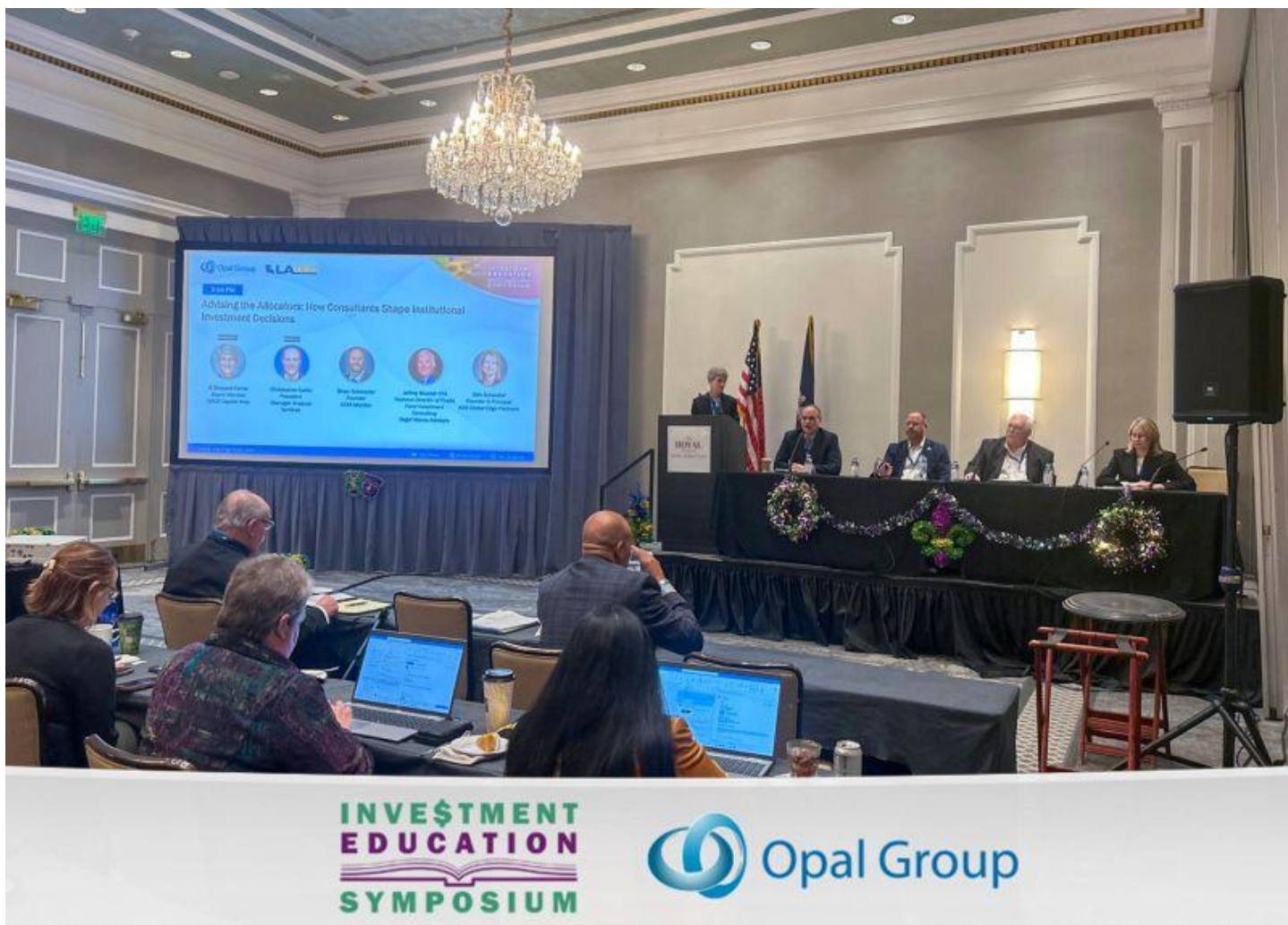




Preamble

In mid-February, public pension trustees and investment managers, state treasurers and consulting firms convened in New Orleans for the Opal Group – LATEC Inve\$tmment Education Symposium. It was an honor to serve as Moderator with superb panelists Chris Cutler CFA, Brian Schroeder, MSc., Jeffrey C. Boucek, CFA and Kim S.A. Schawbel to discuss how consultants shape institutional investment decisions.

We concluded that the allocators of tomorrow will require advisory partnerships that are more transparent, more technologically sophisticated, and more strategically aligned with long-term missions. This is how trustees build resilience. This is how they protect beneficiaries. And this is how they lead with confidence in a world defined by complexity.

Advising the Allocators: How Consultants Shape Trustee Decisions in a Complex, Risk-Dense World

Institutional investing has never been more complex—or more consequential. Corporate and public pension funds face a convergence of pressures: geopolitical volatility, inflation uncertainty, demographic headwinds, heightened governance expectations, rising scrutiny of fees and conflicts, new sustainability imperatives, and an investment universe expanding deeper into private markets, infrastructure, secondary strategies, and AI-enabled investment tools.

Against this backdrop, trustees increasingly rely on investment consultants as strategic partners—interpreting markets, synthesizing complex data, building governance frameworks, and translating macro risks into actionable portfolio decisions. But this reliance also raises essential questions: What role should consultants play? How should trustees evaluate them? How do boards balance independent advice with strong oversight? And what capabilities matter most as advisory models evolve?

These questions are at the heart of our discussion at the Opal Group and Louisiana Trustee Education Council (LATEC) Conference: **“Advising the Allocators: How Consultants Shape Institutional Investment Decisions.”** The panel brought together multiple perspectives - trustees, consultants, CIOs, governance experts - and offered a timely opportunity to re-examine how advice is formed, delivered, challenged, and ultimately incorporated into fiduciary judgment. This article distills the session’s insights into a narrative designed for today’s investment leaders.

The Consultant’s Role is Expanding—But So Are Expectations

Traditional consulting was largely performance reporting, manager searches, and periodic strategic asset allocation reviews. That world is gone. Today’s consultants sit at the intersection of macroeconomics, risk modeling, sustainability analysis, technology, governance, and behavioral finance. They help boards articulate investment beliefs, translate liability profiles into risk budgets, evaluate private market opportunities, and stress-test portfolios against shocks ranging from inflation spikes to geopolitics to climate-transition scenarios. Surveys from NEPC and other governance researchers point to trustees expecting consultants to serve as multi-disciplinary strategy partners rather than report compilersⁱ.

The best consultants increasingly function as integrators. They bring together:

- **Macro signals:** IMF and Fed outlooks, geopolitical risk indices, rate expectationsⁱⁱ
- **Risk frameworks** (stochastic models, liquidity stress tests, scenario analyses)
- **Manager insights** (culture, capacity, operational resilience, cyber posture)
- **Governance support** (policies, education, IC design, benchmarking)

Independence and Conflicts Are Back at Center Stage

As more consultants offer OCIO, delegated, or implementation-heavy services, boards must revisit the independence question. Trustees don’t just want good advice—they need advice free from hidden incentives, proprietary pushes, or subtle biases. The CFA Institute’s OCIO oversight guidance underscores this need for independence in both advisory and delegated models, while NACD highlights board obligations regarding conflict-of-interest management and disclosureⁱⁱⁱ.

Best-practice questions to ask: 1) What incentives could influence your recommendations? 2) Are your advisory and implementation teams structurally separated? 3) How do you manage conflicts involving affiliated managers or proprietary vehicles? And 4) Does the firm provide an annual conflict attestation? Trustees increasingly demand full transparency: fee structures, revenue sources, affiliated entities, research funding, and any financial benefit tied to recommended products. Consultants are critical—but independence is non-negotiable.

Macro and Geopolitics Now Shape Allocation More Than Ever

A decade ago, macro discussions were informative but not decisive. In today's markets—defined by geopolitics, supply chain bifurcation, inflation shocks, and fiscal uncertainty—macro is inseparable from asset allocation. Trustees now expect consultants to incorporate forward-looking macro research from institutions such as the IMF, as well as geopolitical indicators like BlackRock's Geopolitical Risk Index. In energy, consultants rely on scenario modeling from EIA and IEA outlooks to assess transition risk and supply-chain dynamics^{iv}. These macro tools increasingly influence allocation tilts: duration, real assets, defensiveness, liquidity buffers, factor exposures, and pacing across private credit, infrastructure, real estate, and secondaries. Trustees must ask how macro signals are incorporated, and what would cause the consultant to change course?

Manager Selection Must Evolve Beyond Performance

Manager selection has become one of the most technical and risk-sensitive areas of consultant influence. Due diligence now extends far beyond performance screens. Modern frameworks must be consistent with CFA Institute due-diligence standards and the SEC's heightened rules for private fund advisers, and require comprehensive evaluation of^v: 1) Culture and team stability; 2) Investment process repeatability; 3) Risk management systems; 4) Operational resilience and cyber posture; 5) AI governance and use of alternative data; 6) Capacity discipline and fee alignment; 7) Transparency around co-investments and secondaries.

Trustees should request that consultants document not merely the “why” behind a manager recommendation, but the key risks considered and dismissed, along with justification.

Liquidity and Risk Governance Are Now Board-Level Imperatives

With allocations to private markets increasing across public funds and endowments, liquidity oversight has become a central fiduciary responsibility. Research from Pew and Moody's highlights liquidity and contribution pressures among public plans^{vi}, accelerating the need for structured governance frameworks.

Consultants now deliver: Quarterly liquidity coverage ratios, capital-call pacing projections, commitment calendars, stress tests under adverse scenarios, distribution sensitivity analyses, and overlay impacts on cash buffers. Trustees should ask what could pressure liquidity, and when. They should insist on three governance essentials: 1) A holistic liquidity framework aligned with monthly and annual benefit payments; 2) a 12-quarter forward view across all commitments and distributions; and 3) scenario-based analyses showing how liquidity responds to recession, rate shocks, or market impairment.

Oversight Blind Spots Are Real—And Fixable

Across interviews with trustees, CIOs, and governance advisors, five blind spots appear consistently. GAO and NACD research emphasize the importance of board awareness of advisory dependencies, model assumptions, and oversight limitations^{vii}. Common blind spots include:

1. Over-reliance on consultant assumptions without challenging sensitivities.

2. Insufficient benchmarking of consultant performance.
3. Failure to assess consultant turnover and succession readiness.
4. Communication gaps between trustees, staff, and advisors.
5. Poor visibility into total fees, including indirect manager-level costs.

Boards can mitigate these with an annual consultant evaluation covering: Asset allocation discipline, research accuracy and macro foresight, risk insights and early-warning indicators, implementation performance, and governance and trustee education contributions. Evaluation strengthens relationships and improves results.

Cybersecurity and Operational Resilience Must Be Required Competencies

Consultants hold sensitive data, monitor compliance, transmit trading instructions, evaluate private market commitments, and maintain investment models. This makes cybersecurity non-negotiable. Trustees should require documentation consistent with NIST Cybersecurity Framework 2.0, complemented by oversight aligned with the SEC's cyber disclosure rules^{viii}.

Boards should evaluate consultants' capabilities in:

- SOC-1 and SOC-2 reporting
- Penetration testing and incident response
- Third-party vendor-risk management
- Safeguards around confidential trustee and beneficiary data
- AI model validation and data governance
- Business continuity and disaster recovery readiness

Trustees should receive an annual cyber briefing directly from the consultant's CTO or CISO, not only the relationship team.

Transparency and Accountability: The New Normal

Trustees are demanding transparency not only into performance and fees, but into how consultant advice actually drives outcomes. GFOA governance guidance emphasizes the importance of dashboards, traceability of decisions, and metrics aligned with long-term objectives^{ix}. Dashboards sharpen oversight and elevate boardroom clarity. Leading practice includes a consultant-facing dashboard showing:

- Total advisory, OCIO, and manager fees
- Attribution of consultant-driven recommendations
- Strategic policy target tracking
- Tracking error relative to long-term risk budgets

- Risk-factor exposure drift
- Trustee education hours delivered annually

Trustee–Staff–Consultant Communication Must Be More Intentional

The most effective governance models deliberately separate strategic and operational communication. Trustee training frameworks from CFA Institute reinforce the importance of investment beliefs, long-term policy alignment, and structured education^x.

Strong models employ: 1) Annual investment retreats; 2) quarterly macro/regime outlook briefings; 3) joint reviews of investment beliefs; 4) Trustee onboarding modules; and 5) post-crisis governance debriefs. Better communication reduces misunderstandings, sharpens oversight, and ensures consultants complement (vs. substitute for) trustee judgment.

The Future: AI-Enabled Consulting and Decision-Support Systems

Consulting is entering a new era. Reports from McKinsey and BCG project rapid adoption of advanced analytics, AI-driven forecasting, operational automation, and risk-intelligence systems across asset management and advisory models^{xi}. Trustees should expect:

- AI-powered performance decomposition
- Machine-learning liquidity forecasting
- Predictive modeling for pacing and capital calls
- Automated rebalancing triggers
- Climate-scenario modeling for private markets
- Cyber-risk quantification tools
- Real-time factor-exposure dashboards

This evolution requires stronger governance. Trustees should ask how technology will change the consultant’s advice to clients over the next three years, and prepare to adapt their governance. Boards that anticipate this shift will be better positioned to incorporate innovation while maintaining robust fiduciary discipline.

Conclusion: Trustees Don’t Need to Be Experts in Everything—But They Must Be Experts in Oversight

Consultants are essential partners. They expand institutional capacity, enhance decision quality, and integrate expertise across macroeconomics, risk, manager research, and implementation. But trustees remain the ultimate fiduciaries. Excellence in oversight requires structured challenge, transparency, and governance discipline. Boards that proactively evaluate consultant performance, interrogate assumptions, demand clarity around conflicts, and invest in ongoing trustee education will consistently outperform those that view consulting as a passive service.

The allocators of tomorrow will require advisory partnerships that are more transparent, more technologically sophisticated, and more strategically aligned with long-term missions. This is how trustees build resilience. This is how they protect beneficiaries. And this is how they lead with confidence in a world defined by complexity.

ⁱ NEPC 2024 Governance Survey. <https://www.nepc.com>, Willis Towers Watson Thinking Ahead Institute.

<https://www.thinkingaheadinstitute.org> and Callan Institute—2024 Oversight and Governance Review. <https://www.callan.com>

ⁱⁱ BlackRock Geopolitical Risk Indicator. <https://www.blackrock.com/us/individual/insights/blackrock-geopolitical-risk-indicator> and IMF World Economic Outlook. <https://www.imf.org/en/Publications/WEO>

ⁱⁱⁱ NACD—Director’s Handbook on Conflicts of Interest. <https://www.nacdonline.org> and CFA Institute—OCIO Oversight Framework. <https://www.cfainstitute.org>

^{iv} EIA Annual Energy Outlook. <https://www.eia.gov/outlooks/aeo> and IEA World Energy Outlook. <https://www.iea.org/reports/world-energy-outlook-2024>

^v CFA Institute Due Diligence Handbook for Investment Managers. <https://www.cfainstitute.org> and SEC Private Fund Adviser Rules (2023). <https://www.sec.gov>

^{vi} Pew Charitable Trusts—Public Pension Research. <https://www.pewtrusts.org> and Moody’s Public Pension Outlook 2024. <https://www.moody.com>

^{vii} GAO—Public Pension Plan Oversight. <https://www.gao.gov> and NIST Cybersecurity Framework 2.0. <https://www.nist.gov/cyberframework>

^{viii} NIST Cybersecurity Framework 2.0. <https://www.nist.gov/cyberframework> and SEC Cybersecurity Disclosure Rules 2023. <https://www.sec.gov>

^{ix} GFOA Pension Governance Best Practices. <https://www.gfoa.org>

^x CFA Institute—Trustee Education Modules. <https://www.cfainstitute.org>

^{xi} McKinsey Global Asset Management Report 2024. <https://www.mckinsey.com> and BCG Global Asset Management Report. <https://www.bcg.com>