Foundations and Endowments Specialty Practice

10 steps for managing the investment advisory RFP process

Selecting an investment advisor is one of the crucial fiduciary responsibilities with which board members are tasked. And the number of choices (as well as the complexity of the RFP process) can quickly become overwhelming. With some advance planning and a roadmap for success, your board can approach searching for the right investment advisor with supreme confidence.

Step 1: **Define success**

As you begin the search process, it's important to define a successful outcome. Do you prefer a traditional consultant or an Outsourced Chief Investment Officer (OCIO) arrangement? Are there specific services or administrative capabilities that your organization needs? Do you prefer an advisor who specializes in working with organizations similar to yours? Do you require ad-hoc staff? Does your organization have unique reporting needs or requirements? Do you require regular board training and education seminars? Is there a specific fee structure you're seeking?

By clearly defining what your organization needs and expects from your investment advisor, you'll allow your team to stay focused on developing your organization's RFP, selecting firms to invite, and evaluating responses. You'll also help set common expectations among board members regarding desired outcomes—which can prove invaluable during the final selection process.

Take time to review your organization's due diligence policies for selecting, monitoring, evaluating, and terminating providers to make sure that actions taken by the board are in keeping with policy.

TRUIST

Step 2: **Marshall your resources**

Establish the team of individuals who'll manage your RFP process. Identify roles and responsibilities for each individual. Team members will be responsible for writing the RFP, developing the scoring matrix, distributing the RFP, answering questions from responding firms, evaluating their submissions, and making recommendations for finalists.

Consider the following when selecting your team members:

- What skill sets will be of value in managing the process? Evaluating the responses?
- Will the process be managed entirely by board members? Perhaps the Investment Committee?
- Can staff members assist with gathering key information like copies of most recent investment statements?
- Are there services provided by the investment advisor that are used primarily by staff? If so, will there be staff representation on the evaluation/scoring team?
- How much time do board and/or staff members have to dedicate to the search process? Are there concurrent projects and/or deadlines that may create capacity constraints?

Step 3: **Develop your timeline**

It's important that your search process is thorough, but manageable. Consider setting constraints on the number of firms invited to participate rather than issuing a public invitation. Having 4-6 responses to score and evaluate will be reasonable for a four to eight person RFP team. If you have fewer team members, or if there are significant time constraints, you may want to consider focusing your RFP questions on key areas. You can then seek deeper detail from the three finalists selected.

Try to provide investment firms with 3-4 weeks lead time from RFP invitation to due date to ensure you will receive thoughtful responses to your organization's unique RFP. Less than two weeks may not allow firms to provide useful details, and more than six weeks may lead to project lethargy within your organization.

Modify the sample timeline on the next page to accommodate your organization's resource capacity. It's strongly recommended to confine your RFP process to no more than 180 days (6 months) to avoid inertia, while still accommodating committee and board meeting schedules.

Step 4: **Develop your RFP**

When developing your RFP, ensure that the document covers all the key areas that are important to your organization but does not become overwhelming. Include questions that cover:

1. Firm's experience and professionals
2. Investment philosophy and process
3. Asset allocation and capital markets assumption development
4. Portfolio construction
5. Due diligence process (including manager selection, monitoring, and termination)
6. Reporting
7. Communication (including in-person meetings, education, and timely updates)
8. Industry specific expertise and thought leadership
9. References
10. Specialty services (according to your organization's needs)

The sample RFP available as part of Truist's Investment Committee Toolkit is a great place to start (access instructions are at the end of this paper). Identify the key questions that are most aligned with your organization's "definition of success" (Step 1). Responses to these questions can be weighted more heavily in the evaluation phase.

Step 5: **Distribute RFP to selected firms**

Narrow your invitation list to 4-6 investment advisors whose skills, resources, and reputation are aligned with the needs and requirements of your organization. You may wish to select providers who are located within your organization's regional geography, as this may play a role in whether the firm is active in your local community.

Timeframe	Tasks
Week 1	• Define success – desired investment advisor features, capabilities, credentials and fee structure • Establish the RFP Team, including roles and responsibilities of each member • Identify stakeholders. Solicit feedback regarding key needs, capabilities and areas of interest • Solidify the RFP drivers, e.g., clearly articulate why your organization is initiating an RFP
Week 2 and 3	• Develop RFP and scoring matrix • Identify firms to be invited to respond (recommend no more than 6). Reach out to these firms to establish appropriate contact person to receive the RFP.
Week 4	• Finalize the RFP • Gather all information to accompany RFP, including: – Scope of Services requested – A description of the asset pool(s) to be managed including total assets and purpose/objective of each asset pool – Current investment policy – Current asset allocation – Detailed response instructions: ☐ Format (electronic or hard copy. If hard copy, how many) ☐ Person at your organization to receive the response ☐ Response deadline ☐ Person at your organization to receive/respond to questions regarding the RFP
Week 5	• Distribute RFP (30 days to respond)
Week 9	• RFP Responses Due
Week 9 – 11	• Review and score RFP Responses • Provide evaluation and recommend finalists to board and/or investment committee for review
Week 11 – 13	• Board/investment committee select finalists • Set finalist presentation date(s)
Week 14	• Finalist firms invited to present • Non-selected firms notified
Week 16	• Finalist presentations
Week 17	• Recommendation of preferred provider presented for board approval
Week 18	• Board meeting and final decision
Week 19 – 21	• Selected provider notified • Final due diligence • Finalize all fees and agreements
Week 22	• Notify other finalists of provider selection

Step 6:
Be prepared to answer questions

When distributing the RFP, be prepared to identify an individual who can answer questions during the response period. Questions may range from clarifying nomenclature to asking about how broad or narrow your organization prefers an answer to be.

It's best if your primary contact is someone easily accessible via phone and email during normal business hours and who can commit to responding promptly to requests. If questions are substantive, you may wish to provide updates to all respondent firms on both the question asked and the answer given.

Step 7:
Evaluate responses

RFP evaluation should be done on both a quantitative and qualitative basis. Developing an assessment grid that allows you to weight specific areas according to your needs and preferences, is invaluable to the evaluation process.

For example, key pieces of the puzzle for your organization may be that the advisory firm you're seeking has exceptional asset allocation analysts and resources, and that your assigned investment advisor(s) are able to meet with your Investment Committee in person at least quarterly. With these items in mind, your evaluation matrix may look like this:

	Weight %	Firm A	Firm B	Firm C	Firm D	Firm E
Firm Experience/ Professionals	15%					
Investment Philosophy/ Process	10%					
Asset Allocation	15%					
Portfolio Construction	10%					
Due Diligence Process	10%					
Reporting	5%					
Communication	15%					
Expertise and Thought Leadership	10%					
References	5%					
Specialty Services	5%					

You may choose to create a simple grade for each question response, a scale of 1 to 5 with five being the highest score for each question, or some other grading system. Each section can be subtotaled and weighted as shown in the matrix above.

Performance vs. benchmark, years in business, number of employees, and assets under advisement may all be directly compared across firms for a deeper quantitative dive. Qualitative items such as report customization capabilities, board education, service structure and administrative capabilities provide a deeper view into how providers will interact with and support your organization.

Once the team has evaluated all responses, scorecards on each firm and recommendations for finalists should be submitted to the board and/or investment committee for confirmation. Finalists can then be notified and presentations scheduled.

Step 8: **Finalist presentations**

Chances are, each of your finalists will have provided your organization with a wealth of information about their firms, their processes, and their people. Prior to presentations, consider providing finalists some guidance on specific areas where you'd like the firm to spend more time. This will allow you to get the most from the interview process and minimize time spent on areas where finalists may be evenly matched.

Interview guidance to selected finalists can take the form of a list of questions for the firm to cover, or you might choose to simply have your RFP Team leader talk with each finalist firm. Give each finalist ample time to present, as well as time to answer board member questions. Sixty to ninety minutes should generally suffice.

Think of these presentations as an opportunity to clarify the firm's capabilities, as well as to gain valuable insights into how firm representatives and your board members connect and interact personally. Meaningful partnerships are based on trust and collegiality—so the chemistry of your organization with your potential partner firm is a vital consideration factor.

Step 9: **Selection and notification**

Using an appropriate scorecard (perhaps a modified version of the RFP evaluation matrix) your board can then score each finalist candidate. It's helpful to determine in advance whether each board member will submit their evaluation individually (results aggregated) or if the board will discuss each candidate and score them collectively. It is helpful to consider how a tie might be resolved.

Once the selection has been made, the winning firm should be notified and any final due diligence completed. The remaining finalists can then be notified after the board has voted and affirmed a final commitment to the selected firm.

Try to be generous with those firms who weren't selected. If there were one or two aspects about the winning firm that helped tilt the decision, share that with the other firms. They will have invested a great deal of effort to assist your organization, and this is a sincere way to show your appreciation for their hard work.

Step 10: **Update your due diligence policies**

No doubt, your organization will gather new learnings and best practices through the RFP process. Capture these in your due diligence policy in order to assist the next RFP team in their work. Compile sample RFPs, evaluation tools, and other procedural guides. As part of good fiduciary practice, you should consider conducting an RFP at least every 3-5 years. Having these policies and tools in place will make next time an even smoother experience for all parties involved.

Need guidance in conducting your RFP process? Contact your Truist relationship manager or investment advisor or call us at (866) 223-1499.

About Truist Foundations and Endowments Specialty Practice

Truist has more than a century of experience working with not-for-profit organizations. Fiduciary stewardship is the heart of our culture. We're not just a provider, but an invested partner—sharing responsibility for prudent management of not-for-profit assets. Our client commitment, not-for-profit experience, and fiduciary culture are significant advantages for our clients and set us apart. The Foundations and Endowments Specialty Practice works exclusively with not-for- profit organizations. Our institutional teams include professionals with extensive not-for-profit expertise. These professionals are actively engaged in the not-for profit community and are able to share best practices that are meaningful to their clients. Team members offer guidance and advice tailored to the various subsets of the not-for-profit community, including trade associations and membership organizations. Our Practice delivers comprehensive investment advisory, administration, planned giving, custody, trust and fiduciary services to trade associations, educational institutions, foundations, endowments and other not-for profit clients across the country.

Truist.com

2022-0119TW