



# OUTSIDE INVESTMENT MANAGERS



AKRON COMMUNITY FOUNDATION recognizes the importance of longstanding relationships between clients and their investment managers. When an individual, family, nonprofit or company establishes a fund of at least \$250,000, the donor can request for their investment advisor to manage the assets.\* This reassures donors that their assets will continue to be managed by professionals they know and trust, while also rewarding advisors for maximizing the fund's grantmaking potential.

## POLICY FOR SELECTING OUTSIDE INVESTMENT MANAGERS

Akron Community Foundation's Executive Committee approves all outside investment manager relationships on a case-by-case basis upon the written recommendation of foundation staff. Prior to that approval, the community foundation's Finance and Investment Committee will use the following criteria to determine whether an outside investment manager should be added to the foundation's list of approved investment manager relationships:

- 1. Fund Size:** The fund, or combination of funds consolidated for investment purposes, must be of sufficient size to diversify according to the foundation's investment policy. This ensures efficiency in management and minimizes expenses.
- 2. Established Firm:** The proposed outside investment manager must be a firm or person affiliated with a firm that has sufficient capitalization, insurance, assets under management, management oversight, and experience to serve as an investment manager. Prospective investment managers must provide the following documents for Akron Community Foundation's staff and committees to review:
  - 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 personal and professional relationships 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:** Akron Community 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. Akron Community Foundation is the sole owner of all assets.
  - b. All such assets shall be and must remain under the sole control of Akron Community 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. Akron Community 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), Akron Community Foundation will evaluate whether to maintain the outside investment management relationship based on 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 complying with the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and the Uniform Prudent Investor Act (UPIA) as applicable and/or any other applicable federal or state law. Akron Community Foundation will provide the investment manager with its investment policy statement for 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 Akron Community Foundation with at least monthly account statements 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 to any client with a similar size account and relationship.

### **Selection Process**

When a donor or fund representative requests that an outside investment manager be considered for engagement by Akron Community Foundation, our 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 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 materials.

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