

# CERTIFICATION FACT SHEET

## INVESTMENT STEWARDS FOUNDATIONS

### DEFINITION

**Investment Steward:** A person who has the legal responsibility for managing investment decisions, such as trustees and investment committee members. Investment Stewards, generally with the assistance of Investment Advisors, have primary responsibility for effective management of the investment process, including faithful adherence to investment fiduciary practices. The Investment Steward is responsible for managing the overall investment strategy: deciding on the asset allocation, defining the details of the strategy, implementing the strategy with appropriate Investment Managers, and monitoring the strategy on an ongoing basis.

### NEED FOR ACTION

For both private foundations and public charities, the management of foundation investments is regulated by state and federal law. The investment management practices at foundations have come under scrutiny as a result of the economic downturn, and the increasing risk of involvement with fraudulent investment advisors and managers. For example, in 2009, the New York Times reported that 150 private foundations had direct investments in the \$60 billion scheme orchestrated by Bernard L. Madoff.

Donors often request a specific investment manager or advisor, thereby increasing the fiduciary burden on the foundations investment committee.

### STANDARD

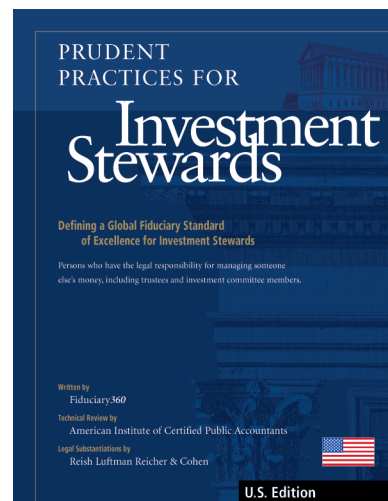
The CEFEX certification of a foundation is based on the standard described in the handbook: Prudent Practices for Investment Stewards, published by fi360 of Bridgeville, PA.

The Handbook contains 22 best practices, including supporting criteria, describing how an Investment Steward can prudently manage a foundations investments.

Each practice is substantiated by regulations contained within the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and the Uniform Prudent Investor Act (UPIA).

The responsibilities described in the Practices can be highlighted:

1. Know standards, laws and trust provisions
2. Diversify assets to specific risk/return profile of the foundation
3. Prepare an investment policy statement
4. Use 'prudent experts' (money managers) and document due diligence
5. Control and account for investment expenses
6. Monitor the activities of 'prudent experts'
7. Avoid conflicts of interest



The Handbook is available for free download at [www.cefex.org](http://www.cefex.org)



CEFEX Certification Mark for Foundations

## ASSESSMENT ELEMENTS

The following is a selection of elements within the CEFEX assessment. Some of these elements can be addressed with the assistance of the foundations service providers eg. Investment Advisors.

- Document review including: Investment Policy Statement, Service Provider agreements, documents pertaining to the selection of Service Providers, Investment Committee bylaws, Investment Committee meeting minutes, etc.
- Asset allocation strategy: how does the foundations model compare to a standard allocation, as measured by the fi360 Optimizer?
- Cash flow analysis
- Investment due diligence: how does the foundations investment line-up measure using a tool (the fi360 Analyzer) focused on fiduciary screens?

## FEATURES & BENEFITS

1. Helps to establish evidence that the Steward is following a prudent investment process.
2. Potentially helps increase long-term investment performance by identifying appropriate procedures for:
  - Diversifying the portfolio across multiple asset classes and peer groups
  - Evaluating investment management fees and expenses
  - Selecting Investment Managers
  - Terminating Investment Managers that no longer are appropriate
3. Helps uncover investment and/or procedural risks not previously identified, which may assist in prioritizing investment management projects.
4. Encourages Stewards to compare their practices and procedures with those of their peers.
5. Assists in establishing benchmarks to measure the progress of the Steward.



Contact: Mark D. Mensack, AIFA®, GFS®  
Independent Fiduciary Consultant, CEFEX Analyst

*Fiduciary Plan Governance, LLC affiliate*

[Mark@PrudentChampion.com](mailto:Mark@PrudentChampion.com)  
856 HIT 401K (856-448-4015)  
[www.PrudentChampion.com](http://www.PrudentChampion.com)

Author of the 401k Ethicist column in  
The Journal of Compensation & Benefits.