

# **GUIDELINES FOR DONOR RECOMMENDED INVESTMENT ADVISOR SELECTION, OVERSIGHT, AND RETENTION**

## **Outside Investment Advisor Criteria and Guidelines**

The Foundation is pleased to provide donors the option of a customized investment approach by recommending a preferred investment advisor of their choice. This approach allows donors and their investment advisors to maintain their professional relationships while furthering the donor's philanthropic goals.

The Foundation recognizes that the pooling of invested assets reduces administrative and investment-related expenses and thereby allows more money to go toward the donor's charitable goals. For this reason, the Foundation has established certain limitations and guidelines for situations when a donor wishes to recommend a specific investment advisor to retain investment advisory services.

### **Policy**

The Foundation may open an account with an individual investment manager or management firm ("Recommended Manager"), subject to the approval of the Foundation's Finance Committee, to manage assets given to the Foundation by a donor provided the following criteria and guidelines are followed.

### **Recommended Manager Criteria**

- The Recommended Manager, at a minimum, must be a registered investment advisor under the Investment Advisors Act of 1940, comply with any State requirements and act in a fiduciary capacity.
- The Recommended Manager must possess sufficient professional and educational experience managing assets of similar complexity and size consistent with the intentions of the investment account being established.
- The Recommended Manager must be able to demonstrate the ability to manage a discretionary portfolio in a manner similar to the mandate of the investment account being established. Both actual and risk-adjusted performances are evaluated relative to a representative benchmark(s) for an appropriate time period determined by the Finance Committee. The Recommended Manager should have sufficient relevant performance history on which to base an opinion on their ability.

Note: Recommended Manager may be asked to provide Request for Information (RFI) documentation to the Foundation's Finance Committee for a fiduciary due diligence review.

### **Guidelines**

- The donor is making a gift of the agreed upon minimum of \$250,000 to the Community Foundation for the purpose of establishing a new endowment fund.
- The donor requests in writing that the gifted assets be held by the Recommended Manager.

- The donor will not personally benefit from the Community Foundation's relationship with the Recommended Manager. The donor does not have a family relationship with the Recommended Manager or with the employees or owners of the Recommended Manager's firm.
- The assets must be managed in an account belonging to the Community Foundation and the donor may not exercise any control over that account. All assets donated to the Foundation are owned solely by the Foundation, which has ultimate authority and control over all investment decisions. The Recommended Manager shall take instructions only from authorized employees of the Foundation, never from the donor who created the fund.

### **Fees**

- The donor acknowledges that the fees and expenses charged by the Recommended Manager will be deducted solely from the total return on the funds held by the Recommended Manager. The Foundation will discuss these fees and expenses with the Recommended Manager to reach an agreement establishing fees and expenses that are reasonable and commensurate with the services the Recommended Manager will provide.
- The donor agrees that the Investment Consultant's fee will be deducted from the total market value thus effecting the total return on the funds. These fees are in addition to fees charged by the Recommended Manager.
- The donor agrees that an annual Community Foundation administrative fee will be deducted from the total return on the funds.

### **Investment Management**

- The donor acknowledges and the Recommended Manager agrees that the Recommended Manager will communicate regularly with the Foundation and/or its Investment Consultant and will provide monthly statements and quarterly investment reports to the Foundation, and will provide inquiry only access to account data to the Foundation and its Investment Consultant.
- The Recommended Manager understands the Foundation's Investment Consultant will use third party aggregators to establish data capture connections to the Recommended Manager's custodial account.
- The Recommended Manager will play a primary role in applying due diligence standards to the managers held in their respective accounts, including monitoring.
- The Recommended Manager is required to adhere to the Investment Policy (IP) set forth by the Foundation, including but not limited to, approved asset classes and investment restrictions (see Section IV).
- The Recommended Manager will manage the fund on a standalone basis and is required to mirror the approved asset allocation included in Section II of the Investment Policy as closely as possible, and at a minimum, must adhere to the overall stock/bond allocation. The portfolio should be a diversified allocation of equity and fixed income consisting of a minimum

of two equity classes and two fixed income asset classes.

- The Recommended Manager agrees to pool donors together into a consolidated investment account for each asset allocation rather than opening separate investment accounts for each donor.
- The Recommended manager agrees to use their best efforts to vote proxies for the exclusive benefit of the Foundation.

### **Revocation or Termination**

- The donor and the Recommended Manager acknowledge that the Board of the Foundation may, at any time, revoke the privilege of the donor recommendation and terminate any contract or agreement with a Recommended Manager. The donor acknowledges that IRS regulations require that the Foundation Board retain the sole discretion to terminate the Foundation's relationship with the Recommended Manager and to Transfer the funds held by the Recommended Manger to other investment managers under any facts or circumstances that the Board in good faith believes warrant such termination and transfer. Such facts and circumstances include, but are not limited to, a determination made in the sole discretion of the Board that the Recommended Manager has failed to meet benchmark requirements, has failed to perform comparably to other managers, has charged fees that are incommensurate with services provided, or has otherwise failed to perform as requested by the Foundation.
- In the case of an agency donor, the board of the agency must pass a resolution directing the agency to request that the Foundation enter into a contract with a specifically named manager. The agency donor must supply that resolution to the Foundation at the time of making its request.
- Each instance of the requests contemplated by this Investment Policy will be evaluated individually. The Board reserves the right to refuse any gift deemed to be against the best interests of the Foundation.