

SEI Solution Positions Human Services Organization for Growth

Organization:

Large Human Services Organization

Assets:

65 Million Dollars

SEI Solution: An integrated solution providing advisory services, investment management and administration services for the organization’s endowment, donor vehicles and 401(k) plan.

Key Benefits:

- A 30% growth[†] on collective investments
- A cost-effective, scalable, model for investment, technology, and administrative tools and services
- An extension of staff offering advisory services, specialized expertise, and planning services for various investment vehicles

BACKGROUND

In December of 2001, SEI started a relationship with this human services not-for-profit organization that would blossom into a strong strategic partnership. This organization’s mission was to help the elderly live as independently as possible in the environment of their choice. In 2002, the organization began growing dramatically, providing new housing developments and additional locations. The growth of their overall assets increased funding development, and it was projected that they would be growing at the same rate if not faster in the coming years.

The complexity of managing this growth within a not-for-profit environment led them to search for an outside service provider who could deliver a level of expertise not only for their investments, but also for larger issues around administration, technology, and workforce.

THE NEED FOR A NEW PROCESS

The Board charged the Investment Committee with developing an investment strategy that would set policies for its multiple asset pools. The organization had a series of existing charitable giving vehicles, including charitable trusts, gift annuities, and a pooled income fund, as well as its overall endowment fund. However, after reviewing the complexities of investing these assets, coupled with the administration and reporting requirements, the organization quickly realized it needed an outside resource to deliver a more streamlined process.

The current structure the organization was using to manage the multiple account types was fragmented. As Figure 1. shows, the organization had multiple providers, which added an additional layer of oversight for the Board. Additionally, the organization was not gaining any economies of scale from working with multiple partners.

FIGURE 1 Traditional Model



SEI Model



† Since client began working with SEI

* Optional services



By integrating all investment and administrative services and assigning specialist teams to each area, SEI was able to help this not-for-profit streamline processes, gain efficiencies and cut costs.

A SPECIALIST APPROACH

Charitable Gift Annuities – Internal staff was managing the administration for over 130 annuitants with various payment dates. The staff had to send out checks on a weekly basis, which was a time-consuming process. SEI restructured the process by setting up an automated payment process, and scheduled annuitants to receive their payments on the 1, 15th, 25th, or last day of the month. This alleviated internal staff from having to oversee and administer the checks and enabled them to focus on other mission critical services.

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— Carolyn McLaurin
Managing Director
SEI’s Nonprofit Group

Charitable Trusts – Trust set-up, investments, and administration were becoming cumbersome tasks for the internal staff. The SEI team of specialists reviewed the existing trusts and created new investment models that provided tax-efficiency. The SEI team also performs all the tax-reporting and regulatory support for these trusts on an ongoing basis.

401(k) Plan - The organization’s employees had their own 401(k) plan that was growing but was not as large in terms of assets as their endowment. They needed a service provider to help manage, administer, and report on the plan assets for their staff and employees but were concerned with the level of service they would receive due to the smaller plan size. Additionally, the bulk of the 401(k) assets were invested in one asset class, and the organization wanted

to provide some education to employees about additional options available. SEI’s team of retirement specialists worked with senior staff to provide a comprehensive educational program for employees along with a quarterly report to update the Board on the status of the plan.

Endowment Fund – The Investment Committee was struggling with the current model used to oversee the investment management of the endowment. The current model utilized a consultant who would bring manager information to the committee, and then the committee would select, hire, and terminate managers. The committee wanted more thorough due diligence on investment managers and a better, less time-consuming process. Additionally, the committee was interested in looking at alternative asset classes and taking a more strategic approach to their asset allocation.

SEI was able to demonstrate how its Manager-of-Managers investment program would provide the Committee with a more disciplined process to monitoring investment managers and implementing appropriate changes as needed. SEI also was able to bring in specialists to educate the committee about alternative investments and the risk/rewards associated with investing in those asset classes. In the end, this program could be offered at a lower cost than the Foundation was paying for their existing arrangement.

AN INTEGRATED SOLUTION FOR GROWTH

By utilizing a series of specialists to provide expertise and oversight on its multiple investment pools, the human services organization was better able to focus on the growth areas of their organization. “We worked very closely with the executive staff to analyze their current situation and recommend appropriate asset class and portfolio structure for the foundation’s existing philanthropic assets. We also recommended actionable strategies to help implement these programs,” stated Carolyn McLaurin, Managing Director of SEI’s Nonprofit Group, “it was evident that no other provider could offer the range of services and the depth of expertise that we could deliver.”

Today, SEI provides an integrated service model for the human services organization’s endowment, donor vehicles, 401(k) plan, and capital replacement funds. The organization now receives timely, consolidated reports that assist the committee in identifying areas for enhancement. Furthermore, with a dedicated client service team, the committee is able to make critical changes quickly and efficiently – a key feature for this growing nonprofit.

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