**FIDUCIARY DUTIES**

The Center for Fiduciary Studies defines a fiduciary as “anyone who has the legal responsibility for managing property for the benefit of another, exercises discretionary authority or control over assets, and acts in a professional capacity of trust rendering comprehensive and continuous investment advice.”

That means you – members of the Endowment Committee. Further, under UPMIFA (the Uniform Prudent Management of Institutional Funds Act) – a state law passed in every state except Pennsylvania – you are assigned a series of duties relative to your endowment funds:

- Duty of Care/Prudence
- Duty to Investigate
- Duty to Minimize Costs
- Duty of Loyalty
- Duty of Obedience.

While issuing a formal RFP will help the committee fulfill these assigned duties, it is only one part of the fiduciary task.

**DOES SIZE MAKE A DIFFERENCE?**

Yes. For smaller accounts, in the range of $10,000 to several hundred thousand, a fully-developed and exhaustive RFP process is not the norm. Nevertheless, the committee can and must address its duties in other ways. For example, the committee needs to understand the fees it pays, including not only investment manager or advisor fees, but also the fees within the funds the manager uses to invest the money, the custody fees, transactions costs, and any other fees that are charged. The Committee needs to diversify assets, consider economic conditions, evaluate risk, and make sure it understands the investment vehicles used. And the committee needs to maintain a regular dialog with its investment manager.

**WHEN SHOULD AN RFP BE ISSUED?**

For larger accounts, usually over $1 million and more, an RFP process is recommended every five to seven years. Endowment funds are invested for the long-term, so in order to assess your managers’ performance, you need to give them sufficient time, over several investment cycles, to demonstrate their skill and make strategic adjustments as required.

**WHY ISSUE AN RFP?**

One reason is to fulfill your fiduciary duty. Another might be that you are unhappy with the current manager –in terms of performance, fees, or service. Or you may be curious to see if other mangers offer betters terms or additional services.

Another reason is fairness. The RFP process allows the committee to compare manager using the same set of criteria. An objective evaluation of managers eliminates the issues of favoritism.

**WHAT RESOURCES WILL YOU NEED TO GET STARTED?**

You will need a committee dedicated to following through on a process that will require time, expertise, and commitment. From beginning to end the process can take up to six months or more.

If you don't have internal expertise, you may need help to develop an IPS (Investment Policy Statement), frame the questions, and evaluate the responses. ECF staff can be a useful resource in the process.

You will be well served if you get your house in order prior to issuing the RFP – cleaning up such things as your IPS, other endowment policies, deciding if you want to consider Socially Responsible or Environmental/Social/Governance (ESG) Investing, determining levels of risk tolerance, discerning your spending needs, ascertaining the nature of the funds (true as designated by the donor, or quasi as designated by the Vestry), and documenting any donor restrictions. Again, ECF can be a valuable resource in this stage of the RFP process.

**WHO WILL YOU ASK TO RESPOND?**

As you develop the details of the RFP process and questionnaire, the committee needs to research and decide on who will be asked to respond. Sometimes the committee specifies minimum requirements for the responding firms such as:

a. Agree to act as fiduciary
b. Be a registered investment advisor
c. Affirm that its primary business is consulting for institutional funds
d. Be of a certain asset size
e. Be in business for a certain number of years
f. Have experience in investing for non-profit organizations