

## STUDY SESSION

# 12

## Portfolio Management for Institutional Investors

**B**roadly defined, institutional investors include retirement plans such as defined-benefit or defined-contribution plans, grant making organizations, endowments, insurance companies, banks, sovereign wealth funds, and investment intermediaries. These institutions typically have a well-defined purpose or business model in which their investment portfolio plays a pivotal role. Each group faces a unique set of investment objectives and constraints.

This study session provides a conceptual, yet practical, framework for understanding institutional portfolio management. Concepts and practices important in determining the investment policy statement (IPS) are presented for different types of institutional investors.

### READING ASSIGNMENT

**Reading 24**

Portfolio Management for Institutional Investors  
by Arjan Berkelaar, PhD, CFA, Kate Misic, CFA, and Peter Stimes, CFA

### LEARNING OUTCOMES

#### READING 24. PORTFOLIO MANAGEMENT FOR INSTITUTIONAL INVESTORS

The candidate should be able to:

- a** discuss common characteristics of institutional investors as a group;
- b** discuss investment policy of institutional investors;
- c** discuss the stakeholders in the portfolio, the liabilities, the investment time horizons, and the liquidity needs of different types of institutional investors;

- d** describe the focus of legal, regulatory, and tax constraints affecting different types of institutional investors;
- e** evaluate risk considerations of private defined benefit (DB) pension plans in relation to 1) plan funded status, 2) sponsor financial strength, 3) interactions between the sponsor's business and the fund's investments, 4) plan design, and 5) workforce characteristics;
- f** prepare the investment objectives section of an institutional investor's investment policy statement;
- g** evaluate the investment policy statement of an institutional investor;
- h** evaluate the investment portfolio of a private DB plan, sovereign wealth fund, university endowment, and private foundation;
- i** describe considerations affecting the balance sheet management of banks and insurers.