

▶ SEI Solution Brings Discipline and Objectivity to Large Community Foundation

Organization: Large Community Foundation

Endowed Assets: \$150 million

Solution Provided: A total solution including spending policy analysis, asset allocation, investment policy assistance, investment management, and administrative services

Key Benefits:

- Consolidated approach delivers simplified administration, integrated reporting, and customized asset allocation and investment strategies
- Disciplined, well defined process to research, select and monitor investment managers
- Increased performance consistency, greater objectivity and fiduciary comfort
- Seasoned nonprofit professionals to provide advice and support

In late 2001, the Community Foundation was successfully achieving its mission of strengthening its community through a variety of programs, and was also experiencing significant growth in endowed assets. The Foundation had also begun to sponsor a variety of giving programs, including charitable gift annuities, charitable remainder trusts and lead trusts, as well as a pension plan for employees. Given the growth in assets and the expansion and complexity of giving programs, the Foundation decided it was time to re-evaluate its approach to both asset management and administration of its programs.

The Foundation's Investment Committee determined that it needed a more formal, disciplined investment management process. The Committee's current process, which involved the use of an investment consultant to research various ideas and assist in making manager selections, was deemed to be less thorough and less timely than a Foundation of its size warranted.

While the all-volunteer Committee members brought significant investment experience, they recognized that they could dedicate only a limited amount of their time. The Committee wanted more thorough due diligence, improved diversification and a more objective process that was free from conflicts of interest, and concluded that it had outgrown its current process and needed to identify a better solution. In evaluating the options, it determined that outsourcing investment management would be the best answer for them.

In early 2002, the Foundation began evaluating investment outsourcing providers for its program. SEI Investments, with its leading Manager-of-Managers investment program, was ultimately the firm selected.

During the sales process, SEI analyzed the Foundation's portfolio and identified areas of over-concentration and opportunities for improved diversification. SEI was able to demonstrate how its more diversified portfolio and disciplined, objective, well-documented investment process could be delivered at lower cost than the Foundation was paying for its existing arrangement. The fact that SEI would act as co-fiduciary further impressed the Investment Committee.

Critical to the decision to choose SEI was the fact that SEI's dedicated professionals understood the key challenges of Community Foundations and have tailored their products and services to meet those needs. "Our team of nonprofit professionals ranges in expertise from product development to asset allocation to regulatory compliance, and they are all dedicated to serving the unique needs of nonprofits," according to Carolyn McLaurin, Managing Director of SEI's Nonprofit Group and Vice President of SEI Investments Management Company.



A CUSTOM APPROACH

Once hired, the first thing SEI did was work with the Foundation to determine an appropriate approach for each distinct asset pool. The Foundation's pools included charitable gift annuities, charitable remainder trusts, lead trusts, and donor advised funds. SEI analyzed spending policies, expected fundraising and donor demographics to identify a unique asset allocation for each of its investment pools.

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SEI then employed its Manager-of-Managers investment program to implement the asset allocation for each portfolio. This gave the Investment Committee peace-of-mind because as a co-fiduciary, SEI's professionals would apply a disciplined process to monitor investment managers daily and implement the appropriate changes as needed. “The Committee was now able to focus on more strategic decisions such as asset allocation and evaluating new asset classes, and felt comfortable that their investments were doing what they were designed to do,” according to McLaurin.

INTEGRATED ADMINISTRATION

Not only could SEI bring improvements to the investment management process, they could also bring all the administrative services needed by the Foundation. SEI provided integrated administrative services for the Foundation's charitable gift annuity, charitable remainder trusts and lead trusts, as well as their pension plan. The Foundation liked SEI's holistic approach and the fact it could have all investment and administration services integrated under one umbrella with SEI.

SEI Investments Management Corporation (SIMC) is the adviser to the SEI Funds, which are distributed by SEI Investments Distribution Co. (SIDCo.) SIMC and SIDCo are wholly-owned subsidiaries of SEI Investments Company. For those SEI Funds that employ the 'manager-of-managers' structure, SEI Investments Management Corporation has ultimate responsibility for the investment performance of the Fund due to its responsibility to oversee the sub-advisers and recommend their hiring, termination and replacement. Custodial services provided by SEI Private Trust Co., a federally-chartered thrift. ©2004 SEI Investments Developments, Inc. This piece focuses on the experience of one client, other's results and/or experiences may vary. Investing involves risk, including loss of principal. There is no guarantee the objectives discussed will be met.

The Foundation now receives timely reports and information to aid in its strategic decision making. Instead of waiting for their consultant to consolidate the reports from the five investment managers, the Foundation now receives a completely integrated snapshot report on the seventh business day of the month, which is available both in paper and on the SEI website. An added convenience is the ability to check SEI's site for real-time balance and transaction information on any given day. Prior to joining SEI, the Foundation had no web access to reports.

In addition to standard investment reports, SEI also provides custom reporting and benchmarking information for the Foundation. Because there is no extra charge for custom reports and requests with the SEI model, the Foundation can do a better job of budgeting and forecasting.

The comprehensive updates provided by SEI every quarter are also an added benefit for clients. In addition to a review of economic conditions, performance and challenges and opportunities facing nonprofits, SEI's Client Service Director brings new investment topics and ideas. These reports allow for better information to make strategic decisions, such as selecting new asset classes like alternative investments.

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Another plus was SEI's interest in assisting the Foundation with its good stewardship efforts. SEI helped significantly by educating donors and supporting agencies on the investments, the Manager-of-Managers process, and SEI's track record as an institutional asset manager with more than \$100 billion in assets.

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