

AKRON COMMUNITY FOUNDATION POLICY FOR SELECTION OF OUTSIDE INVESTMENT MANAGERS

In certain situations, or at the request of a donor, it may make sense for Akron Community Foundation to consider engaging an investment manager outside the foundation's primary investment pool. This scenario will typically occur when a prospective donor has a longstanding and trusted relationship with an investment manager or financial advisory firm currently holding the assets intended for donation to the foundation. The foundation's Finance and Investment Committee and the outside investment manager will utilize the following criteria to guide their decision as to whether an outside investment manager should be incorporated into the foundation's mix of approved investment manager relationships:

- 1) **Fund Size:** The fund, or combination of funds consolidated for investment purposes, must be of sufficient size to enable diversification in accordance with the foundation's investment policy; to ensure efficiency in management; and to minimize management expenses. Accordingly, the foundation's Executive Committee will approve all outside investment manager relationships on a case-by-case basis upon the written recommendation of foundation staff.
- 2) **Established Firm:** The proposed outside investment manager must be a firm or person affiliated with a firm with sufficient capitalization, insurance, assets under management, management oversight, and experience to demonstrate his or her/its capability to serve as an investment manager. The foundation's Finance and Investment Committee will review the following documents provided by prospective investment managers:
 - a) History, structure and management of the firm;
 - b) Primary ownership;
 - c) Past judgments or current litigation against the firm or its employees, and/or other regulatory actions;
 - d) Most recent audited financial statements.
- 3) **Private Benefit to the Donor:** All relationships (personal and professional) between the donor and the donor's extended family with the outside investment manager and/or the manager's firm must be disclosed for evaluation regarding compliance with federal tax law rules addressing private inurement and private benefit and/or any other applicable federal or state law.
- 4) **Authority and Control:** The foundation must enter into a written investment management agreement with the outside investment manager and/or the manager's firm. The agreement will clearly state:
 - a) The foundation is the sole owner of all assets;
 - b) All such assets shall be and must remain under the sole control of the foundation;
 - c) The outside investment manager and/or the manager's firm will be subject to oversight by the foundation's Finance and Investment Committee;
 - d) The foundation, at its sole discretion, may terminate the relationship with the outside investment manager and/or the manager's firm immediately upon written notice based on noncompliance with the investment management agreement or the foundation's investment policy statement;
 - e) Upon the death of the underlying donor(s), the foundation will evaluate whether to maintain the outside investment management relationship based upon relative past performance, administration and other relevant factors.

- 5) **Asset Allocation and Portfolio Management:** The outside investment manager and/or the manager's firm must have experience overseeing the investment of assets in various asset classes and across various investment styles. The manager and/or the manager's firm must support the foundation's commitment to comply with the Uniform Prudent Management of Institutional Fund Act (UPMIFA) and the Uniform Prudent Investor Act (UPIA) as applicable and/or any other applicable federal or state law. The foundation will provide the investment manager with the foundation's investment policy statement as guidance relative to the long-term asset allocation model and appropriate performance benchmarks.
- 6) **Reporting:** The outside investment manager and/or the manager's firm must agree to provide the foundation with at least monthly account statements in such form and containing such information as the foundation deems necessary. The outside investment manager and/or the manager's firm must also agree to provide an annual statement of transactions and fiscal year-end balances directly to the foundation's auditor in a timely fashion based on the foundation's fiscal year ending March 31.
- 7) **Fees:** All investment management fees must be clearly disclosed, and the outside investment manager and/or the manager's firm must offer fair market, competitive pricing with the application of any discounts the investment manager and/or the manager's firm would offer any client with a similar size account and relationship.

When a donor or fund representative requests that an outside investment manager be considered for engagement by the foundation, the staff will collect the background information and any additional materials needed to prepare a recommendation to the foundation's Finance and Investment Committee. The staff recommendation and related background materials will be provided to the committee in advance of a regular committee meeting where the recommendation has been incorporated into the corresponding meeting agenda. The proposed outside investment manager and/or representatives of the investment manager's firm may be asked to make a presentation at the committee meeting in addition to providing the requested background material.

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