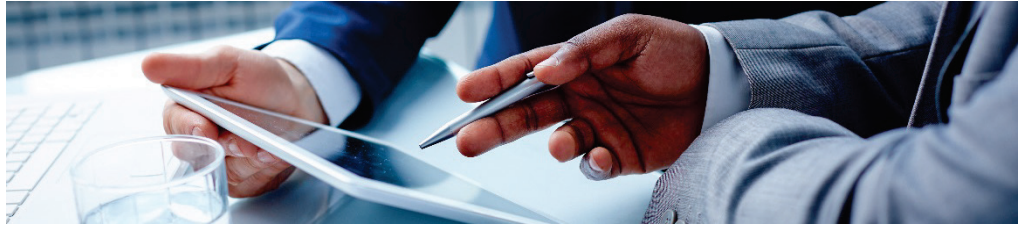


RFP ESSENTIALS



THE FIVE ESSENTIAL QUESTIONS YOU SHOULD CONSIDER BEFORE TAKING YOUR ORGANIZATION'S INVESTMENTS TO RFP

When it comes to the long-term financial health of your nonprofit organization, hiring the right investment consultant or Outsourced Chief Investment Officer (OCIO) is a significant decision. Consider the following questions to help you identify the provider that best fits your organization's needs:

1. How would you define your organization, and how does that translate to your investment goals?

This might seem like a basic or obvious question, but many organizations overlook the implications of this information from the start. By finding a provider with adequate experience working with similar organizations, you can be confident knowing that they have firsthand knowledge of your industry.

Is your organization a charitable entity with a single, long-term pool of assets that is perpetual in nature? If so, a provider with institutional expertise would potentially be a good fit to ensure your organization's spending policy and investment approach are in balance. How do you spend your money? Some organizations use income from their long-term investments to fund operations; while others have a separate pool of assets they pull from to take care of short-term needs and they leverage their long-term pool to fund multi-year granting cycles.

Using RFP questions to ask providers about their client base and depth of institutional expertise will help you partner with a firm that can help develop an investment program appropriate for your goals.

2. Using your understanding from question one, determine what differentiates your organization from peers. How could that affect your investment strategy?

Embrace what makes you different from peers and do some research about how that aligns—or should align—with your investment approach. Be sure to include this information in your RFP objectives or through a custom set of questions.

Perhaps your organization is a growing nonprofit that has taken on debt in order to build a new service site or expand infrastructure. As a result, a covenant with liquidity constraints has been activated on a pool of long-term assets. The debt covenant and its terms makes your organization unique and should be a consideration when setting an allocation for your portfolio's assets. You will want an investment consultant or OCIO provider to be aware of this type of information in advance so they can confirm their ability to work within your constraints.

3. What is working in your current relationship, and where is there room for improvement?

Often finding the right provider is not about the technical aspects of the work as much as it is about the relationship between your team and the provider.

Considering that many provider relationships last several years, understanding the factors that are important to you can be critical. Do you need someone to get back to you quickly or will a service level agreement of 24 hours work for you? Does your organization need access to research analysts to discuss ideas or will access to a database suffice?

Even if this type of information does not end up in your RFP, it can help you evaluate candidates in latter stages of the search. If you have not already created a list of technical and relationship “must-haves” and “must-avoids,” think about putting one together as you go forward.

4. Which service makes the most sense for your organization: investment consulting or OCIO?

While knowing what service your organization is seeking probably seems like something most establish prior to entering into the RFP process, a number of organizations we have worked with finish the process still struggling to answer this question.

Thus, before going into RFP, we recommend investing the time to evaluate both of these services against the capabilities of your organization.

Set aside some time with your board to educate them on the potential benefits and drawbacks of each service. If your current provider is not able to help you understand the potential benefits and drawbacks of each, there are a number of firms (potential candidates) more than willing to help.

Why is this important?

Receiving a mix of responses from candidates—some about consulting, some about OCIO—can make it more difficult to compare potential providers. This counters the reason for going to RFP in the first place, which is to help you compare and contrast contenders and ultimately choose the best fit for your organization.

Lastly, fees associated with these services are very different. If candidates are responding to your RFP with different services, pricing alone can cover a wide range.

5. Do you have a plan for the [RFP] process?

If you are like most people, time is your most valuable resource. The RFP process can be quite time-consuming if not thoughtfully planned. Questionnaires can become lengthy and can inspire a once-diplomatic board or committee to become contentious with multiple, competing opinions.

To avoid this, focus on limiting your questionnaire to relevant questions that will help you uncover the qualitative and quantitative answers you need. Even a short RFP of 15 to 20 questions can take a significant amount of time to review answers and compare respondents.

Also consider restricting the amount of RFPs you send out; do not submit your RFP to 20 potential providers when five will suffice.

How do you cut down down a list of potential providers?

- Word of mouth – Board members often serve on multiple boards, which gives them unique insight into providers who might be good for your short list.
- Investment managers – If there is an asset or money manager that you enjoy working with, consider tapping them for an introduction, as asset managers interact with many providers.
- Contributors – Depending on your industry, there may be firms that support the industry organizations in which you are enrolled. Reflect on the providers you have met at industry functions. Likewise, your professional contacts with those associations also may be able to make recommendations as well.

The closer you and your board can come to understanding who you are as an organization and what you need from a provider, the better your overall RFP experience will be.

If you have questions about investment consulting versus OCIO, the RFP process, or any other topic related to the long-term financial health of your organization, please contact us using the information below.



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