

*Please note: This is a transcription so there may be slight grammatical errors.*

Hello everyone and welcome to today's webinar Advisor RFPs for Endowments and Foundations, A Step-By-Step Guide. I would now like to introduce Rebecca Hughes, Manager in Marketing at CAPTRUST. Rebecca?

Rebecca Hughes:

Hi. Welcome to today's webinar. We'll be focused on best practices for conducting an advisor request for proposal or RFP for an endowment or foundation. My name is Rebecca Hughes, I'm the Manager of CAPTRUST's RFP Department, and we are a national investment advisory firm with more than 3,500 institutional client relationship, representing nearly \$1 trillion in client assets. As a firm, we've responded to over 3,500 RFPs since 2002. From a multitude of organizations, those range from startups, non-profits, government entities, public-private corporations, higher corporations, higher education institutions, and Fortune 500 companies for defined contribution, defined benefit, non-qualified and corporate cash plans, operating funds and foundation environments, single or multiple plant format, with assets ranging from less than a million to over 6 billion.

So the purpose of our discussion today is to walk through a step-by-step process of how best to conduct an advisor request for proposal or RFP, and share some best practices that we have learned based on our experience. There are still very relevant within the nonprofit industry when investment fiduciaries, or committees are considering hiring or replacing an advisor. We'll also talk through some topical elements such as alternative investments, socially responsible and governance investing, outsource Chief Investment Officer, and some diversity, equity and inclusion items, which are impacting the RFP process.

At the conclusion of our webinar, our goal is to help attendees have a starting point and a clear destination. Joining me for today's discussion as you can see are Megan Cutter and Will Chitwood. Megan joined CAPTRUST Financial Advisors in 2014 and has worked with the Business Development Sales Enablement Team for seven years, with a specialty in coordinating processes, technology integration and project management support for RFPs and other deliverables. Will is an Institutional Investment Advisor located right in our Raleigh, North Carolina headquarters. His primary focus is to serve investment fiduciaries of endowments, foundations, retirement plans, and other institutional asset pools. His area of expertise includes investment management, manager search and selection, fiduciary process, committee governance and investment policy development. He serves clients in two main capacities, either as an investment consultant or as a fully discretionary OCIO within the firm's institutional consulting practice. Megan and Will, thank you for joining us today.

Megan Cutter:

Thank you.

Will Chitwood:

Thanks for having us. Absolutely.

Rebecca Hughes:

Awesome. As you can see by our agenda slide, over the next 45 minutes, Megan, will and I, we're going to focus on two simple topics. First is activity trends and benefits with RFPs. We'll discuss why there's been such an increase in advisor RFP activity and why committees should proceed with this process. And second, we'll provide a step-by-step plan to ensure a sound advisor RFP process. We will walk through

and explain the major components of an advisor RFP, and provide a simple framework and a checklist that'll make your process more efficient and easier to manage. So I'm going to turn it over to Megan to talk us through the next couple slides.

Megan Cutter:

Thank you, Rebecca. So what we're going to look at first is advisor RFP activity. So why would you issue an advisor request for proposal or RFP? We have seen several catalysts and we'll talk about the today. There are about four different buckets once we look under the hood for catalysts that may initiate an RFP process. The first one are external environmental impacts. We certainly understand 2022 has been a difficult market environment and many nonprofit organizations are now reviewing their investment strategies to ensure the best practice and receiving the most benefits going forward. There can be a general due diligence process. We understand that from a nonprofit aspect, it may have been a while since doing an RFP or evaluating vendors. So it is good practice and due diligence to proceed with the RFP process. There can be an evaluation of services, knowing that you have the best vendor that you can really provide an insurance to your committee or board. And there's also a good understanding of the market.

In terms of the need for a formal process, RFPs are complex at times and have a lot of different elements and components. So, really formalizing that process again ensures continuity and consistency and it also results whether it's an investment strategy, whether it is increasing funding for your organization. The whole goal is to improve the results for your organization. So Will, can you talk a bit about the fiduciary oversight?

Will Chitwood:

Yeah, absolutely. Thanks Megan. In terms of fiduciary oversight, I mean committees are really on the hook for making decisions in the best interest of their funds and the stakeholders that they impact, right? I mean, to Megan's point, the Catalyst 2022 was an extremely difficult year in the markets. Most nonprofits lost a significant amount of assets just due to equities being down double digits, bonds were down the same level, and also we were on a bull run for the last decade before COVID, so no one really felt like there was a huge need to be requesting proposals from other advisors. They had good returns, and from a fiduciary perspective though, making sure you have the right partner in place who has your best interest at heart when making decisions for the portfolio. And the organization is really key, most nonprofits look to of [inaudible], that is an act that really dictates what a fiduciary should be doing on your behalf as they're managing money and really is dedicated to maintaining purchasing power of the endowment.

So maybe this is something, if you're taking notes right now, one of the first things I'd write down, one of the easiest questions you can ask in an RFP is: are you willing to serve as a fiduciary to our organization? And what you're really asking them there is, are you going to give advice or manage our money in a way that's has our best interest at heart? So that's one way you can find out really quickly if a group's going to help you as a co-fiduciary or not in the RFP process.

Megan Cutter:

Thanks so much Will, it really sounds like good governance is a great benefit to the RFP process. Some additional benefits that we have seen, again, as I mentioned, is a reduction of fees, which means more fees for your organization, and that may mean additional scholarship or additional participant for an experience that you are providing. There's a fiduciary risk mitigation, again, as Will mentioned, really

reducing the risk and there's a better understanding of fees for the services that an organization is receiving.

So there can be a benchmarking process in terms of is there a need to change? Is this the right time to change vendors? And again, the RFP process ensures the continuity to evaluate a vendor. The RFP process can also ensure a fairness of evaluating your vendors. So we certainly understand that boards may have different relationships as the nonprofit community is based off of relationship building. And the RFP process ensures that there is a very straightforward process of evaluating firms to ensure that fairness. There's also a consistency in times of changing team members on boards, as a team member may come onto a board, or roll off of a board, and this process ensures that consistency in times of great change.

If we can look at when we might want an issue an RFP, so we can change to the next slide. So how do we know it's the right time to issue an RFP and how often is this process needed? Again, it may come with the change in service personnel or within the organization. So there could be a catalyst of team member change. As we've talked about the 2022 market environment, there could be a change in the market conditions or an under performance of investment strategies, so that may also initiate a review.

Lack of service or support, and also a change in organizational goals or objectives. These two kind of go together. We can see nonprofit organizations grow, and expand, and therefore goals and needs change. Or we could also see service support be reduced in certain areas that require a reevaluation of where an organization is at that point in time. There may be a change in the investment strategy approach. For example, a board may want to start off with a consulting role and therefore shift to a discretionary role where the Financial Advisory Team really makes those investment decisions and moves forward on the investment decisions.

For [inaudible] RFP, it's best practice to initiate an RFP process every five to seven years. This allows for the timeframe of the RFP process, the evaluation of vendors, time for that investment advisory team to really review and evaluate investments, make changes if needed, and then, it's best practice to do a due diligence process within, again, every five to seven years at the very minimum. New services an organization is bringing on board that initiates the change. So that may also add to that catalyst of initiating an RFP. Again, there's could be just a fee benchmarking process from that due diligence, and then [inaudible] enhances relationships. It's a time for the board to come together to look at the services that they are receiving, and it's also a time to really enhance that relationship with the Investment Advisory Team as well.

So if we can move to the next slide, if you'll speak to the impact over the last year.

Rebecca Hughes:

Yeah, thanks. The information on this slide can be found in our 2022 Endowment and Foundation Survey. And in order to further meet the needs of today's ENF marketplaces, CAPTRUST continually tries to find ways to add value to our clients ultimately achieving successful investment outcomes. Every year, we conduct a survey to identify the most pressing issues facing the nonprofit community. CAPTRUST clients have full access to this data to help the committee both benchmark themselves, and make informed decisions based on industry trends. The most recent survey results from 2022 will be sent to you as a follow-up to this webinar. So you'll have that. We hope you'll find it insightful.

And per this slide, as for the current hybrid environment, it's a continuing factor in business relationships. You'll see that over the past few years, 86% of nonprofits have transitioned to at least a partially remote workforce. And flexible work arrangements are increasingly important to employees. You'll see 62% of our survey respondents indicated this as a strategy implemented to improve staff retention.

Will, as people review the rest of the slide, how have you seen the work from home landscape change, let's say, committee meeting dynamics and such?

Will Chitwood:

Yeah, well, it certainly has. I mean, if you look at the past three plus years really during COVID and kind of in this post-COVID new environment-

Will Chitwood:

Really during COVID and in this post COVID new environment now. At the corporate level and the nonprofit level, most employers sent their employees home to some degree, whether it was a hybrid working capacity or fully remote there for a bit of time. But I think at a committee and board level, this will change the dynamic for how we meet on a regular basis. Several of my committees, we haven't gotten rid of in-person meetings, but we have trimmed them down. We might have an in-person meeting once a year, maybe twice a year, and then supplement with virtual meetings just because it's easier to get board members who might be volunteers, have busy schedules and especially committee members as well. It's just harder to schedule everything in person. So I think that's a change I've seen in the nonprofit space for sure is the higher utilization for video meetings, which is a good thing overall, but it's still nice to see folks in person, which I've been happy about that to see clients in person as of late.

Rebecca Hughes:

Thanks Will. To that end, I'd like to move to the next slide and we're going to look at our audience poll. This is the one and only audience poll. We like a little interactivity for you all to anonymously answer. Why are you thinking about running an RFP? Will, while people are answering the question, have you seen any new trends in the marketplace about why people are doing this? Anything coming up recently?

Will Chitwood:

I'd say in the last few years, I think service has been one that's a pretty big catalyst that wasn't as present before. Just with the job market there's so many people moving around, changing employers, so that means service teams are changing. There's been a lot of mergers and acquisitions at different custody vendors and record keepers, things like that. So you have seen service drop off to some degree at different organizations. So I'd say that is definitely a trend where we're getting somewhat of feedback, a reason to run the RFP as well. Our person retired or our advisor left the organization and now it's time to see are they still the right fit. So that's one that I've seen pretty significantly. And then just the market environment trend, I think we could keep talking about the markets in 2022 for quite some time. I think they were extremely difficult to say the least. And we've gotten a good amount of bounce back in 2023 so far. But those are the two I'd say I've seen as most common of late for sure. But I'm interested to see what we get from the audience also.

Rebecca Hughes:

Yeah, you'll be very interested as this poll is closing to see the results based on your feedback.

Will Chitwood:

Oh, it could be wrong. My feedback could be wrong.

Rebecca Hughes:

Got the results here. So most of them are general business practices, which is interesting. The market environment hasn't pushed as much as it probably should have. Interesting to see that people are somewhat dissatisfied. Do you have any reactions to the answers Will?

Will Chitwood:

Yeah, general best practices. While I thought maybe some of the others might have a higher percentage, it doesn't necessarily surprise me. Going back to the comment before, if you look at the decade before COVID, that was a pretty significant bull run. So maybe if performance was strong, committees weren't really thinking there was an extreme need to run an RFP at the time. So I guess we have seen a good amount of folks pick their head up and say, "Okay, it's time to really evaluate, is this the best partner? It's been at least 7 years to 10 years since we've run another search. Maybe that's time." So that's an interesting finding for sure.

Rebecca Hughes:

Yeah, I'm glad to see it's a lot of general best practices 'cause it should be a regular in the poll, and as we go to the next slide, I'll also mention that the fact that 0% answered they don't have a current advisor is also a good answer.

Will Chitwood:

That's right.

Rebecca Hughes:

Glad to see that in the marketplace. So we're going to roll into the RFP process. If you go to the next slide, this is representing what we consider. Based on our experience it's about a 10-step checklist you'll see here. It's organized into three phases. So we're getting into the meat of what we're talking about here to ensure an efficient and potentially seamless advisor RFP process. So think of this slide as your essential roadmap. The first phase is preparation. You'll see the two main goals for this phase listed there. After that, we go into implementation. So then you'll assemble your deliverables, you'll identify recipients, determine the response structure and distribute your actual RFP.

And the third and final phase is your decision-making phase. We like to call it the fun part because during this phase you'll focus on receiving the review and reviewing the final responses and determining your finalists, conducting those meetings, selecting an advisor and documenting the process, which is always really important for your records. And if followed appropriately, this outline will take what initially appears as a very overwhelming process and turn it into a very efficient and manageable experience and hopefully with a positive outcome. Will do you have experience with your clients running through RFPs? Have you worked with them through that?

Will Chitwood:

Yeah, absolutely. I think just in terms of the RFPs that I get to sit on in a given year, I know just for the audience, so Rebecca and Megan work on hundreds of RFPs a year. They're drafting answers. They're legitimate pros. So step by step questions, they're probably the best to ask. But I do get to participate in anywhere from 7 to 10 a year, especially since we've seen the uptick over the past several years. And I think for committees, preparation is really key, figuring out what stakeholders really view as important for their next partner. I think spending that time at least four weeks to really think through what questions do you want to ask right before you put together a timeline and actually send it to recipients.

And then I'd say on the other end, the selection process, you're really trying to get to two or three potential advisory candidates that they're a potential good fit, that you might actually want to meet in person, hear what they have to say. So that's really the goal as we move through preparation, implementation, and then that final decision-making process. That's what we're trying to get to. So we'll go through a little bit more in detail here, but that's just at a high level, a few thoughts there.

Rebecca Hughes:

Great. If we move on to the next slide, we will dig in a little bit on the preparation. First thing you want to do is determine your purpose and key stakeholders, who needs to be involved. Your nonprofits are all shapes and sizes based on your current structure. You're going to want to identify who needs to be involved during this process. You want to communicate to them the desire to run an RFP and that you want them to be part of the process. It could potentially be a large group, so you want to determine who's in charge and who your primary contact is. It's really much more organized to have a focal point to run this RFP. Then the second thing is you're going to need to confirm the needs and the mission of your organization and the goal of your process. It sounds simple, but it is probably the most important aspect of this phase. If you can agree on this, you'll definitely have a better outcome because you have different people involved. So you want to focus on what your endgame is.

You want to choose a review and scoring process, which is very important because you're going to decide how you want to evaluate these responses and narrow your lists down. RFPs will often include a matrix or scoring outline within them when you send them out. So that will indicate to the respondents what portions or answers are most important to you, and then that'll help the respondents focus on what your responses are and they can focus their attention to those answers.

Then you're going to agree on a timeline for external responses, but also how long your internal process is going to take. Based on our experience majority of RFP responses do not stay on track because people tend to underestimate how long the process is going to take, mostly the review process. We get a lot of follow up emails saying they've extended review process. So then you're going to come to a consensus so that everyone that's involved in this RFP from your end is going to review these decisions, their responsibilities, and the timeframe so that we can all move forward. And then I'm going to roll to Megan, who will take us through the next slide, please.

Megan Cutter:

Thank you. So there's some content that you'll want to gather together for sending out and with the RFP. There's some necessary information and documents. So these, as you can see here, are things like an investment policy statement, a spending policy statement, a quarterly review, investment manager allocations, and if there's a custodian, disclosing who that custodian may be. Providing these documents upfront with the request for proposal will really ensure that those are responding will give the most customized or specific answers possible. And again, that will help you in your review and evaluation process. So we can understand that some committees or boards might be reluctant to distribute these documents out prior to committing to an advisory team. There is a legal document called a non-disclosure agreement that you can coordinate with those who are responding to ensure confidentiality of those materials. Will, are there any documents here or any other elements that we might be missing or that might be additive?

Will Chitwood:

I think this list is pretty comprehensive, and I guess I'll just point out to anyone who's getting ready to run an RFP. At least our team, we view this as the first opportunity we're ever going to get to be in front

of you all to let you understand how we're trying to think through your situation in an efficient manner, but also thoroughly when we're coming to the table with a potential option or different scenarios to think through. So I have gotten different feedback where sometimes maybe a group's not comfortable sharing certain bits of information, but as much as you're comfortable sharing from different respondents to actually review and really think through their response. And you'll be able to tell when you're wading through different responses at the end who maybe just did a check the box response and who actually thought through the information you provided. So this is a key component and it's just really about what are you all comfortable with sharing right up front in the RFP process. But this is key. If anyone's giving advice before they really understand your situation or know goals and objectives, that might be a time to turn and run in that scenario. So I think just knowing as much as we can understand and know the more helpful and better our responses can be as an advisor community.

Megan Cutter:

Thanks.

Rebecca Hughes:

Great, thanks Will. Can we move to the next slide? We will talk about developing your questionnaire. This is the meat of it, the next area of discussion. It can seem daunting, which questions to ask, where can I find them? From our webinar, you will receive an industry approved RFP template at the end of the session. So it has a lot of questions covering everything that I'm about to go through and you can pull stuff from there. One of the best practices that I can suggest you do when you go through for your questions, it'll save you time and it'll get you the best responses: make sure the questions you're asking match the services you're requesting. We've seen many RFPs that come in and they're really asking things that are irrelevant or completely out of scope, even though it's a specific scope they're looking for. So really hone down your questions and make sure you're getting the responses that you want to be reading through.

Typically, all of the questions we see in RFPs fall into one of these 11 categories that you're seeing here. The general firm overview of fiduciary, regulatory and compliance section, client services and relevant experience. That includes how they're going to approach client service with you, what experience they have in the industry, et cetera, et cetera. Sections four through seven. The next three are you want to know their fundamental principles and approach for managing an endowment or a foundation portfolio for each of these, what resources they utilize, what decisions are made.

Finally, what is the client experience like for each of these? But again, we have a template and you'll get a lot of specific questions to pull from. The next is implementation and transition. This is very important. Often RFPs will ask hypothetical questions about how advisors will work with their clients should you be selected. It'll establish an understanding of how your client relationship will work and the transition into their services. That's very overlooked piece of it because transitioning is not always an easy piece of the puzzle.

And then of course, the proposed service offering and the fees. You're going to want clarity about what's included and continuity. And then the final selection is requested deliverables. If you're going through this process, make sure you're checking every box and getting sample client deliverables and company information. And then Megan's going to go through some of them in the next slide that we often are requested to provide.

Megan Cutter:

So what are some of those deliverables that you want to receive [inaudible] in addition to responses to the questions that you've asked an organization. Things like an ADV, part one and part two, that's a firm legal overview that provides really in detail-

Megan Cutter:

You that provides really in detailed information about the firm that they report to other boards. It may be an organizational chart. Who are the members on the team? A code of ethics. This goes into regulatory and aspects of the firm. What are [inaudible]? Maybe you want to know how well the firm is doing on their own financials. Just again, I mentioned the non-disclosure agreement because some firms may not want to disclose that information upfront without a confidentiality agreement. If you request those, plan on additional time to coordinate that if needed. A simple policy statement or a written manager recommendation. Things like sample performance reports can give you some in-depth information into the historical performance reporting of that firm. A market commentary or thought leaders, this might be articles or webinars or other deliverable types that the organization has put forth to the public or just to their internal clients as well. Then a sample proposed service agreement. You may also want to evaluate what agreement may look like, what that entails, and what are some of the contracting elements you should expect once you get there.

If we can move on to the next slide. See, that's really the basic aspect of the RFP process. We have seen some different themes come up as we have worked on requests for proposals. We have noticed an increase of endowment and foundation RFP activity, and that may be because of, again, external environmental factors such as market volatility and the impact on their portfolios. We've mentioned that before. In addition, most boards are volunteer based and their approach or process may not be consistent. So again, we talked about the due diligence process and keeping that going forward. There may be a focused aspect on some investment, really driven, really heightened focused on some different impacts of investing such as socially responsible issues. We'll get back to that in just a second in more detail.

We're also seeing endowment foundation boards comprised of community leaders, and the work for their board may be above their day-to-day responsibilities. We certainly understand this process can be cumbersome, and having a very specific methodology for RFPs makes it simple and easy process to follow.

We'll get into some of the themes, so if we'll move into the next slide. We have seen grow over time has been socially responsible impact for SRI investing. This is a specific of investment strategy. CapTrust has provided a endowment foundation survey to clients, and in that survey we see that 37% of respondents are invested in SRI. Now, while this was down one percent from 2021, we certainly see this keeping an even keel as being a theme that is going forward. In addition, 50% of organizations expect the prevalence of these strategies to increase in the next 5 years. What that [inaudible] is, again, there's a real interest in this type of strategy, and that's going to increase over time. It may be a theme that does not go away for a while. We certainly will continue to see that down the road.

In 2022, 26% of nonprofits reported an increase of donor interest in these strategies with only 3% seeing an interest wane. What this may tell us is that donors are interested, their community members, and they may be invested in the types of socially responsible and impact investing that a vendor has. Will, I know this is a really big [inaudible]. Any insights? Or what's your reaction to this?

Will Chitwood:

Yeah, this is interesting. I think SRI and some here at ESG is environmental social governance components to this type of investing. This is a very hot trend. I think we've got a couple more, which I'll



run through a little bit quicker. I want to make sure we have enough time for you and Rebecca to cover some of the final steps in the RFP process. But as it relates to SRI, I'd say most committees that I meet with are asking questions about it, or at least making it a part of their discussion at board meetings.

In terms of implementation, I think we've come such a long way over the last decade. 10 years ago, if you were going to implement an SRI strategy, you may have had to place purchases and then sell the securities that you didn't want to own and that might lead to a cash drag for a month or two. There's really been a pretty good amount of uptick in investment products that are really available out there to buy. I think this is a trend we're going to continue to see.

If we look at the next slide, there's a couple different sectors. When you look at ESG in general, we'll send this deck out to everybody, but you can start to see if you want to align your portfolio in either three of these factors, you can do so, and there's all different types of initiatives within each one of these components. I think it's pretty important to think through as a committee.

One other topic that I did want to get to on the next slide is actually some of the DEI initiatives that we've seen. That's been pretty significant in terms of RFP questionnaires that are coming out with a full section dedicated to DEI initiatives. I think that is definitely going to be a trend that we continue to see. Boards and committees both at the nonprofit level and at the corporate level are continuing to have interest here and for good reason.

I think the last trend I really wanted to hit on before we go to the next section, and we can go to the next slide, is OCIO. This is a term, a buzzword that most committees have likely heard. What you're really thinking about here is the type of investment help you can get. Really, if you think about it, each committee could manage their own investment portfolio if they wanted to. A lot outsourced that risk to an investment advisor to at least obtain advice on the investments on an ongoing basis. The committee might want to still have that decision making power to select investments and their responsibility to review, but they get engaged with an investment consultant like CapTrust or others that can at least speak into and provide investment advice to them on an ongoing basis. Well, there's also committees that say, "No, I don't want to have the risk of managing the investments," or the responsibility to select, hire, and fire different managers under the hood of the portfolio. That's where OCIO comes in. You're outsourcing your chief investment office. Think of it this way, you're handing keys to an investment manager to make decisions on your behalf.

Really, these are the most popular really two key ways that advisors and investment managers can work with nonprofits. I'd say almost every RFP I've seen for the last three years is either only asking for discretionary investment services or at least asking for both. Depending on the organization, you'll get different service models. So just something to key in on there.

The last trend is alternatives, and I'll breeze through that really quick on the next slide. This is something I'd encourage committees to just think about. If you don't have alternatives exposure in your portfolio, we've seen committees start to think through just looking at last year. We had double-digit losses in bonds and in equities. Depending on if a portfolio had alternative exposure, you could dampen that volatility through these asset classes.

Couple things to consider though, alternatives usually come at an expense. You can have a different return stream and different risk profile when investing in these strategies, but they're often more expensive than traditional markets like stocks and bonds.

One last trend though I've seen in alternatives is an interest for committees to really go through and think about do they want to own private markets exposure. You might hear of private equity being able to go own a private company, or a fund that owns hundreds of private companies might be of interest to increase return. Key factor to consider there though is liquidity, right? A lot of those have certain

amount of lockups where you can't just go pull your funds out the next day, like traditional markets do. If you're interested in alternatives, I think you could build out a pretty significant component of the RFP that has alts questionnaires. But if you're going down this space, just make sure a partner that you go with has the capabilities and is able to actually make good on the promises here.

I'll turn it back to you though, Rebecca, for the next section and we can go from there.

Rebecca Hughes:

Great. Yeah, if we could go to the next slide and the next slide. We're going to dive into assembling your RFP. We're going to shift gears a little bit. Based on our experience, the majority of RFPs can be organized into five sections on this slide. The first is the introduction, and you're looking at the overview and background of the organization, and you're going to address the purpose and scope of your RFP. We want to make these things very clear to the respondents.

The next section two is general instructions and information. This'll be the RFP schedule, lists out maybe milestones, deadlines for things like questions and the response, primary contact for all communication, and then the requirements, how you want it organized, packaged, and delivered.

The third section is going to be an overview of what you're looking for and the specific requirements. You could include specific information about your endowment in foundation, which would be great. Very helpful to respondents to know the more that you can supply to them. The specific scope of services you're including in as much detail as possible so they know if they can meet your mandate. You should also consider including a set of minimum qualifications. That might eliminate some respondents and save both of you some time.

The final content to include is how your organization will rate the performance of the advisory firm. Again, as we talked about before, giving the respondent something a focus on about what they're responding to. Then you will have the questions you want answered. That's section four. And the fifth section will be supporting materials. You may send your portfolio information, client agreements, anything you want to include we talked about before.

The next slide is going to be about assembling your RFP. You're going to consider, as Megan spoke to before, possibly including a non-disclosure agreement or confidentiality clause. That's up to you. You may want to include a cover letter, an executive summary that may be easier for you to go through later to have some takeaways.

If procurement exists as a part of your organization, you're going to want to make sure that they have all their forms involved, anything that the bidder needs to sign. Then, how do you want it delivered, your packaging? Do you want electronically, hard copies? How many? How is it found? Also, things like page and word count restrictions. We've seen that a lot. People don't want to read infinitum. Then, we typically see that often if there's an Excel form that you want us to fill out, or maybe an online platform might have character restrictions.

Another trend is third party services. That's really important to think about. A lot of people are hiring outside to help them through this process if it seems very hefty. There are a number of procurement tools and resources you can use to outsource the administration. If you decide to go this route, just vet that company. There's a lot of very well-known companies in this space that will do a terrific job. Just do your due diligence. Understand that they may have potential conflicts you should be aware of as well. Choose wisely.

Then pricing. A note that some people might not want pricing to be in the original RFP, they want it separately in a file, a sealed envelope, just because they don't want it to influence their decision and they want to react to it later. Last thought to consider is, do you want samples or marketing materials?

A lot of firms will want to show you everything they can do. They're going to send you a lot of materials to read. You may want to limit that and say so if you do.

Now that you assembled everything together, I can tell you one really important thing from experience. Please proofread your documents. Give it to someone outside of your group to review. You're going to want someone to go through and make sure that you're presenting yourself in the best light possible as well. After this, you're going to create a distribution list. I'm going to turn it back to Megan to review the next slide.

Rebecca Hughes:

I'm going to turn it back to Megan to review the next slide.

Megan Cutter:

So who is going to receive the RFP? We have a huge tip; don't send it out to everyone that you know. So if you send it to everyone, one is you have to remember you're going to evaluate all of those different responses and you also may not receive back quality responses. So you want to go ahead and limit to five to seven recipients. So again, don't send it out to everyone and their brother and everyone you know, just go ahead and start limiting that so that you know that the people who are receiving it, they're interested, they're committed, and they're really going to provide the services that you're looking for. Should you include an incumbent if you already have an investment advisory team? So that's a question that every organization will answer differently, and something just to consider or think about. And then some organizations really want regional or local advisory teams. Or do you want to look out of town or in other locations because you may receive better services?

So those are all really good questions to consider in terms of who is actually going to receive the RFP and who's going to respond back to you. So what sources can you use to identify the firms and the organizations you're going to send it out to? So go ahead and talk to your key stakeholders, those who are involved in your organization, they know the focus and your mission, or are also involved in the investment community as well. So again, the nonprofit arena is really focused on relationships, so use the contacts that you have and feel out who may be a good potential vendor to send it to. There are lots of industry publications and organizations. Many of them are now online or if they're still in print, they may have a list of advisory firms in the back of a magazine, for example. And look at your current service providers. If you use a lawyer, for example, what recommendations do they have or contacts that they have that you can utilize as you go forward?

So we talked about relationships, peers, whether it's in the professional or personal arena within the industry. And as Rebecca mentioned, there are third-party service providers and consultants who really lead that RFP process so you can turn that process over to them. So if you're finding a hard time really working on the process or you just want to hand it over to someone, a third-party search firm is a great way to go. The next aspect would be to distribute the deliverable forward. And what you want [inaudible] are all those preliminary timelines. So is there intent to bid? What is the timeline for a question/answer session? So go ahead and establish an internal deadline for all of these different elements. And then what you can do is summarize all of the questions in one document.

So you'll have the RFP document to distribute and it has everything that Rebecca and I have talked about in it to send out. So in terms of distributing questions or responses, I guess, to questions you receive, make sure that you review that timeline so that you have someone who can answer questions that you receive back. Take into consideration holidays and evaluation timelines as well. So what we see with the RFP turnaround time is tends to be a four-week period from receiving an RFP to distributing

responses back out. So if you're working on a four-week timeline, what does that mean for your internal elements for intent to bid or questions as well? So we can-

Rebecca Hughes:

So moving on, oh yeah, if you want to go to the next slide, we're going to focus on the final phase, is decision making and reviewing [inaudible]. Firstly, as a courtesy, I would acknowledge a receipt of the response that you're going through your process, be in touch, follow your schedule as much as possible. If you can keep your respondents informed if your schedule's changed, that's a nice courtesy too. If you need more time, letting them know your deadlines are moved out. Look for advisors who frame their responses as solutions, focus on outcomes rather than listing capabilities. That's something to look for. As Will mentioned before, beware of some check-the-box answers where every respondent winds up saying the same thing. And I would especially look out for responses that go deeper.

They may address the specific concerns that you outlined in your RFP document, they might illustrate unique advantages they can bring to your portfolio, that's usually a good tip too. If there are areas you need clarification or further explanation, it's okay to reach out to firms for more information. We, as a group, are always happy to respond to follow-up questions. It's a good sign that people are paying attention to what you're presenting to them, and we will jump at the chance to give you additional context in detail. So once you've reviewed all of them, communicate internally, try to narrow your list as soon as possible. Will, do you have anything on the evaluation process that you want to add, thinking about this?

Will Chitwood:

I think so. Maybe this is just a personal preference, but I think the in-person finals presentation is really key to see if you can really just culturally fit with the advisor team. I think that's one piece of advice. Obviously, if you can do that virtually or need to, that's understandable. But I think this is a key component of decision making, seeing if it's a good fit, good advisory team that you can trust. Do they have the experience? You can likely see that in the RFP response, but then really understanding what that means and what solutions they're thinking about for you all. And I think it's really helpful during that finalist phase. And then I'd say just making sure you're with a partner that's durable, that can be a long-lasting partner for you and grow in complexity as you grow in size and your needs change over time.

I'd say those are the few things that I would be thinking about for decision making, but it all comes back to what the committee or board deems as most important. I think just keeping those goal posts where you're trying to make that decision will be key.

Rebecca Hughes:

Yeah, I think that's a good point. When you meet in a finalist meeting, you really want to know that that advisor can really grow with you and their capabilities are really broad, even for things you may be thinking about utilizing going forward. Looking at scheduling a finals meeting is the next, how many firms you should invite. I think three is probably a good round number. It depends on your company and the responses of course, but you want to review the list to ensure that these respondents distinguish themselves from the pack and that they have no red flags, especially if you reviewed their ADV, et cetera. If you feel good about the list, the next thing is you communicate that they've been selected as a finalist. And it's best practice as a courtesy to confirm firms that were not selected to move on, let them know as well, and offer to provide some feedback once the process has concluded.

The final step is coordinating logistics or finalist presentations, and then you're going to want to prepare for your finals meeting, communicate your expectations. You're going to provide finalists with clear information regarding what they're going to bring to the table. There's some things listed on this slide that will be really helpful. To create an easy decision making and documentation process, you want to gather everything up in one file, communications notes, questions, answers, RFP presentations, scoring sheets, I could run a list. Keep it all together and then if someone wants to know why you ultimately selected a particular advisor, you can really just show them the file. And then on the next slide, you're going to conduct a finals meeting and make a decision. You're going to think of some of these things on this slide about considering, as Will said, cultural fit, the solutions they presented, the availability of the team to meet with you. Is it going to be the same team that you meet with? Hopefully. And then, Will, if you want to add some color to that finals before we roll out to the closing pieces.

Will Chitwood:

Yeah, I think just at the thousand-foot view, the RFP process, as you all are entering into this if you're running one, can seem very daunting. To Megan's point earlier, figuring out how many you're actually going to include as potential respondents in the RFP is key because when you get a 40 or 50-page response back from an advisory group, I think that can be daunting just to think through, "How in the world am I going to get through this?" But I think, and especially on the next slide, we can go to that in terms of just a summary. The best way to eat an elephant is one bite at a time, just taking this step by step and you'll get through it. They're definitely time-consuming, but I think when run right, you'll really just appreciate the outcome and you'll end up with the right partner when you go through this process, for sure.

Megan Cutter:

Thanks so much, Will. And we've included some aspects, just in terms of the summary, to use methodology to make it very simple and easy. So again, we've listed some things here to make it easy for you. We'll also be sending some supporting resources after the webinar, including a recording of today's presentation, a link to our chief investment officer's market update and market thoughts, our endowment and foundation survey, a sample of an RFP and some additional, again, supporting materials to help you through this process.

Rebecca Hughes:

Great. I'm sorry we don't have time for questions. If you guys want to pop any in the questions thing, we will certainly get back to you. Thank you so much for attending. You will receive a copy of the presentation. It has all of our contacts on it, so feel free to reach out to us if you have follow-up questions, any advice or if you want to send us an RFP, we are happy to respond to that. Keep an eye out for our email. It will have a ton of useful takeaways and have a terrific rest of your week. Thank you everybody for coming.

Will Chitwood:

Thanks, everyone.

Megan Cutter:

Thank you so much.

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