Slaying the Competition with the fi360 Fiduciarily Prudent RFP

2015 fi360 Conference Orlando, FL

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Leveraging your Fiduciary Expertise,

The New fi360 Request for Proposal Template

&

CEFEX Certification

To Slay the Competition.

The Dragon

How does an AIF, AIFA or CEFEX certified firm attract, win & keep fiduciary business?

Stewards have limited knowledge of their fiduciary responsibilities, fiduciary best practices and potential personal liability.

There is much fiduciary mis-information and many phantom fiduciaries such that Stewards are confused or apathetic.

How do you educate fiduciaries who don't know what they don't know so that they will value what you do know?

Here's how!

- Introduce the Prudent Practices and the fi360 RFP to your Steward prospect.
- The fi360 RFP focuses on the strengths of AIF & AIFA Designees & CEFEX-certified firms, thus significantly increasing your odds of winning.
- When you do, the Steward is a nearly ready for CEFEX-certification.
- Certification creates a resilient bond between you and the Steward!

- There are many RFP templates online, but none include significant focus on fiduciary responsibility.
- None are based on well substantiated criteria.
- There are a limited number of books/guides on creating and executing an RFP.
- There is no book/guide available on creating/executing an RFP process according to fiduciary best practices.

- Most RFPs are cut & pasted from the many examples found online.
- Stewards that conduct an RFP are typically focused on objectively choosing a service provider, not on how a service provider can help fulfill their fiduciary duties, or if a service provider setting them up for fiduciary failure.
- Most Stewards don't know what questions are important to ask a potential service provider, and if they do, they often do not comprehend the answer.
- A Steward: "we need someone to question the answers."

Getting Stewards to appreciate their fiduciary duties is often a kin to getting a dog to swallow a pill!

fi360 Fiduciarily Prudent RFP (FPR)

The fi360 FPR is an RFP written by a fiduciary for fiduciaries to identify fiduciaries and/or fiduciary experts.

First RFP based on the Global Fiduciary Standard of Excellence as defined in Prudent Practices for Investment Stewards, a legally substantiated description of the industry's best investment management practices.

How do your prospects and competitors answer the question, what is the basis of your RFP?

PRACTICE

3.1

STEP 3 : IMPLEMENT

PRACTICE

3.1

A reasonable due diligence process is followed to select each service provider in a manner consistent with obligations of care.

CRITERIA

- 3.1.1 Reasonable criteria are identified for each due diligence process used to select service providers.
- 3.1.2 The due diligence process used to select each service provider is documented.
- 3.1.3 Each due diligence process used to select service providers is consistently applied.

PRACTICE

4.4

PRACTICE

STEP 4: MONITOR

4.4

Periodic reviews are conducted to ensure that investment-related fees, compensation, and expenses are fair and reasonable for the services provided.

CRITERIA

- 4.2.1 A summary of all parties being compensated from the portfolio or from plan or trust assets and the amount of compensation has been documented.
- 4.4.2 Fees, compensation, and expenses paid from the portfolio or from plan or trust assets are periodically reviewed to ensure consistency with all applicable laws, regulations, and service agreements.
- 4.4.3 Fees, compensation, and expenses paid from plan or trust assets are periodically reviewed to ensure such costs are fair and reasonable based upon the services rendered and the size and complexity of the portfolio or plan.

fi360 Fiduciarily Prudent RFP (FPR)

The fi360 FPR gives you a basis to raise issues which many RFPs will ignore and therefore distinguish the fi360 FPR from the pack.

For example:

- Are you currently using an active or passive investment strategy? 3.3.6
- What is your policy on best execution, soft-dollars or proxy voting. 4.3
- Are you taking advantage of fiduciary delegation? 3.2.5

Fiduciary Delegation

ERISA §3(38) UPIA §9 UPMIFA §5

- (a) Subject to any specific limitation set forth in a gift instrument or in law other than this [act], an institution may delegate to an external agent the management and investment of an institutional fund to the extent that an institution could prudently delegate under the circumstances. An institution shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, in:
 - (1) selecting an agent;
 - (2) establishing the scope and terms of the delegation, consistent with the purposes of the institution and the institutional fund; and
 - (3) periodically reviewing the agent's actions in order to monitor the agent's performance and compliance with the scope and terms of the delegation.
- (c) An institution that complies with subsection (a) is not liable for the decisions or actions of an agent to which the function was delegated.

fi360 Fiduciarily Prudent RFP (FPR)

- Approximately 43 Questions
 - Due Diligence
 - Adherence to Prudent Practices
 - Objective Specific

Due Diligence

• Has the firm, or any officer, principal, or employee of the firm or an affiliated company, ever been investigated and/or charged by the Securities and Exchange Commission ("SEC"), the U.S. Department of Labor ("DOL"), or any other regulatory authority for violation of applicable laws? If so, please explain.

• Does the firm, or any officer, principal, or employee of the firm, have any lawsuits pending against it concerning the delivery of investment consulting or related services for any client? If yes, please explain.

Adherence to Prudent Practices

- What are the key issues to consider in establishing investment policy for a fiduciary client?
- What quantitative and qualitative factors are used to select and monitor investment options and service providers? How often are they reviewed?
- If the firm or any affiliate provides non-fiduciary services, please explain briefly what policies or procedures the firm has established to avoid or limit any potential conflicts of interest that could arise from accepting this engagement.
- Does the proposer or the proposing firm or an affiliate receive any compensation from 3rd parties, including but not limited to: (i) charges for inclusion in proposer's database, (ii) conference fees, (iii) brokerage commissions, etc.? If so, please describe briefly the nature of these services and compensation.

Case Study



Your RFP Response?

Case Study



Objective Specific

- The Steward is seeking (a) qualified firm(s) to:
 - Provide prudent investment management of these assets.
 - Accept fiduciary delegation as per Section 5 of the Uniform Prudent Management of Institutional Funds Act. (UPMIFA)
 - Create and adhere to an investment policy statement based on the objectives above and in accordance with the <u>Global</u> <u>Fiduciary Standard of Excellence.</u>
 - Assist the Steward in adhering to the Global Fiduciary Standard of Excellence.

Objective Specific

- How would the proposer achieve the Steward's long-term return objective of 5% per year above the rate of inflation?
 - The primary objectives of this RFP is to enhance Steward's adherence to the Global Fiduciary Standard of Excellence and to take advantage of Section 5 of the Uniform Prudent Management of Institutional Funds Act.

Objective Specific

- What expertise does the proposer(s) and proposing firm have regarding the Global Fiduciary Standard of Excellence?
 - Are there any specific criteria for which your firm is willing to take responsibility?
 - Are there any specific criteria for which your firm does not take responsibility?
- How would proposer assist the Foundation in adhering to the Global Fiduciary Standard of Excellence?

First FPR Results

- 3 of 4 finalists are AIF/AIFA/CEFEX
- 12 of 28 proposals were ranked fully qualified
- 9 of the 12 are AIF/AIFA/CEFEX
- Of the 16 not fully qualified, 15 failed to answer:
 - What expertise does the proposer(s) and proposing firm have regarding the Global Fiduciary Standard of Excellence?
 - Are there any specific criteria for which your firm is willing to take responsibility?
 - Are there any specific criteria for which your firm does not take responsibility?
 - How would proposer assist the Steward in adhering to the Global Fiduciary Standard of Excellence?

Business Type	Fiduciary Expertise
RIA	CEFEX Cert. 4 AIFA/CEFEX Analysts
RIA	3 Principals are AIFAs
RIA	CEFEX Cert x 2, 4 AIFAs, 9 AIFs
RIA	CEFEX Cert 1 AIFA/Analyst
RIA	CEFEX Cert, 1 AIF
Trust Co.	CEFEX Cert. 4 AIFAs & 15 AIFs
RIA	CEFEX Cert. 1AIFA/CEFEX Analyst, 4 AIFs
RIA	CEFEX Cert, 1 AIFA
RIA	2 AIFs
RIA	No AIF, AIFA or CEFEX Cert.
RIA	No AIF, AIFA or CEFEX Cert.
Trust Co.	No AIF, AIFA or CEFEX Cert.
Dually Registered National BD	No AIF, AIFA or CEFEX Cert.
Trust Co.	No AIF, AIFA or CEFEX Cert.
RIA	No AIF, AIFA or CEFEX Cert.
RIA	No AIF, AIFA or CEFEX Cert.
RIA	No AIF, AIFA or CEFEX Cert.
Private Bank	No AIF, AIFA or CEFEX Cert.
RIA	No AIF, AIFA or CEFEX Cert.
RIA	No AIF, AIFA or CEFEX Cert.
Large Wall Street BD	No AIF, AIFA or CEFEX Cert.
RIA	No AIF, AIFA or CEFEX Cert.
RIA	No AIF, AIFA or CEFEX Cert.
RIA	No AIF, AIFA or CEFEX Cert.
Trust Co.	No AIF, AIFA or CEFEX Cert.
RIA	No AIF, AIFA or CEFEX Cert.
Dually Registered National BD	No AIF, AIFA or CEFEX Cert.
RIA	No AIF, AIFA or CEFEX Cert.

- As a Registered Investment Advisor under the Investment Advisers Act of 1940, Proposer assumes a fiduciary role for all of our clients, and there are no specific criteria which our firm does not take fiduciary responsibility.
- Yes, as a Registered Investment Advisor and a Qualified Professional Asset Manager (QPAM), Proposer at all times exercises the diligence and standard of care of a professional fiduciary as defined under Section 404 of the Employee Retirement Income Security Act of 1974 ("ERISA").

- Our long history working with foundations and endowments has afforded us an expertise in fiduciary standards. We advise clients on fiduciary standards through not only proper investment policy construction, but also through establishing prudent processes, procedures, as well as implementation and monitoring of investments.
- Key team members will become thoroughly knowledgeable with the special circumstances surrounding your account and will ensure that the Foundation continues to operate in accordance with the Global Fiduciary Standard of Excellence.

Our firm is familiar with the Global Fiduciary Standard of Excellence and supports the efforts of the Centre for Fiduciary Excellence to standardize this set of expectations and responsibilities for parties serving in a fiduciary role. We are fully capable and willing to provide a full range of fiduciary services to our clients and strive to attain full compliance with industry standards for investment managers.

As a registered investment advisor with the Securities and Exchange Commission, we are considered fiduciaries for our clients. The Supreme Court of the United States has ruled that Rule 206 of the Investment Advisors Act requires a fiduciary duty for investment advisors, in "which an advisor has an affirmative duty of utmost good faith to act solely in the best interest of the client." We take our responsibility to serve our clients very seriously.

- We are CEFEX Certified firm. We recently completed our fourth renewal in 2014. Our team consists of four CEFEX Analysts, 4 AIFA® designees and 3 AIF® designees.
- There are twenty-one Global Standards of Fiduciary Excellence. When Proposer is hired as an investment advisor with discretion, we will take responsibility on nineteen of the twenty-one Standards. The two Standards we cannot take responsibility on are: (1) how did you hire us (did you undertake a prudent process) (2) monitoring Proposer.

How would proposer assist the Foundation in adhering to the Global Fiduciary Standard of Excellence?

The term "fiduciary" may be defined as a person entrusted with the responsibility of managing the assets belonging to others, and who stands in a special relationship of trust, confidence, and/or legal responsibility. Generally under state laws, the governing board of a nonprofit organization, as a body, has a fiduciary responsibility to the organization, and individual board members are considered to be acting as fiduciaries. We understand these duties and intentionally work to ensure that board members as well as staff members do as well.

The metrics involved in assessing adherence to the Standard will be easily quantifiable based on our approach and methodology. Proposer would also be willing to develop some educational workshops for the Foundation. Proposer would also assist the Foundation in completing fiduciary audits.

We have experience serving as fiduciary to clients and would partner with the Steward in an effort to provide continual and enhanced support for the Foundation.

On a practical level, Proposer's Group A, through its Proposer Group B, would work with the Proposer to assist the Steward in reviewing the client's existing policies to ensure that they are consistent with the client's investment objectives. The Proposer's Group A will also collaborate with the rest of your Proposer's team in selecting investment managers that collectively will follow a risk profile and asset allocation strategy consistent with the terms of your investment policy statement. On a regular basis we will review your investments to ensure that they are properly aligned with the requirements of your investment policy statement. In summary, Proposer truly has many customized services to offer our philanthropic and nonprofit clients. We're committed to putting the strength of our global resources and intellectual capital to work for you in a partnership that seeks to deliver insightful, practical and effective solutions.

Proposer would assist the Foundation in adhering to the Global Fiduciary Standard of Excellence by operating under its standards in partnership with the Foundation. Each of the Proposer's principals are credentialed as Accredited Investment Fiduciary Analysts with significant experience and familiarity with the Global Fiduciary Standard of Excellence.

The Proposer is prepared to implement the standards through the following process:

- Educate the trustees and staff of the Foundation on the Global Standards of Fiduciary Excellence;
- Conduct a Self-Assessment of Fiduciary Excellence (SAFE) examination;
- Annually conduct the Consultant's Review of Fiduciary Practices (CRFP) (equivalent to a Level 2 Assessment);
- Support the Foundation should it desire to undergo a CEFEX Assessment of Fiduciary Excellence (a Level 3 Assessment).

Proposer is a CEFEX Certified Registered Investment Advisor. The Steward, as a client of Proposer, could become a CEFEX Certified Steward for a nominal cost. CEFEX Certification is the industry's highly respected fiduciary seal of approval for investment stewards. Certification is an excellent way for the Steward to demonstrate ongoing trustworthiness to donors and the general public.



CEFEX Certification Mark

Are any of the proposer's clients certified by CEFEX?

Proposer does not typically serve in a consulting role in which we might recommend outside investment managers or have them as clients. Our clients are end clients seeking investment management services, and as such would not be certified by the Centre for Fiduciary Excellence.

At Proposer, we are highly committed to protecting client privacy and therefore consider this information to be proprietary. If we were fortunate enough to be chosen to serve you, the Steward would also receive our highest standards of client confidentiality protection.

Prudent?

In general, we prefer to utilize investment products into which we have full transparency. For this reason, we favor investment teams within the Proposer's fund family, which is a sub-advised mutual fund family owned by Proposer's Affiliate. Their due diligence team has full transparency into their sub-advisor's portfolios, and conducts a thorough oversight program which includes daily, weekly, monthly, quarterly, and annual portfolio and firm-level review processes. The Solutions team has fully vetted the Proposer's Affiliate's Funds' due diligence process, and we have full access to their 20 member due diligence team.

Prudent?

Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment)

Management Fees	0.58%
Distribution (12b-1) Fees	0.00%
Other Expenses	0.46%
Total Annual Fund Operating Expenses	1.04%
Fee Waivers	0.14%
Total Annual Fund Operating Expenses	
After Fee Waiver	0.90%

The fi360 Fiduciarily Prudent RFP substantiated by the Prudent Practices will be unique and *begin* a prudent process.

It's utility doesn't end once a new service provider is selected; it segues right into an ISO-based process with which a Steward can have independent confirmation that they are fulfilling, or properly delegating, all of their fiduciary duties.

ISO or International Organization for Standardization has published numerous quality management system standards, such as ISO 9001. The CEFEX certification program is based on ISO principles and audit methodology.

What kind of Fiduciary would care about an ISO-based process?



lational Standards Institute







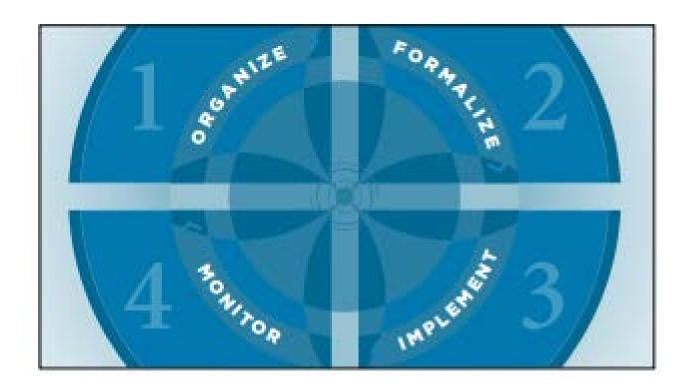






FIDUCIARY QUALITY MANAGEMENT SYSTEM

(Analogous to the ISO 9000 QMS Continual Improvement Process)



Advisor/Steward Client Certification Program

CEFEX certified firms can provide low-cost CEFEX certifications for their clients, for as little as \$500/year.

Your clients can leverage your firm's existing CEFEX assessment, thereby reducing the assessment requirements for its CEFEX Steward certification.

The certification process annually reinforces the value of your service.

When it comes to your retirement plan, the CEFEX Certification Mark tells you that:

- your investment lineup has been prudently selected
- your plan is well-managed
- your money is earning a reasonable return
- your investment expenses are being controlled.

CEFEX conducts an annual review of your retirement plan. CEFEX certification verifies that the plan utilizes industry best practices and incorporates the most up-to-date guidance. Additionally, the CEFEX review includes a comparison against other plans so you can know that your plan measures up.

The decisions being made today by stewards of your retirement plan can affect the retirement nest egg you will enjoy in the future. That's why you need to have confidence in your retirement investment plan — confidence that the CEFEX Certification Mark gives you.

You Can Be Confident in Your CEFEX-Certified Plan

You're doing your part. You are staying on budget, putting something away for retirement, investing in your future. You're being responsible, and CEFEX certification signifies that the stewards of your retirement plan are being responsible too.

OUR RETIREMENT PLAN IS CEFEX-CERTIFIED



A MESSAGE TO EMPLOYEES

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You're doing your part. You are staying on budget, putting something away for retirement, investing in your future. You're being responsible, and CEFEX certification signifies that the stewards of your retirement plan are being responsible too.

To learn more about how CEFEX certification benefits you, speak with your human resources department or visit cefex.org/steward.



WHAT DOES IT MEAN TO BE CEFEX-CERTIFIED?

- The plan complies with investmentrelated laws and internal governing documents
- Accepted industry best practices are being used
- Conflicts of interest are minimized and disclosed
- Reasonable models are used to calculate expected returns
- Risks, volatility, and expected returns are properly communicated
- The plan and its managers are reviewed as appropriate
- · Proper documentation is in place

Advisor/Steward Client Certification Program

We are so confident in our fiduciary expertise that we will have an independent 3rd party conduct a certification that your plan is adhering to the Global Fiduciary Standard of Excellence

after you hire us!



Advisor/Steward Client Certification Program

The value of this certification is so well recognized by the industry that you may obtain up to a 25% discount on your professional liability insurance premiums!

Given some basic info about the Steward's organization, you can even obtain an estimate of what the discounted premium would be if the Steward worked with you and achieved CEFEX certification.

- CEFEX certification helps firms differentiate.
- CEFEX firms have the right to use the CEFEX mark.
- CEFEX material is available and can be co-branded.

The Road to Fiduciary Security Begins with a **CEFEX Certified Advisory Firm**



How Clients Benefit From Their Advisor's CEFEX Certification.

CEFEX-certified investment Advisors proudly display the CEFEX Mark. Voluntarily, they undergo annual fiduciary assessments conducted by independent expert analysts. The resulting assessment reports are reviewed by a separate registration committee. This program can be thought of as a sophisticated peer-review system.



The CEFEX certification ensures that the advisor has prudent fiduciary practices in place and a culture of excellence, supported by documented and structured processes.

Documented and structured processes are more likely to result in investment portfolios that:

- Are better designed and have lower costs Structured due diligence processes force ratio. nal investment and service selection, thereby ensuring the best value for the portfolio.
- Can deal with a wider range of investment conditions.
 The investment process is not hostage to market swings. The process anticipates all types of conditions and can rationally account for investment outcomes.
- Make fewer strategic mistakes
 A well-structured process virtually eliminates
 deficiencies in portfolio management. The
 decision rules would not allow it!
- Better manage dient expectations through education, reporting and disclosure Disclosure alone is often insufficient to help investors. The fiduciary process leads to a more educated client who can better under stand the components of their portfolios. The process should enable greater personalization, based on risk preferences and financial needs.

enefits to clients:

- Higher probability of enhanced portfolio automes Documented, repeatable processes are more likely to generate higher returns over time, because they are not dependent on timing, luck, "in-fashion" or un-substantiated decisions.
- Increased transparency

Far too many advisors operate like black baxes. They cannot for will not describe their process there by avoiding accountability to the investor. The prudent process has nothing to hide.

Increased oversight

Independent fiduciary assessments supplement the advisor's internal compliance practices and their mandatory statutory regulatory compliance. The rules associated with statutory compliance are designed to constrain bad conduct, but it is impossible to set rules for every situation. Independent fiduciary assessments focus oversight on process, so virtually all situations are covered.

Competitive influence

The CEFEX-certified advisor is earning your business on fiduciary principles. The firm is striving to be the best fiduciary in a crowded market!

Thanks!

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