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Effective Advisor RFPs For Nonprofits (Webinar Recording)

Greg Middleton: Good afternoon, everyone. Thank you guys for joining us for today's webinar. The topic is Effective Advisor RFPs for Nonprofits. My name is Greg Middleton. I'm a senior director at CAPTRUST. CAPTRUST is a national investment advisory firm. We have over four thousand institutional client relationships, and those relationships represent more than one trillion in client assets.

As a firm, we've responded to over six thousand RFPs since two thousand and two. Those RFPs have come from a multitude of different organizations, ranging from startups to nonprofits to government entities, public and private corporations higher education institutions, Fortune five hundred companies for everything from their defined contribution, defined benefit, non-qualified plans, corporate cash operating funds, and more specifically, foundations and endowments in a variety of different formats with assets ranging from less than a million to over six billion.

The purpose for our discussion today is to help and walk you through a step-by-step process on how to conduct and advise your request for a proposal or RFP. We wanna share some best practices that we've learned based on our experience. RFPs are still extremely relevant in the industry, and when committees are considering hiring or replacing an advisor this is almost the price of admission to get to your finals presentation.

In addition to the normal components that you'll think about, we're also gonna talk through some topical elements, such as alternative investments, environmental, social, and governance investing, and outsourced chief investment officer services, and how those elements are impacting the evaluation process.

The conclusion of today's webinar, our goal is to help you all have a starting point and a clear destination for your process. Joining me for today's discussion is James Ross. James is an institutionally focused advisor. He's headquartered in

Fernandina Beach, Florida, and he himself has personally been involved with over 200 advisor RFPs in his career working with c- committees.

James, thanks for being part of today's webinar. Thanks, Greg. Happy to be here. Awesome. Just for the crowd and f- for everybody, as James and I prepped for this webinar it's clear that this process, that there is an art and a science to conducting the RFP. And as we're gonna walk through today's conversation, I'm gonna talk through the mechanics of that process so you have a distinct point of view for how the audience should think about, I would say, the science part of it.

But James, as we were prepping you had a very clear point of view from an art standpoint on how they should be thinking about it not just from a, a paper and process standpoint, but I thought it was extremely interesting, so I was hoping you could share that with the audience before we get started.

James Ross: Yeah. I think just right up front, one of the things to remember, a lot of times we think about these as RFPs for investment management, and it's worth remembering that the investment assets are not the mission, right? The- they're fuel for the mission, but that distinction does matter. These nonprofit organizations exist to serve their communities, donors, beneficiaries, students, patients, congregations, and certainly the portfolio matters, but the purpose of the RFP is not just to find the lowest cost advisor or the best recent performance, it's to find a partner that's positioned to help the organization advance its mission.

Try to always look at it through that lens, that... And then last- We shouldn't think about it as starting with the questionnaire, right? Like everybody, when they think of doing an RFP, the first thing they do is they go out and they try and find a template questionnaire. It should really start with organizational clarity, right?

Who are you as an organization? What do you need? And what does success look like? Awesome. That's very well said. And a- again that's gonna be great perspective as we talk through today's process. So let me give you guys an overview of the topics that, that we're gonna go through.

Greg Middleton: There's really over the next 45 minutes there's two simple topics James and I are gonna focus on. First it's about advisor request for proposal activity trends and benefits. Here we're just gonna focus on why there's been such an increase in advisor RFP activity and why committees should continue with the process.

And second, we're gonna give you a step-by-step plan to ensure you have a sound process. We'll walk through the major components and explain them to you, and then give you a simple framework and checklist to make sure that your process is efficient and easy to manage. Some organizations, this is a challenging and lengthy process to discuss the topic and then ultimately to get to this point of the process.

For the purpose of our discussion today, we're going to assume that each of your organizations has already made the decision to proceed with some form of an advisor RFP. James, anything to add before we get going?

James Ross: No, just excited to get into the topic.

Greg Middleton: Great.

All right, so based on all the experience that, that we've talked about, and I think that's probably north of 6,000 RFPs RFPs has been a, a, a building evolution but when you dig under it, there's really three primary reasons why advisor RFPs have been the norm. First is is the, the first aspect relates to the current external environment where nonprofit organizations are under more scrutiny.

This is especially true of smaller endowments and foundations that once flew under the radar and now are treated like larger peers. Next is the increased complexity of fiduciary responsibility. The world of governance is getting more complex each and every day. This is true of the regulatory environment and also social pressures on nonprofit investments.

Board accountability has also been on the rise as investment assets grow on the balance sheet following the economic expansion that we've all experienced with the market over the last 10 plus years. Third is just general due diligence and fee and service validation and an understanding of the market.

For many nonprofit organizations, the overall structure and size of their investment pool has changed over the years. The investment advisor organization that once may have been a good fit could now be outdated and not offering all of the s- new services of a specialist organization. This RFP process can uncover opportunities for improvement.

And finally is the need for a formal process which could ultimately improve results. If your organization has average returns and average service, going through a formal process can lead to improvements in multiple areas, which include absolute investment performance, more and better services for the organization, more attractive pricing and lower fees, and then assistance in fundraising and new tools.

Again, these are all of the reasons why we've seen an uptick in advisor RFPs. James, any thoughts on on what you've had from an interaction with your clients and things in the industry?

James Ross: Yeah, I think it's important to remember that oftentimes nothing is, quote unquote, "broken," right? The advisor can be responsive, but when you step back, you realize the organization's changed, right?

Donors become more engaged, the spending can be more complex, better education needs, all of these things can kind of change underfoot. It doesn't necessarily mean anything is wrong, and the RFP process shouldn't be about proving that maybe the current advisor is wrong. It's about proving that the organization's process is right, and that's how good governance is demonstrated.

When we look at this, we tend to think about it is, are we doing governance in practice, not just in theory? Agreed. And from a governance standpoint that aligns with fiduciary oversight. And so nonprofit organizations not only have a good guide but there's also a body of law that outlines the specific responsibilities and that's UPMIFA, which is the Uniform Prudent Management of Institutional Funds Act.

Greg Middleton: Just wanna make bring attention to a couple key tenets within the act, but it should be important for everyone. The first is the basic presumption that the law is intended to protect the long-term buying power of endowments and has certain provisions to accomplish it. One of those is that fiduciaries must act in good faith to manage and oversee investment dollars.

The standard is higher under UPMIFA and assumes a prudent expert standard regardless of the size of your asset pool. And finally fiduciaries must follow the organization's mission with respect to serving the charitable purposes. So this could be interpreted as socially responsible investing so as to not violate key beliefs of the organization, and it also relates to the spending policy.

So in general, it's safe to say if there's a good legal framework for good governance with UPMIFA, and this process we'll walk through today follows these guidelines. And then for this audience, again, to James' point and this outline, good governance translates into more money raised. So for organizations that are transparent with the community and follow these procedures, they actually have demonstrated they can raise more money than their peers.

And finally, we wanna focus on the benefits. So the obvious benefits include mitigating risk, gaining a better understanding of fees and services, and benchmarking overall results. Some organizations are looking for more to change than just their investment advisor or manager. In some cases, they're looking to change their approach.

This could be to outsource one or more of the processes with a discretionary advisor, often referred to as an outsourced chief investment officer or OCIO, or add a socially responsible investment, or SRI component. In addition, there have also been some interesting board dynamics in nonprofit organizations.

In some cases, there are organizations that have individuals serving on the board that are also involved in the management of the investment assets. This can get tricky, and a sound RFP process can help to document that oversight, even if the incumbent board member is retained. James, anything else you'd like to add before we move on?

James Ross: No, just that, again, nothing has to be broken. Sometimes it's just an evolution, not a not a, a damaged advisor or a damaged relationship

Greg Middleton: All right, next area to focus on is when do I issue an RFP and how often is that needed? Really there are, are five areas that, that we think about. One if there's been a change in the service personnel or within the organization, that's important to focus on. Second, underperformance of investments.

Third, lack of service and support, so depending on the current model that you have, what type of help you're getting if you don't feel like that's getting addressed, this is a good opportunity to understand your options. Fourth, a change in your organization's goals or objectives. Again, you wanna make sure you have alignment.

And fifth if you wanna make a change in your approach. So if you guys wanna incorporate a new service, a new offering that's a, a good catalyst to do it. A best practice that we say is to do this every three to five years in general. At a minimum, if it's just a benchmark it really helps because it creates awareness of new services, potentially could lower cost and it could enhance your current relationship.

James what's been your experience with the timing and catalyst for doing the RFPs?

James Ross: Yeah, I think that somewhere in that three to five-year range, I think when you get beyond that, that there's some real risk involved, and it's not necessarily just risk as a fiduciary. But you mentioned some great items.

Service changes, you think about how these organizations can grow over a three or five-year span, many of them double in size in that period. A- and the underpinning of what it takes to really service that can change. And I think it's an important distinction to remember evaluating the marketplace isn't the same as assuming you're gonna replace your advisor.

Sometimes the incumbent should win. In fact, if the relationship is strong, the RFP would give a committee greater confidence in the incumbent, not less. They'd be able to step back and say, "Look, we reviewed the market, we evaluated alternatives, we understand our fees, we've been able to clarify the service model we need, we've been able to document our decision," and ultimately, that's good stewardship.

And you mentioned earlier that transparency piece, that does resonate when you start thinking about donors.

Greg Middleton: Moving forward we would like to engage the audience a little bit more, and specifically, we would like to ask you guys a couple of questions to understand your experience with advisor request proposals.

So we've created two poll questions that we'd like for you to respond to. First one is what experience do you have with conducting an advisor RFP? The three options are none, you've previously conducted an RFP, or that you plan to conduct an RFP within the next eight to 12 months. So we'll give you guys 15 to 30 seconds to respond to the poll Please answer now.

Okay, we got 30% a third of the audience has not done an RFP. Half of them have done an RFP, and 20% are planning to do one in the next eight to 12 months. James your thoughts on this level of experience?

James Ross: I think that it's fairly typical. I would say that, again, for most organizations, we'd like to think that we wouldn't have people in the none bucket just because we know from a fiduciary standpoint we wanna do these reviews not often but a little more frequently than never.

And just when you're thinking about these questions, try not to think about it through the lens of whether you think you need a new advisor or not, but really try and think about these questions, not just this question, but the follow-on questions, and think about it around your organization's mission, its governance, and its oversight, and then that'll be the real value here.

It's not a, it's not an absolute answer to the question

Greg Middleton: Great. That's a great perspective. All right, so that was our first question. We have one more that that we'd like for you guys to, to do. And again, this is understanding what your motivators are, what your catalysts, what are the areas that you're trying to explore.

So our question here is, why are you considering conducting an advisor RFP? Is it a benchmarking exercise? Are you looking to address potential advisor conflicts, market volatility, or you have no current advisor? Again, we'll give the audience about 10 to 15 seconds to respond, so please answer now

Okay, so pretty significant focus on a benchmarking exercise and one for because they have no current advisor. James does this seem to be par for the course, or is this inconsistent with what you've seen?

James Ross: I think it can be. I think it's worth remembering, though, usually market volatility will expose governance gaps, right?

So when markets are calm, any weakness that's in someone's process kind of remains hidden, right? When markets are trending up like the last several years, you tend to not notice some of those governance gaps. When markets are difficult, though, committees start to learn if they really understand risk or not, if they really understand liquidity, do they really understand their spending needs?

Do they really understand who has that decision authority? And so while this poll didn't bear it out, if volatility is the catalyst or, think through some of these things and you feel what I just said, the question isn't really how did the portfolios perform, it's how will, whether we do an RP or not, how will our advisor help us make better decisions when the environment is difficult?

So I think each one of these has merit, but usually we see this as either a benchmarking exercise or a market volatility exercise

Greg Middleton: Thank you all to your participation in the poll. Moving forward, we're now gonna focus on the step-by-step plan to ensure a sound process. So this slide is your roadmap. And this, based on our experience, represents what we consider is a sound 10-step checklist, and it's organized into three phases, which we hope will ensure a well-thought-out, efficient, and potentially easier advisor RFP process for any organization or entity, regardless of your size or what you're trying to accomplish.

So again, think of this as your roadmap. The first phase going from left to right is preparation. There's two main goals for this phase. What do you wanna accomplish? This may not be clear upfront, but it is good to think through it, recognizing that it may shift a little. And second is you need to gather the necessary content.

So that's an important area. And then also determining your key stakeholders that'll be involved in the process. Second phase is implementation. In this phase, you'll do four things. First, you're gonna assemble your deliverable. Second, you'll identify the recipients. Next, you will determine and finalize the response structure.

And finally, you'll distribute the RFP to your candidates and the final sorry yes we had a question that came in. Yes, you will get a copy of this presentation at the end within the next day or two, and we'll have a link to the recording and a copy of the deck, along with some other resources.

The fur- the, the third and final phase is decision-making. During this phase, you will focus on getting all the RFPs back and reviewing them figuring out who are your finalists are, how to conduct a finalist meeting, how to make a decision and select an advisor, and then most importantly, how do you wanna document the process?

So if you follow this appropriately, this outline will take what probably will initially feel like an overwhelming process, and it'll turn it into an efficient, manageable experience with hopefully a positive outcome. James, again, we had some... a couple of really good prep sessions. Do you mind sharing your feedback that you had on this topic and this slide specifically?

James Ross: I do. Yeah, so when we've seen these RFPs go well or when they break down, just like anything else, it really comes down to the preparation. That's the entirety of this whole webinar. Usually what happens is everybody skips to the implementation and maybe not the decision-making, but they skip over the preparation.

And what goes into the preparation is not the visible tasks, right? So the visible tasks are who should we invite, what questions should we ask, how many finalists should we have? But where they really need to start with the prep is, why are we doing this? What are we trying to im- improve? What does our organization's mission require from an advisor?

What support do we need at the board, staff, donor, and committee level? And a- as opaque as it sounds, what does a successful relationship look like in three years? And really, if you can't answer those, you're probably not ready to start shipping out RFPs

Greg Middleton: Awesome. Awesome point

All right, so if we're moving through our roadmap, the first component of good preparation is determining purpose and key stakeholders. So a couple areas to think about is, y- number one, who needs to be involved? So nonprofits come in all shapes, sizes, and structures and based on your current structure, identify who, who will need to be involved during any and all aspects of the process.

Communicate to them the desire to conduct an RFP and that you want them to be part of the process. Now this could be a potentially a large group, and so within that group, determine who's in charge and who's the primary contact. It can be the same or it can be two different people. All right.

Second is to identify or confirm the needs and mission of your organization and the goal of this process. James touched on this just now, but it sounds pretty simple, but it really is the most important aspect of the phase. And to James' point, if you can agree on this early, you're gonna get a much better outcome.

Third is to choose and review a scoring process. Determine what criteria is most important to your organization, how you will review and evaluate them, and narrow your list of finalists. It's best if these parameters can be agreed upon and documented before the RFP is distributed. Next, agree on a timeline.

This is not only for the external responses, but also your internal process. Based on our experience, a majority of the RFP processes do not stay on track due to an underestimation of how long the process will take, and that primarily is the review process. And finally, come to a consensus. After you've gone through these steps, please make sure you review the decisions, the responsibilities, and the timeframe with all the involved parties associated with your organization to ensure that an, there is an agreement in place, and then move forward.

James, any any experience or additional comments on this topic?

James Ross: I just think when you think about the collective level of RFPs we've done, and we do after actions with clients that we win and prospects that we don't win, I think what we have found is that when organizations have struggled through the RFP process, more often than not, there is a committee or internal board alignment issue more than quality of advisor issue.

One, one person may want growth, another wants less volatility, somebody wants to give away more money, s- another wants alternatives, some people want less complexity, and ultimately, you end up with a bunch of folks that can't agree on objectives, which makes it very challenging to even select a, an advisor.

So I guess before issuing the RFP internally, you would wanna get consensus on, what mission outcome matters most, what governance challenges are we trying to solve, what support do we need beyond investments, what would an ideal relationship look like? And I, again, I know that sounds opaque. And then what, how do you actually grade success?

What does success look like three years from now and five years from now? And I think if you do that, it turns an RFP away from being a vendor search into a strategic alignment exercise

Greg Middleton: Determining long-term fit is huge, so could not agree more. Okay, so the next piece we're gonna focus on for preparation is getting content and information about your specific situation to help the respondent understand as much as possible about your portfolio and your needs. And the easiest way to do that is, there's two ways that you could do it. Number one is you could get highlights from your investment policy statement, your quarterly review, your asset allocation, and you could list some of that in your RFP, or you can take the actual deliverables and include them as attachments which is great because you're going to get a more informed response from each of the the firms because they'll have a better understanding about your situation.

James for the RFPs that you've responded to, how has this information helped with your response and the opportunities that you see that you can help each organization?

James Ross: It's critical, right? When you consider the amount of time that goes into it between organizational staff, committee and board volunteer folks, just the sheer volume of hours, you're reviewing hundreds or thousands of pages of documents, then you're having finals presentations that can stretch on for hours and hours over multiple days, it seems silly to not get information that's actionable.

But the quality of responses is gonna be directly related to the quality of information you provide, right? If you only provide portfolio information and everything's about performance, you'll only get portfolio information and performance-related answers. If you want information on mission engagement ideas, you have to give mission context.

If you want donor support, you have to be able to explain how you interact with your donors. Basically a generic RFP is going to get generic answers, and then the whole process is not actionable

Greg Middleton: Yeah, great. So for mission information, would you just add that as another bullet or just a, a section about what they're trying to accomplish?

James Ross: Yeah, absolutely

Greg Middleton: Okay, the next area that we're gonna talk about, it seems daunting, but it's really about the questions and what questions to ask and where can you find them. Don't worry you will get an industry-approved RFP template as part of the follow-up that has questions for all the sections that James and I are getting ready to talk through.

Number one best practice that we'll always recommend, will save you time, is this... This sounds silly, but just make sure that the questions you ask match the services that you're requesting. Could not tell you how many times we get RFPs with questions that have nothing to do with the plan type the entity type, or the services that, that we can provide, so just make sure you got alignment there.

For all the RFPs we've seen, it really... the, the questions fall into 11 categories. There's general firm information. That includes basic information about the firm questions about the structure and history of the organization, what's the focus of its business activities, what are its revenue sources, and what are its competitive advantages?

Next is fiduciary regulatory compliance. That stuff's pretty self-explanatory. You wanna make sure you understand their registration, licensing, whether or not they can be a fiduciary, what type of insurance and liability coverage they have, what litigation their firm has been through. Do they have a compliance department, and how do they address conflicts of interest?

Third is client service and relevant experience. You wanna understand their model and their approach to client service. You wanna have an understanding of the experience with peer groups or with w- the areas you're focused on. You want specific client list and references. You also wanna know what they think the top issues for nonprofits like you are, and how they're addressing them.

And then you also wanna understand a description of the team and the specific individuals who are gonna be proposed to your relationship. Sections four through seven are pretty, pretty straightforward. In general, you just wanna understand their fundamental principles and approach for managing an endowment or foundation portfolio for each of these.

What resources they utilize, what decisions are made to achieve it, and what's the client experience like for each of those? Again, don't worry, we will share a template which includes probably 30 high-level open-ended questions and specific questions that'll address things like investment policy resources, investment policy and asset allocation, portfolio construction, performance evaluation reporting, manager search, due diligence and selection.

Fifth would be implementation and transition. RFPs ask hypothetical questions, but to James' point, it's also good to know what things look like in three years from now, and so how advisors could work with the clients. This section would specifically establish an understanding of how the client relationship would transition and begin if you choose to hire them.

It's very important and often overlooked, and again, it ultimately helps to understand about fit next is proposed service and offering. Again, this provides clarity about the services being proposed and what are the associated costs with working with that firm. Next is about continuity. This is an overlooked aspect ensuring continuity both from a client service and relationship management point and from an organization's technological infrastructure and how quickly it can respond to a natural disaster.

And then from a security standpoint there's a lot of there's a lot of issues that are going on with fraud, and you wanna make sure that you've got good governance and that your information's protected. And the final is to consider is the requested deliverables. So again, what you wanna do, you wanna make sure that you're checking every box.

You wanna get sample deliverables from each responding firm and we'll recommend what they are in a minute. So I know that's a lot of information. We're gonna send you a sample template which includes all the information that we discussed. But what I wanna pivot to James for is we talked about some really current topics like alternatives ESG investing, and outsourced chief investment officer topics and how those are impacting the process and wanted to spend some time on that.

So James if you could, we'll go to the next slide, and if you can share your thoughts on those topics and how nonprofits should be thinking about it, I think that would be hugely valuable

James Ross: Yeah, when we think about specifically alternative investments, right? Certainly a timely conversation.

It seems to be coming up more and more and we're gonna use some maybe interchangeable terms here. Obviously the questions here are great. Why use alternatives? What's the expected return? All of those other things. But you wanna go a little deeper than that, and also, for something like alternatives or mission-aligned investing or ESG, there's an extra lift there on education.

And so I would just make sure that when you're thinking through some of these other asset classes or other ways to invest, that it's not just the investment widget, but it's also that underlying support. When you think about alternatives, it's not just buy this and forget it, it's understanding does the advisor have a pacing model?

Do they even know what that means? Certainly does the organization have the right governance structure to handle alternatives? You get beyond the, the standard liquid mutual funds, ETFs, stocks, bonds, et cetera, and you start talking about things that might have illiquidity.

What's your spending policy look like? So all of these things kind of interplay, and ultimately, when we think about alternatives, we understand that it's not just an investment decision, but it's also a governance decision that requires certainly additional education, but also additional liquidity pr- planning, additional operational discipline a little bit longer term commitment, and you have to have complexity comfort.

You can't just assume that because you're comfortable with one thing you're gonna be comfortable with another So when we think about this slide and we're thinking about, this says we're really thinking about value-based investing, right? So this is some people would term this Main Street investing, not Wall Street investing.

And the idea here is to invest in a way that aligns with your underlying mission, and certainly not excluding the investment part, that there should be returns there as well, right? So there are differences between SRI and ESG and impact investing, and that's probably a whole another webinar or hour conversation or more.

But just know that they are each different, and what your obligations will be different. And while there's terminology and understanding the terminology, it's useful, don't start there. Start with the mission of the organization. And, the question shouldn't be-- it should not be should we invest or implement an ESG strategy?

It should be what beliefs, values, mission commitments are important enough to influence our investment decisions? And so I think if you look at this through that lens the other things get a little bit easier, right? And some of these things can be simple exclusionary screens. They don't have to be overly complicated.

But I guess if there was a key take on this, just remember it's mission first, portfolio second, and then implementation is third

Greg Middleton: James, you talked a little bit about, or ESG, I think that's a good segue into this next slide. So again the slide that you guys are looking at a high level it explains that ESG strategies may incorporate environmental, social, governance factors, and that identifying the priorities helps determine the appropriateness of an ESG framework.

This is an example of environmental, social, and governance factors. Environmental factors may include carbon intensity, fossil fuel reserves, water usage, pollution, alternative energy, green buildings, and energy efficiency. Social factors may include labor practices, human rights, animal welfare, data privacy, diversity, and business involvement.

And governance factors may include board independence, voting rights, compensation policies, accounting controls, risk oversight, shareholder engagement, and management structure. The important thing that we want you to know is that ESG is not just one thing. Different organizations care about different issues, so identifying the priorities is critical.

James, again with your experience with other nonprofits, what are your thoughts on this framework and these factors?

James Ross: I think with ESG specifically, once we get past time-based pools of capital a long-term strategy, an intermediate term, short term, I think this is probably the first landing point for most nonprofits, and part of it is it helps them reflect their values, but also it resonates with their donors.

A, a lens to look at this through is not every pool of capital is gonna resonate or connect to each donor, right? Not every donor is gonna wanna be in your long-term strategy. Maybe they're gonna want something that is more closely aligned with their values. And so this is where governance does matter, right?

This shouldn't be an advisor trying to impose their values on the organization. This should really be the board or the committee defining what matters, and then the advisor helps implement. So this is usually the first stop when we get past those time horizon-based pools of capital for most nonprofits

Greg Middleton: Got it.

Let's move to the next topic. Next topic is OCIO or outsourced chief investment officer. This slide compares the discretionary investment manager and non-discretionary investment advisor responsibilities, which include recommendations, implementation, monitoring, decision authority, and liability. This introduces OCIO and distinguishes between the two types of investment fiduciaries.

Just for clarity, in a discretionary investment manager model, the advisor may recommend asset allocation and policy parameters, select investments, monitor investments, make changes, implement policy, and own the liability for the investment decisions. The investor or the trustee selects the asset allocation and policy parameters and monitors the advisor.

In a non-discretionary investment advisor model, the advisor recommends asset allocation and investments, monitors investments, recommends changes, and owns liability for the tools and analysis used to make the recommendations. The investor or the trustee retains final investment selection and decision authority.

James, how are you seeing c-committees engage on this topic?

James Ross: I think the challenge is this is probably the one acronym in our world that has the most definitions. I've personally asked 40 different firms what OCIO means to them, and I've gotten a lot of different answers. I think everything you said is right.

For some people, it just means discretion. I think it is, to bring this back to a governance conversation, when most people hear OCIO, they think it's outsourcing investments. But really, it's governance design, right? Who has authority? Who has responsibility? Who has accountability? What does the committee retain?

What does the advisor implement? And so sometimes the question isn't should we hire an OCIO, it's what governance mo-model best fits our capacity and our expertise and our needs? And, we have worked with let's call discretion or non-discretionary clients a bunch. And we've seen on the non-discretionary side, committees sometimes will spend months debating portfolio changes, not because they weren't qualified, but because they're busy.

They're volunteers. Meetings are quarterly. Materials came late. Decisions get pushed. And so that... then that takes something from an investment decision into a governance design problem. Certainly for some organizations, OCIO will improve execution and accountability. For others, non-discretionary still remains the right fit, and I think the RFP process can help figure out what's appropriate.

I would just suggest maybe go into that without a set idea in mind

Greg Middleton: Great. So we're back to where we started. We talked about the 11 basic categories to consider as you put your questionnaire together. The only thing James and I would add to this is that if you're considering including alternatives as part of your questionnaire, make sure you ask about governance, liquidity, pacing, reporting, and education.

If mission and alignment matters, ask about values, donor intent, policy development and implementation. And if OCIO is being considered, ask about authority, discretion, accountability, reporting, and oversight. James, is there anything I missed? Yeah, I would just reiterate while it's totally fine to start with a template, make the questions your own, right?

James Ross: I think oftentimes people forget to do that, but the questions reveal what an organization values, right? So if, and I've seen every version of this, if 90% of the RFP questions are about performance and fees, then responding firms will assume this is a performance and fee decision. If an RFP includes thoughtful questions, though, about mission, governance, education, donor support, reporting, liquidity, all of these things, then firms can better understand what an organization is looking from looking for from a strategic partner.

And be specific, right? Don't ask generic questions about process. Ask questions about how the process would help your organization. Ask ... Don't say, "Hey, do you provide board education?" Ask for board education samples. Force firms to provide more than a generic answer

Greg Middleton: Make it as specific as possible Moving forward into the next phase of preparation to James' point, you wanna ask for copies of all of these deliverables.

These are proof points for not only what they're able to present and demonstrate, but it's also an example of what it's like to work with them. You'll get an, you'll get an understanding of what their IPS looks like or what a performance review looks like or what type of market commentary thought leadership they are creating.

James, anything to add to this list of 10?

James Ross: No, I think it's a good list. I think the challenge, just personal anecdote, the hypothetical manager recommendations and hypothetical portfolios always get a little challenging just because I think about our own process internally where we go through risk tolerance, asset allocation studies, and we have all of these very defined processes, none of which we're able to do during an RFP process.

And I would just say again, ask for specific examples. If a firm says, "Hey, we provide robust committee education," ask for what that looks like. Ask for a, an annual or biannual plan on what that looks like, and then look at those examples with a critical eye. What did it teach? Was it tailored?

Was it practical? Did it actually help our committee make better decisions? Same thing, don't just think about, did we get a sample report and throw that away. Is it clear? Can a volunteer committee member who may not be in the financial service industry understand the report that you received?

Does it connect performance and risk and spending and mission all together? So I think sometimes those deliverables can be more revealing than just a polished answer.

Greg Middleton: Agreed. All right, we've moved into the implementation phase, so this is phase two. Really you take all the work that you've done and you wanna put it into five sections for a a tight group.

So first section is an introduction. It just needs to address two areas. First, give an overview and background of the organization, and second is purpose and scope of the RFP, which is why you're doing it and what you're looking for. Section two general information and instructions about the RFP itself.

Information you can include in here would be the schedule, listing out milestones, deadlines and the primary contact for all engagement. And the final section should also address requirements of the response that really focus on the parameters of how you want the response organized, how you want it packaged and delivered.

The third section of the RFP should give an overview of what you're looking for and what the requirements should be. So give some information about your endowment foundation, scope of services and provide them as much detail as possible. You should also consider including a set of minimum respondent qualifications in this section.

While it sounds harsh, it could eliminate some respondents and ultimately save you some time Final section I would include, final content I would include in this section is how you are going to rate the performance of the advisory firm and what your preference is for interaction and ongoing reporting for the services that the team's responding.

Fourth these are the questions that you want answered, so organize them in a logical way for the firms to respond to. And fifth we'll include any supporting materials that you'd like to include. James, anything to add in the assembly portion of the implementation phase?

James Ross: I would just say the best RFPs where it's actionable are specific, right?

So don't just say, "Tell us about your firm." You wanna make sure you share who you are, what matters to you, what you're trying to solve for, what you think a partnership should look like, and here how you're going... and here's how we're going to evaluate the responses. I think if you get-- if you put out a vague RFP and firms have to guess you're not gonna be thrilled with the results.

If you put out a clear RFP you'll get actionable intelligence

Greg Middleton: Sounds like AI. Just kidding. All right. Next phase is to determine and finalize the response structure. So these are just a checklist of things to think about. Do you wanna include an NDA? Do you want a cover letter of the firm to put together an executive summary of their response?

If there's a procurement department do you need to include them or specific forms? How do you want it? Do you want hard copies or do you want an electronic deliverable? And if you do want hard copies, how do you want it packaged? Do you have a page or a word count restriction? Do you want them in an envelope?

Do you want a three-ring binder? Again, to James' point, however you want it is fine. You just need to be specific. You also need to think about pricing. From a pricing standpoint, do you want it packaged or do you want it part of the normal response? Contracts. So again, a way to get ahead of some things is I would ask for contracts from each of the firms, so that way you can start to evaluate it and give it to your legal or compliance department to evaluate what edits would need to be done so you could give feedback to them.

And then from a sample standpoint just be specific because if you're not careful, they will send you everything and it could be extremely overwhelming. And so just limit the deliverables to the ones that, that you need. And finally, the third-party services. There's been a, a, a large trend in the industry over the last five to 10 years that there are third-party services that can handle some or all of the functions of this process.

There are a number of procurement tools and resources you can outsource the administrative components to. Or if you're overwhelmed and are willing to bear the cost there's some great third-party consultants out there that you can outsource the entire process to and go that route. And so if you do decide to go that route just make sure the groups you're evaluating, do a little bit of due diligence on them to make sure their experience with running RFPs and any potential conflicts of interest they might have and choose wisely.

James, anything else to add for how to put the, the RFP together?

James Ross: I would just reiterate what you said, that having a defined structure is gonna be important. I've been doing this long enough that I can remember manually delivering, an RFP response to a, a prospective client, and I saw all these RFP responses stacked up on the table, and the difference in volume was astounding, right?

One firm might send in a 20-page response, and another might send in 150-page response because there was no structure there, right? Certainly some firms will send in, all the marketing material on every potential mutual fund they may recommend. They can send in things that make the fee schedule seem complicated or in a way that's hard for a committee member to understand.

And you just have to try and look at this through the lens of the evaluators, right? If your committee or board, who are largely volunteers, is gonna be involved, you do wanna have some structure so that it's not a challenge just for them to get off the starting blocks

Greg Middleton: Agreed. All right, so we talked about the people.

Let's figure out how to put the, how to put that list to- together. Everybody always asks the same question: What's the right number? Do I include the incumbent? Do I include local or not? Typically people in, m- most committees include roughly five to seven in the process. Don't let it get much more than that because you still gotta go through all the processes, and just be aware if you invite everybody in town, they're all gonna remember if they won or not, and you'll have to see them socially or out in their professional settings, so just be mindful of that.

Places to go. So key stakeholders, so people in your organization that are involved with the project or on the committee, ask them if they have a name they want to recommend or somebody they've worked with before. There's a ton of industry publications, whether it's in local organizations or entities like trust and estates professional development groups.

They have annual directories of advisory firms that could be helpful. Talk to your current service providers. They may have a name or two that they can share. Talk to your peers. They'll know some folks. We mentioned third-party consultants before. They certainly have a list. C- committee members of the board, we talked about that.

A newer one to think about, a- again, the, the Internet is not going away and neither is AI. Depending on what platform you guys are comfortable with, it's easy to just put a nice prompt in to talk a little bit about what you're trying to do and what you need a recommendation for, and ask them for a list of advisory firms either in your area that you're focused on, and whether it's ChatGPT or Claude or Copilot or any others that are out there they can put together a pretty good list too.

In the interest of time we want to keep moving to make sure we get through all the slides. So James, fi- 15-second hit. Any other aspects to consider as they put together this list?

James Ross: More is not more. It just- ... a curated list is better than 20. I've seen more RFPs abandoned that had above 15 participants than completed

Greg Middleton: Wow, that's, that, that's a great quote.

More is not more. All right, so now that you got it together, what you need to focus on is you need to get it out. And so when you distribute it, there's a couple of simple things to focus on. Number one once you've sent it out, it's best to include some language that the recipients acknowledge they received it and that you actually ask for an intent to bid and you put a deadline to it.

Again, you're trying to run a process and you want to keep it tight and so that is a good area to focus on. And then also in, in addition to the intent to bid, ask them if they have any questions and you'll get some really good feedback for that. And then once your deadlines have passed, once the intent to bid's passed and the deadline for questions has passed, once you've received all the questions, just copy them all into one document with your answers to them and then send it back to all of the firms that acknowledge their intent to bid with it, so that way you don't have to send out multiple emails or respond to the same question multiple times.

A general timeframe for getting a response back from a respondent is about three to four weeks after you've issued your RFP. James, does that align with your experience?

James Ross: It does. I would just add, the Q&A part is extremely valuable and can be very telling, right? If a firm doesn't ask any questions and then submits a generic proposal, that kind of tells you something.

Whereas, if you get thoughtful questions on the front end where somebody's trying to better understand mission governance, decision-making structure, and all of these other factors that can also tell you something

Greg Middleton: Agreed. All right, so you've got it out, you got feedback, now you got the final responses.

How do you make heads or tails? So first thing you do when you get all of the responses in, as a courtesy, acknowledge receipt of the response to each of the submitters and that you're gonna go through your review process and you'll be in touch. Try not to get overwhelmed 'cause it will feel like a lot.

It's gonna feel like a b- James' point, there's a lot of different responses and structure and thoroughness and heft and packaging that, that you're gonna get. Just follow your agreed-upon process and schedule. Just what you've said at the beginning, follow it, and you will get to the right outcome.

The... It's funny how the respondents will really reveal themselves. Couple of tips to help you with that. Look for the advisors who respond who frame their responses as solutions or focus on outcomes rather than just telling you about themselves and their background and capabilities. Also, beware of check-the-box answers where every respondent's probably gonna look like they say the same thing.

In fact, you should look for responses that go deeper, specifically by your specific issue or their evidence of understanding the challenge that you framed and their ability to illustrate unique advantages that they can help you with. If there's areas that you need, have questions about, you need further explanation, it's okay to go back to them and ask more questions.

They do not mind engaging. They'll jump all over it to give an opportunity to have engagement. So again, as you work through that, it's gonna be pretty clear. Just communicate internally within your groups. Try to narrow your list as soon as possible. So once you do that- Then it really is about decision-making.

And so for getting to a finals presentation most of the time, depending on how many people you invited to submit an RFP, your finals presentation should be no less than two, no more than four 'cause that's probably gonna be the best environment. So you wanna make sure that you go through the list, make sure they distinguish themselves from the pack and they don't have any red flags.

If you feel good about that list, communicate to the firms that they've been selected as a finalist. Also let the other firms that didn't make it, a- as a courtesy to let them know they were not selected, and then when the process is over, offer to give them feedback on why they weren't selected. Next step for that is you've got to put together logistics to get those presentations in order and ensure that the decision-makers are available and prepared.

So this is where James will shine. This is really about conducting a finals meeting. So these are some pretty good steps to walk through with James. I know we've got just a couple minutes left. In your opinion, what's made some of the best finalist interactions for you for some of your client interactions?

James Ross: Certainly consistency, right? You want every r- participant to have the same experience, but realize that now you're evaluating people, not paper. Obviously engagement, right? So the more that you know in advance, the more engaged they can be, and you're just asking big-ticket questions, right?

Can the team communicate clearly? Do they listen? Do they understand us as an organization? Are they asking us thoughtful questions back during the finals? And can they help explain complex topics inside of this framework where a non-professional will understand it? And ultimately, all of those things matter.

These are people that you're gonna be working with on an ongoing basis moving forward, so you better like being in the room with them

Greg Middleton: Great. Final point to make on that is this last bullet. After you're done with everything, please document your decisions, save all your meeting notes, 'cause it'll help with your fiduciary governance process.

So in closing, focus these are your best practices. This is also a list of the materials that you're gonna get as a follow-up. There's a ton of information in here, and again, we hope this is a great roadmap to help you navigate a pretty challenge... Could be challenging process, but also to make it specific enough to your needs and what the industry's reflecting to ensure that your needs are met and that you have an appropriate approach.

James, anything to add before we check the Q&A with the last 90 seconds to two minutes?

James Ross: No I would just leave with, a successful RFP, it's not just a document exer- exercise, right? It's a governance exercise, and the purpose isn't just to find an investment manager, it's to identify a partner that's gonna help you advance your mission.

And I think if you look at it through that lens, it does get a little bit easier

Greg Middleton: Got it. So a couple questions came in. Yes, we will send a copy of the presentation with all the materials. We if there's an issue with the review process and decision's delayed, yeah, this is, a- again, it's what we talked about earlier, it's pretty common.

Just if you get in the weeds because it's taking too long to review just let the respondents know. That, that shouldn't be a problem. Can you pick and choose which sections of questions to include? Absolutely. Again try to be comprehensive, but again, make it specific for your needs and this last question's about AI.

AI is a great tool and a resource. It can help you think about or reinforce a lot of what we've talked about today, give you some ideas about which firms or local advisors to include. But again evaluating the response, I would suggest... I would not suggest using AI to evaluate the response because they don't know your specific needs and they may not be able to get the right clarity that, that you're looking for.

They can help get you some structure and guidance, but as far as an evaluation I would still use your process and your committee and things that you feel the best fit for your needs. Thank you for joining us today, James. Thank you so much for being available to do this. Your insight is invaluable.

We will share all this information as a follow-up within the next 24 to 48 hours, and we hope today's hour has been super helpful for you and your organization as you think about conducting an advisor RFP. Thank you so much.

James Ross: Thanks, everyone