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Guiding Your Nonprofit Through a Request for Proposal

A WELL-CRAFTED RFP IS A CRUCIAL TOOL FOR FINDING AN INVESTMENT MANAGEMENT PARTNER THAT CAN HELP YOU ACHIEVE YOUR MISSION.

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When—and Why—to Issue an RFP

Working with the right investment consultant gives your nonprofit a vital partner in fulfilling your mission. It helps your leaders meet their fiduciary duty and ensures that your organization's assets are managed responsibly and provide steady funding for vital programs.

A document known as a request for proposal, or RFP, can systematize your search and help you compare prospective investment firms so that you can find the ideal partner for your nonprofit. As the name suggests, an RFP is designed to solicit detailed responses that can help you understand the expertise, experience and resources a firm might provide.

An RFP can be distributed to firms you already use as well as those you're considering. Your organization's leaders and board members may be able to suggest possible candidates to receive the RFP, and you can also ask other nonprofits for their recommendations.

Here are four potential benefits of creating an RFP:

1 Formalizes the Process

Issuing an RFP ensures that you're getting *all* the necessary information from each firm, formalized in a written document.

2 Defines the Scope of Services

An RFP requires your organization's stakeholders to reach consensus about what your goals and needs are and to commit them to paper.

3 Compares Apples to Apples

An RFP helps you readily compare prospects side by side using criteria that are important to your organization.

4 Helps Fulfill Fiduciary Responsibility

Formalizing and documenting your search for an investment management partner can help your board fulfill its duty to provide oversight of investments.



The Elements of an RFP

The overarching purpose of this type of RFP is to find an investment management partner that can meet your organization's goals and needs. Of course, not every RFP is the same, and it's important to customize yours to emphasize your organization's priorities. You'll want to ask for basics about each firm, but you'll also probe more deeply into its experience, expertise and track record in managing investments.

Many RFPs include these five sections:

1 Introduction and Background

Describe your nonprofit organization, including your mission, your goals for the portfolio, the asset size as well as the current asset allocation of your investment portfolio. Helpful documents to attach to the RFP include your current investment policy statement (IPS), spending policy (if separate from the IPS) and a recent performance report. This information allows the prospective partner to evaluate whether they might be a good fit for your organization.



2 Firm Profile

This section covers the basics of what you will request from the potential investment partners. Ask for as much detail as you consider helpful. Here are some examples of requests you might make:

- ▶ Provide the firm's name, address and telephone number.
- ▶ Provide email address of the primary contact person(s) for the RFP.
- ▶ Provide a brief description of the firm's background, history and ownership structure, including:

- Any subsidiaries/affiliates, with merger and acquisition history if applicable, and if significant organizational changes are anticipated.
- Years of experience delivering the requested services.
- The firm's expertise serving the nonprofit sector, including how many nonprofit clients the firm has and the length of the partnerships.
- The names and contact information for three nonprofit clients who can be asked to provide a reference.
- The firm's discretionary assets under management, including assets under management for nonprofit organizations.

- ▶ Provide the names of the firm's service team, with their educational and professional backgrounds.

3 Investment Management Process/ Philosophy

This section covers the essentials for how potential partners would manage your assets. Questions might include:

- ▶ Describe the firm's investment philosophy and process, including the approach to developing, reviewing and/or recommending changes to a client's IPS.
- ▶ What is the process for investment manager selection and monitoring?
- ▶ Does the firm use active or passive managers or a combination? How are such decisions made?
- ▶ What benchmarks are used?
- ▶ How does your firm assist in the formulation of written investment goals, objectives and policies?
- ▶ What checks and balances do you have in place to ensure the integrity and accuracy of money management within the parameters of the investment policy?
- ▶ Discuss the theory and methodology of the asset allocation models your firm employs. How do you develop asset class assumptions?

4 Administrative Services and Reporting

Understanding what administrative services each prospective partner provides is an essential step in finding a partner that meets your organization's needs. These questions delve into the firm's capabilities:

- ▶ Does the firm have personnel that specialize in working with nonprofits?

- ▶ Can the firm administer specialized accounts, including donor-advised funds, charitable remainder trusts and charitable gift annuities?
- ▶ What frequency and availability will the firm have to meet with staff and/or board members?
- ▶ Will the firm provide monthly account statements? Will those be available online?
- ▶ Describe standard reports that will be provided and their frequency.
- ▶ Provide sample account statements and quarterly meeting reports.
- ▶ What performance evaluation services are available?

5 Fees

Understanding the fees associated with the proposed services and making sure that firms are disclosing fees in a similar fashion to enable you to compare apples to apples is important. Here is some information you may request:

- ▶ Provide the firm's proposed fee structure, itemizing the services covered by the fees shown. Indicate any separate fees based on the type of service provided.
- ▶ Provide complete transparency of all fees, both at the account level and for the specific investment vehicles used.

The Process and Timeline

Let RFP candidates know what your selection process will be, including deadlines and turnaround times. Typically, you'll ask four to six investment management firms to complete the RFP. Then, based on their responses, you might choose two or three finalists. Keep the following dates in mind when planning your timeline:

- ▶ **Date the RFP Is Issued**
This starts the clock ticking.
- ▶ **Deadline for Submitting the Completed RFP**
Although you may be inclined to choose an early date here, the candidate firms will appreciate having enough time to provide a thoughtful, thorough response. Consider allowing for several weeks (at least four).
- ▶ **Your Date for Notifying Candidates of their Status**
Thank the unsuccessful firms for participating, and inform the finalists that you'll be scheduling in-person presentations. When choosing this date, keep in mind that your decision-makers will need time to read several RFP responses. Be realistic about how long that will take.
- ▶ **Date for Making Your Selection**
Allow a couple of weeks to hear the finalists' presentations and go back to them with any follow-up questions. Then you might need a few days to a week to make your choice and have it approved by your board.

Choosing Your Investment Management Partner

To evaluate the RFPs, consider creating a score sheet or matrix for your decision-makers. Having a system for grading the proposals will help keep the long documents from running together in evaluators' minds, particularly if they're being read over a few weeks.

Whatever system you use to score the RFPs, you'll likely want to convene your decision-makers to choose finalists and then to hear their presentations and ask questions. Getting input from peer organizations and/or from board members who work in financial services may also be helpful.



Your RFP Team

It takes a lot of work to create an RFP, distribute it to investment firms, evaluate responses, interview candidates and make a final selection. These are also crucial responsibilities that need to be shared. For a typical nonprofit, the people involved may include:

- ▶ A board investment committee and/or an RFP subcommittee
- ▶ Staff leadership, including the CEO and CFO
- ▶ Staff administrators who will have day-to-day contact with the investment management firms
- ▶ A development director

Some of these are decision-makers who will vote on the finalists, while others are “influencers,” who are likely to be closer to the process and understand things that the decision-makers may not. Larger organizations sometimes delegate responsibility to an RFP subcommittee, which is usually a subset of the board finance or investment committee.

Regions has deep experience structuring and managing investments for nonprofits. The investment team will sit on your side of the table, working with you to understand your organization’s goals and create a diversified portfolio to provide investment proceeds for current needs while growing to fund future needs.

If you would like additional guidance for your organization, visit regions.com/investmentleadership. ▲

The Endowments and Foundations group at Regions Bank has extensive experience working with nonprofit organizations. Our solutions-based approach guides nonprofits through the dynamics of stewarding an endowment fund by providing guidance on their investment policies and portfolio construction, as well as offering best practices to improve administrative elements for their organization.

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