



# Taking a Racial Equity Approach to Endowment Management

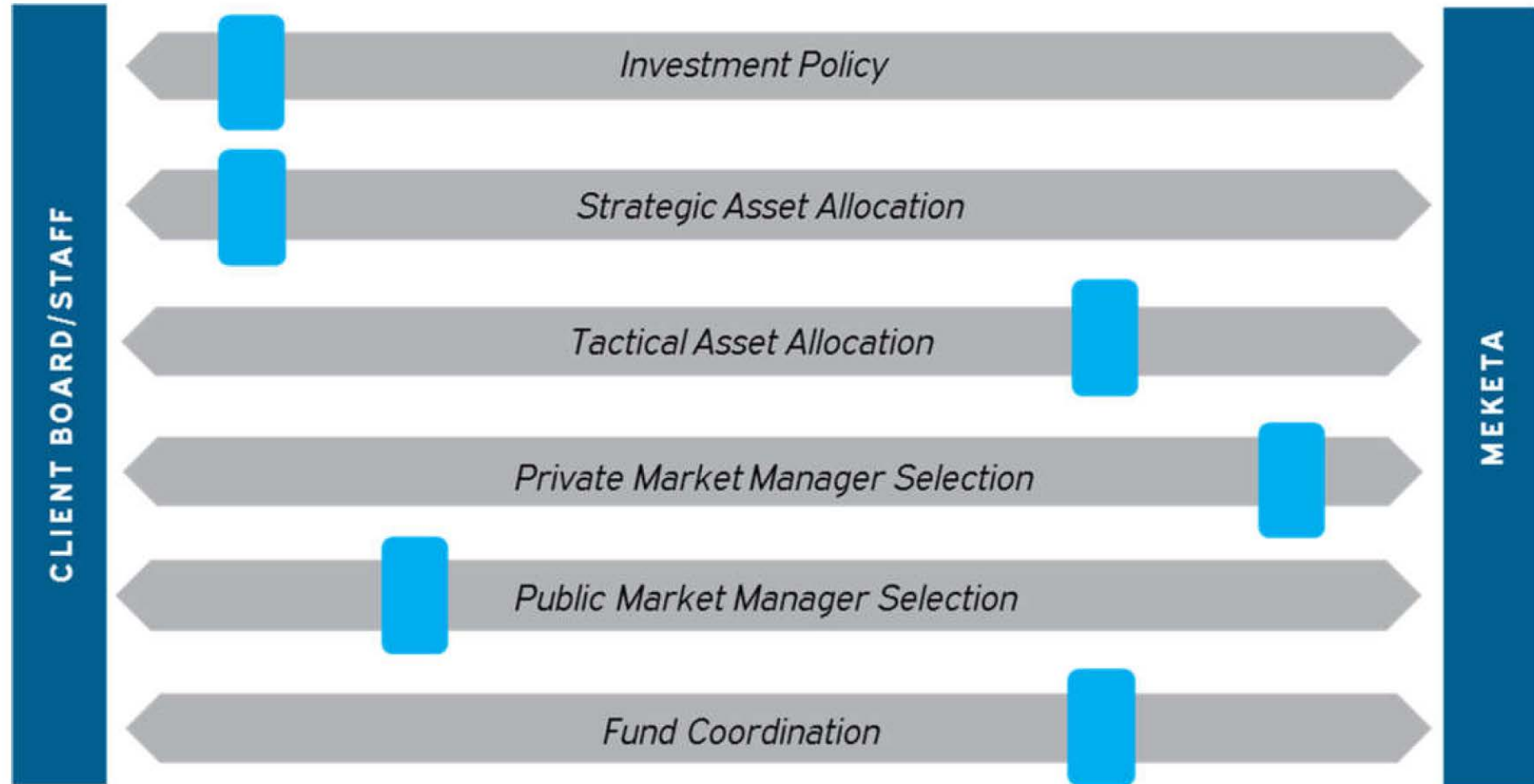
Models for engagement with impact consultants and investment advisors



# Investment Consultant / OCIO Models

Non-Discretionary Traditional Consultant	Limited Discretion Hybrid	Full Discretion "OCIO" Commingled Pools
<ul style="list-style-type: none"><li>• Customized portfolio</li><li>• Consultant recommends asset allocation and manager selection</li><li>• Separate custodian</li><li>• No signing authority</li><li>• Multiple accounts to reconcile</li></ul>	<ul style="list-style-type: none"><li>• Customized portfolio</li><li>• Consultant recommends asset allocation and managers for private assets</li><li>• Consultant selects managers in liquid asset classes</li><li>• Limited signing authority</li><li>• Multiple accounts to reconcile</li></ul>	<ul style="list-style-type: none"><li>• Customized allocation to pooled "building blocks" shared with other OCIO clients</li><li>• OCIO has full discretion over manager selection</li><li>• OCIO has signing authority</li><li>• Single account to reconcile</li></ul>

# Hybrid Discretion



# Traditional or Outsourced Approach?

## **Non-Discretionary** considerations:

- Governance committee has necessary investment and endowment expertise
- Entity prefers to be active participants in the management of its assets
- Donor stewardship and professional advisor engagement considerations
- Consultant staff can support operations and administration
- Lower cost

## **Discretionary** considerations:

- Clear accountability for decision making and performance
- Board and/or governance committee lack expertise
- Increasing portfolio complexity with the addition of alternatives
- Debating manager selection is viewed as suboptimal use of time
- Limited staff and governance time is better spent elsewhere

For either option: relationships are long-term as the switching cost is high.

# Key Considerations Before Releasing an RFP

## Know thyself

- Current state: what's working, what's not and why?
- What are your objectives, how are they prioritized?
  - Performance, impact, staff involvement, fees
- Do you have consensus on priorities among key decision makers?
- Will you use the RFP process as a learning journey and for consensus building?
- What type of board or committee education is needed to inform RFP design and selection of recipients?
- Other considerations:
  - Are you willing to have an independent custodian?
  - Staff capacity to manage RFP process, transition, multiple relationships
  - RFP steering group and approval of major milestones

# Assessing Racial Equity Competency in RFP Design

## 1. Add to Scope of Services in RFP:

### Racial & Gender Equity

At ABC Foundation, we recognize that a commitment to incorporating principles of diversity, inclusion and racial equity – the fair treatment of people of all races resulting in equitable opportunities and outcomes for all – is consistent with the board’s fiduciary duty of obedience to the public benefit purpose of CFSCC. As such, the investment advisor is requested to:

1. Employ and evolve inclusive practices to ensure equitable sourcing and evaluation of diverse investment managers across race, ethnicity and gender.
2. Demonstrate ongoing commitment to addressing racial and gender bias at the firm level and in the investment process through internal trainings and equitable representation and decision-making.
3. Provide education for foundation board members, committees and staff on diversity, equity and inclusion developments at the firm and fund manager levels, equitable evaluation frameworks, and evolving best practices.

# Assessing Racial Equity Competency in RFP Design

## 2. Collect evidence with RFP questions:

### Organization

#### A. Diversity

1. Describe how your firm incorporates principles of diversity, equity and inclusion (DEI) into firm policies and a culture of practice:

- DEI policies and practices
- Efforts to enhance the diversity of professionals within the firm
- Metrics used to track progress towards the firm's DEI goals

2. Provide the diversity of firm ownership, management and staff in the table below:

Firm Diversity Profile	% Women	% Minority*
Firm Ownership		
Management Team		
Staff		
*Minority is defined as Black, Indigenous, Latino, Asian, Pacific Islander. Include women who are minorities in this column too.		

# Community Capital Advisors Services

- **Racial equity audit of investment practices.** CCA helps clients understand and successfully advance DEI throughout the investment process. We employ the racial equity assessment framework developed by The Racial Equity Asset Lab to evaluate competency across nine dimensions. We assess accountability and transparency across governance structures, investment policies and practices, consultant relationships, and staff responsibilities, resulting in a detailed action plan for organizations to demonstrate systematic organizational accountability for DEI.
- **Investment consultant search services.** CCA provides objective investment consultant search services for foundations and nonprofits seeking guidance in navigating the crowded and often confusing landscape of investment advisors. Services include board education and consensus building, defining objectives, administering the RFP process and facilitating final selection of an investment advisor.
- **Impact investment policy statements.** CCA supports the development of a clear and compelling Impact Investment Policy Statement through education and facilitated discussion to identify objectives, define an impact thesis, and establish responsibilities and guidelines.
- **Program and portfolio audit.** Often impact programs start on an ad hoc basis and need some structure over time. CCA provides program and portfolio evaluation services to ensure proper due diligence, monitoring, internal controls, documented policies and procedures, and training are in place and effective to reduce risks and ensure continued success and achievement of organizational goals.
- **Community impact investment funds.** CCA guides clients through each step of planning, design, and implementation of impact investment funds. We facilitate landscape scans, funding gap analysis, opportunity identification, board education and consensus building, donor engagement, policy and procedures, and implementation. Once established, CCA provides ongoing investment due diligence, monitoring and reporting.
- **Mission-aligned cash/short-duration portfolios.** We assist clients in the design and implementation of mission-aligned cash and short-term investment portfolios customized to each organization's return, risk, liquidity, impact and administration criteria. We source investments and facilitate partnerships from our deep network and knowledge of CDFIs, impact platforms, syndication desks and fund managers supporting communities of color, health, education, housing, climate action and sustainable growth.





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