

Best Practices Report
2009
Investment Policy Committee
United Jewish Endowment Fund

Presentation

By

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Panel on Responsible Financial Management
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United Jewish Endowment Fund of JFGW at a Glance

- Established with lay leadership in 1975. First Endowment professional hired in 1981.
- Current size of Endowment \$110 million.
- Mission: “The Endowment Fund connects philanthropists with opportunities to meet Jewish needs and *tikkun olam* – *repairing the world*. Together, we strengthen and advance Jewish life in the Greater Washington area and around the world.”
- The Endowment Fund:
 - catalyzes diverse funding sources to leverage our ability to meet Jewish needs and effect change
 - awards seed money to new and innovative initiatives for enriching Jewish life and for *tikkun olam*
 - furnishes funds for unanticipated and emergency needs
 - generates permanent funds to support the Federation agency family

Investment Policy Committee (IPC)

- Purpose
 - To review available “Best Practices” and to provide recommendations to Endowment Trustees on best investment policies, practices and procedures going forward, in order to comply with those best practices
- Context
 - Adverse impact on UJEF by Madoff Affair
 - IPC tasked solely to look forward
- IPC Membership
 - Included investment professionals, members and chair of Investment Committee (at time), Endowment and Federation counsels and Federation supporter but not active member
 - Report delivered to Endowment Fund President on October 14, 2009 and to Endowment Trustees on October 20.

Resources for Report

- American Institute of Certified Public Accountants' Prudent Practices for Investment Stewards
- United Jewish Communities conference series on Fiduciary Responsibility in the Wake of Madoff
- Jewish Community Federation of Cleveland Statement of Investment Policy and Objectives
- Investment Committees: Vanguard's View of Best Practices
- Purdue University Endowment Investment Policy
- Ford and Packard Foundations' Investment Committee Charters
- Investment Policy Statement of the Joint Retirement Board for Conservative Judaism
- National Jewish Federation Investment Program Guide
- Lessons Learned article by James B. Stewart

Report Sections

- Core Principles that should be reflected in any set of Best Practices
- Best Practices keyed to current UJEF investment model roles
 - Detailed responsibilities of Investment Committee, Investment Advisors and Investment Managers
- Appendices
 - Detailed guidelines for selecting Investment Advisors and Investment Managers

What Report Does Not Include (I)

- A position on best decision-making model for Endowment Fund
- Practices outlined in report apply to all models
 - Under different decision-making models, different parties may have responsibility for specific practices
 - Examples of other possible models include
 - Hiring an investment professional at JFGW with committee/Trustee oversight
 - Using another Federation to manage Endowment Fund assets with committee/Trustee oversight
 - Having a committee that hires and fires an investment advisor who controls investment manager choices
 - Our current model of an investment advisor with active committee involvement, and
 - Variation on our current model using an investment advisor with more depth and authority with committee/Trustee oversight

What Report Does Not Include (II)

- Procedural Specifics
 - Where the report defines key to a best practice as having specificity, but the specific itself is not key, staff should be directed to lead, with lay input, task of selecting particular procedures.
 - For example, best practices call for education of Investment Committee members, but do not require a specific curriculum.

Core Principles (I)

- **Due diligence at every level**
 - At every decision point, defined criteria must be satisfied.
- **Clear delegation of responsibility and acceptance of responsibility by party to whom it is delegated**
 - Need clear understanding of who makes each decision and who executes each task.
- **Qualifications that match responsibilities**
 - Qualifications of each individual must match his or her level of responsibility.

Core Principles (II)

- **Protection against conflicts of interest**
 - Investment Policy Statement must define conflicts of interest and detail procedures for disclosing and responding to conflicts.
- **Effective enforcement of standards and procedure**
 - Procedures must be in place for enforcing criteria that need to be met at each decision point. Responsibility for oversight of Best Practices must be clearly identified.

Endowment Fund's Investment Policy Statement should communicate specific elements that reflect these core principles clearly and openly.

Best Practices

- Covers best practices applicable to all parties
 - UJEF Trustees
 - UJEF President
 - Investment Committee
 - Investment Advisor
 - Investment Managers
 - Auditor/Accountant
 - UJEF/Federation Staff
 - UJEF Investment Professional (if applicable)
- While the Trustees have full power and authority to manage and invest Endowment assets, investment responsibility should be delegated to Investment Committee
- Need for strict enforcement
 - Without proper enforcement, best practices are nothing but a paper shell.

Appendices

- Investment Advisor Selection Checklist
- Investment Advisor Performance Review
- Investment Manager Due Diligence Checklist
- Elements That Must Be Included In Investment Policy Statement
- Conflict Of Interest Policy

Conclusions: Best Practices

- [Report delivered to UJEF Trustees on October 20; currently under consideration and review by Endowment Fund]
- Seek to preserve lay/professional relationship: core of Federation system
- “Liberating,” by clearly defining responsibilities and requiring due diligence at each level
- Critical role of enforcement: may raise organizational, staff and resource allocation issues for Endowments