Milliman

Milliman Investment Consulting Services

Clear solutions for your investment needs

Milliman investment consulting services

The current investment environment demands that fiduciaries exercise their responsibilities with the utmost diligence. New regulations, the proliferation of complex strategies, and the growing need for fee transparency make proper investment monitoring and consulting essential. Milliman provides innovative solutions and proper performance measurement and reporting across a full range of plan and asset types.

Milliman consultants are experts in all aspects of investment management analysis, portfolio development, and performance monitoring. We bring a well-rounded perspective that backs extensive industry expertise with highly regarded proprietary analytical and modeling tools.

Milliman provides objective and unbiased investment consulting advice. We deliver concise, action-oriented solutions that help trustees and plan sponsors create investment policies, select investment managers, allocate assets, manage risk, and evaluate performance—all in accordance with the highest industry standards.

THE MILLIMAN DIFFERENCE

Independence

We sell no products and have no *soft dollar* arrangements. Our only source of revenue is fees for services rendered to our clients.

Experience

Our consultants work directly with clients and have a hands-on role in all aspects of our work. Most of our senior consultants have more than 20 years of investment experience plus advanced degrees and/or industry-specific designations. All our staff members exhibit the highest degree of honesty and integrity. We dedicate significant time and resources to continuing education to keep our consultants and staff up to date on the latest developments in the industry.

Professional freedom

Milliman is a privately held corporation that does not answer to outside stockholders. The firm is 100% owned by practicing principals. Our clients benefit from the hands-on, client-driven service they receive directly from business owners with a business-advisor approach to problems and opportunities.

Fiduciary standards

Milliman is a leader in the investment consulting industry in establishing high fiduciary standards, and can act as cofiduciary to client plans.

Superior service

At Milliman, we make complex issues understandable and meaningful to our clients, providing educational resources along with our consulting services. We focus on flexible, tailored investment solutions, delivered expertly and professionally.

Education

We consider education a major element of our responsibility to clients–and Milliman investment professionals spend a considerable amount of time developing a wide range of educational materials.

Effective tools and data

Milliman uses the latest software for asset allocation and asset-liability modeling, and the best available performance-measurement systems. We maintain an extensive database of investment managers, as well as a database of mutual funds that meet our initial screenings as we search for appropriate funds for clients.

Research and publications

Milliman's Employee Benefits Research Group in Washington, D.C., is an important part of our client services. The group provides legislative and regulatory monitoring; technical publications and communications, including a comprehensive database and website; research services; and client newsletters and bulletins.

Milliman also publishes the *PERiScope* newsletter for our public sector clients.

CLIENTS AND INDUSTRIES

Milliman offers custom investment solutions and advice for:

- Trustee-directed plans
- Participant-directed plans
- Foundations, endowment, and other nonprofit organizations
- Hospitals and healthcare organizations
- Corporate defined benefit plans
- Public defined benefit plans
- Taft-Hartley/multiemployer funds
- Profit-sharing, 401(k), 403(b), and 457 plans
- Retiree medical funds
- Endowment/foundation funds

Clear solutions for your investment needs

Milliman is one of the country's leading independent investment consulting firms, backed by our consultants' proven expertise and our firm's highly regarded proprietary analytical and modeling tools. Our global team of investment consultants continually assesses current events and the effects they may have on investors, and uses Milliman's broad industry knowledge to provide independent and customized advice that is guided only by plan needs.

Investment fiduciary

Milliman serves as an investment fiduciary with respect to the selection and monitoring of the investments in your plan. We focus on five areas to assure you have the information and advice you need.

- ***Establish objectives***
  Define tolerance for risk and set return objectives
- ***Investment policy***
  Establish an investment policy based on your objectives
- ***Select investment options***
  Examine and confirm or change investment structure
- ***Ongoing due diligence***
  Ongoing portfolio and manager monitoring, risk statistics, attribution analysis, and market overviews
- ***Custom model portfolios***
  For defined contribution plans, model portfolios can be developed from the core investment options

Milliman Portfolio Advisor

Milliman also offers a fully bundled, discretionary (ERISA 3(38)) investment management solution encompassing:

- Manager selection and monitoring
- Strategic asset allocation and rebalancing
- Liability-driven investment management
- Custodian and trustee services
- Coordination with paying agents

Milliman Portfolio Advisor offers the flexibility of our open investment architecture across a full spectrum of asset classes and managers, choosing from mutual funds, collective funds, separate accounts, and specialty assets. This custom approach meets needs not addressed by off-the shelf services. In addition, your Milliman Portfolio Advisor team coordinates closely with your actuarial team, going beyond manager selection and asset allocation, to solve for your specific funding goals. With Portfolio Advisor, all instructions regarding investments and distributions from the trust flow through Milliman. Your portfolio can respond more quickly to changing market conditions and provide the protection of an ERISA Investment Manager, while offering a best-in-class solution.

Strategic investing

SM2 – Segment matching, surplus management

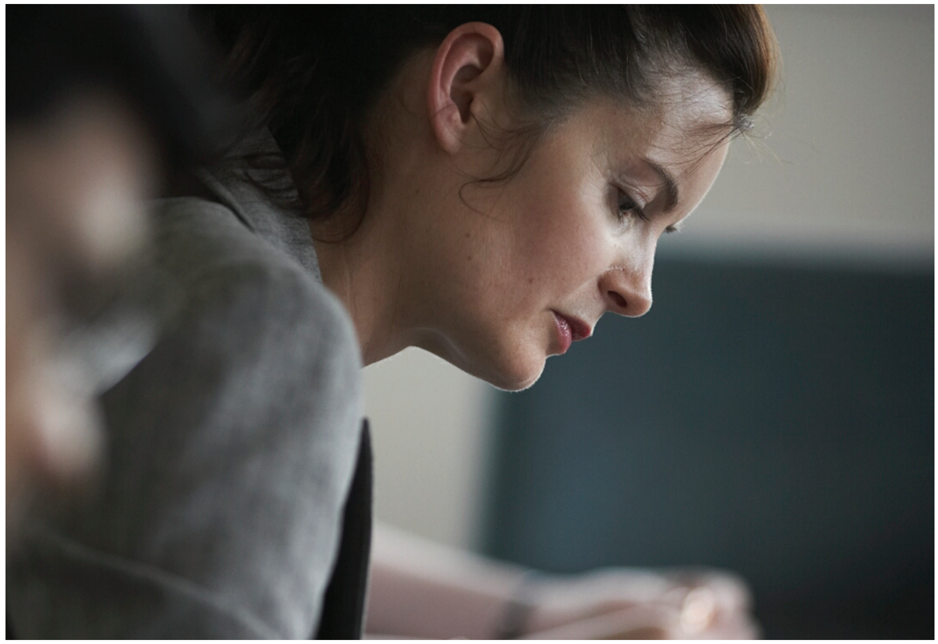
Milliman can help protect your budget and your balance sheet against interest rate changes (non-parallel yield curve shifts). Using traditional physical asset classes without derivatives, SM2 is consistent with the segment interest rate basis of the Pension Protection Act's funding rules.

Liability-driven investment (LDI)

Using your specific actuarial information, we will develop an asset allocation strategy designed to provide targeted investment returns and predictability of contributions. Our LDI approach segments the asset allocation solution into return and risk portfolios, each uniquely designed to manage assets and liabilities.

Asset allocation and manager search

Milliman designs an appropriate asset allocation across a broad array of asset classes to minimize risk and achieve an acceptable rate of return. We review the risk and return of the underlying managers in the plan to assure the managers provide style consistency and continue to add value.



In a time when the financial markets are highly volatile, it's reassuring to know that Milliman consultants have experienced the markets in every scenario. Our global team of investment consultants is continually assessing current events and the effects they may have on investors.

We understand the risks of attempting rapid and sudden changes to investment portfolios and believe that confirming and/or reassessing one's true goals and objectives is paramount before making changes as a result of short-term trends in the marketplace.

Professional services

Milliman's full menu of services helps sponsors review or create investment policy, model asset liability, identify investment managers, and evaluate performance results. Whether you're responsible for an endowment, defined benefit pension fund, defined contribution or profit-sharing plan, or a retiree medical plan, Milliman delivers unbiased guidance for investment programs to help meet your goals.

Investment policy and asset allocation

Our consultants select appropriate strategies and investment management structures to fit clients' specific needs, and draft investment policies according to the highest fiduciary standards. We identify asset allocation targets and suggest asset mix ranges based on the probability of attaining an acceptable projected rate of return over specific time horizons. The purpose of these targets and ranges is to avoid letting market price movements control the fund's asset allocation.

Total fund analysis

We provide a *Quarterly Review & Performance Measurement Report* that includes analysis of each manager, as well as of the total fund. The report provides data on asset allocation, rates of return, and portfolio characteristics. It also contains relative performance rankings compared to portfolio universes and style groups, net-of-fee performance results, performance attribution, summaries of recent management developments, and recommendations on the investment of cash flows. Our analysis, interpretation, and written summaries of data enable clients to use the statistical information to make effective fund management decisions.

Performance monitoring

Our state-of-the-art performance measurement software assists clients in fulfilling their fiduciary responsibilities. We help clients monitor the investment managers they engage and better understand investment results by measuring both absolute performance and relative performance against agreed-upon benchmarks.

Investment manager selection

We work closely with our clients to determine the proper search parameters for a given mandate. Using both quantitative screens and qualitative analysis, we identify an appropriate group of managers to be included in the search. With client input, we develop a custom request for proposal (RFP) and distribute it to the potential managers. We review and summarize their responses, and we schedule interviews to assist clients in selecting the most appropriate manager. When a selection has been made, we review the investment management agreement and negotiate the best possible fee schedule for our client.

Asset-liability modeling

Portfolio diversification can provide lower risk without sacrificing returns, and helping attain it is one of the most important services we offer our clients. The first step in our asset allocation process is to evaluate a fund's liabilities. We look at the timing of projected cash flows and how they change under different inflation and real return scenarios. We then help the client choose asset classes to consider, and identify a series of efficient allocations using the selected asset classes—those that provide the highest expected return for a given level of funding uncertainty and best fund the liabilities.

Asset class determination
Milliman provides objective information about each asset class (investment category) considered, such as historical returns, risk, style, diversification, liquidity, administration, and other issues. Based in part on the demographic profile of the covered employee group, we help clients determine the most appropriate asset classes for the plan.

Fund selection
Based on the asset class decisions, Milliman assists in selecting the specific funds for the plan. We also take into account fiduciary considerations as outlined by ERISA 404(c) for participant option plans. We use modern portfolio theory and other techniques to effectively analyze fund selections.

Monitoring investment options
Using the benchmarks, universes, and other criteria set out in the investment policy, Milliman monitors investment choices for compliance with the investment policy and, for participant option plans, 404(c) fiduciary criteria. Quarterly reports examine both risk and return for the investment managers used. A written analytical report is prepared, stating our findings, analysis, and conclusions.

Fund searches
When a replacement or additional fund is needed for the plan, Milliman uses various resources to find an appropriate fund, based on specific criteria determined in advance. In addition to monitoring a large number of investment managers, we also maintain a database of high-quality mutual funds that may be suitable for clients. This list is reviewed and updated using both quantitative and qualitative criteria.

Manager searches
When investment managers need to be added or replaced, Milliman assists clients by accessing various databases and our own proprietary research to select the best possible manager for the fund.

Defined contribution and defined benefit plans
We can evaluate all types of investment funds for both defined contribution and defined benefit retirement plans.

Client meetings
Our reports are designed to provide the information clients need to make informed decisions. We can also schedule client meetings to discuss our findings and make recommendations. These meetings can be conducted in person, via the Internet, or by conference call. Our goal is to provide a high-quality exchange of information that enables our clients to achieve their objectives.

Vendor searches
We work with clients to develop an RFP that meets the particular needs of their program. We help develop a comprehensive list of potential bidders, then determine preliminary interest prior to issuing the RFP. We help clients evaluate vendor proposals and assist in contract negotiations with the successful bidder(s). We then work with program staff and the selected vendor(s) to develop an appropriate and effective investment policy.

Milliman

Milliman is among the world's largest providers of actuarial and related products and services. The firm has consulting practices in healthcare, property & casualty insurance, life insurance and financial services, and employee benefits. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe. For further information, visit milliman.com.

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