



Consultant Model In Question Among Institutions, According to MoM Poll

Nearly one-third of nonprofits using a consultant to oversee investment management services said they are concerned about the model and are evaluating other options, based on preliminary findings from a poll of nonprofit organizations by manager-of-managers **SEI Investments**.

The poll, which surveyed a total of 290 institutional investors with pensions, operating pools and/or endowments of between \$25 million and over \$1 billion, found that 34% currently using a traditional consultant model for investment said they are "concerned with the investment consultant model for investment management and are looking into other options."

"Picking managers and doing thorough due diligence takes a lot of time, particularly in the nonprofit area," said **Carolyn McLaurin**, v.p. and managing director of SEI's Nonprofit Group. "Investment committee members are volunteers and meet quarterly...it's an incredible amount of time to spend on manager oversight when they can talk about asset allocation, asset classes they can explore, the risk associated with that asset class and their liquidity needs. (Nonprofits) have to develop policies and figure out what their needs are, so many things are taking up time for a committee, manager due diligence and oversight alone is difficult."

McLaurin said that as institutions have relied more on their advisors to provide manager due diligence and guidance, concerns have arisen from the numerous changes that have occurred among asset man-

agers in the past year, whether it is in the form of staff reductions or operational failures that were not detected early on.

This may have led to the recent growth in outsourcing, if increased marketing efforts and bundled solutions by institutional consultants are any indication. In recent months, advisor Hammond Associates brought on former DePauw CIO Carla McGuire to lead their investment outsourcing efforts due to demand, while McLaurin said client prospect meetings have increased dramatically, along with a 50% increase in nonprofit request for proposal volume in 2009. SEI completed 28 RFPs for nonprofit organizations in all of 2008 and so far this year, have already completed 21.

McLaurin believes that in addition to the investment research services that outsourcing can provide, bundled structures have afforded smaller nonprofits the opportunity to put more effort towards the program aspects of their respective organizations, as opposed to the back office work that tends to be the most time consuming.

"We understand how daunting it is for manager research, but another thing that doesn't get enough attention when you talk with prospects is reporting problems," McLaurin said. "When they adopt the manager-of-managers model, reporting is so much easier and timely, we hear this from the staff over and over and sometimes an investment committee doesn't realize how much easier it is for the staff, but that's a huge thing."