Selection Process:

- Identifying
- Interviewing
- Hiring

Two ways ETF's can be incorporated into the process

1.To Meet Desired Asset Allocation:

- Liquidate legacy manager
- *Buy* ETF's
- Your portfolio will be in line with your desired asset allocation

2. As an Interim Solution:

- Liquidate legacy manager
- *Buy* ETF's
- When manager selection is complete, liquidate the ETF's and fund the new manager.

ETF's

- What asset classes can be covered with ETFs?
- Why not just sit in cash until new manager is chosen?
- Why choose an ETF over an Index?

Foreign Exchange

- How does it work?
  - Most funds do not review costs
- Who trades FX? And Why!