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Investment Committee Best Practices

An investment committee helps oversee and manage the growth of an organization's investable assets. For endowments and foundations, these are usually volunteer positions that carry a significant responsibility. With that in mind, here are a few steps that can help your investment committee thrive.

Begin by establishing clear objectives. This is often done by creating an Investment Policy Statement, or IPS, which serves as a guidepost for the committee and helps to support objective decision making. The IPS should define the organization's investment goals or objectives, risk tolerance, asset allocation strategy, and allowable assets, as well as the level of discretion assigned to the committee and its advisors.

These objectives should be reviewed at least annually to reflect changes in market conditions or budgets. The investment committee may also create the organization's spending policy and explore strategies such as mission aligned investing. Choose your committee carefully, selecting members who have a solid understanding of financial markets and investment strategies, and who have time to commit to the position.

To ensure fresh perspectives, consider including committee members who represent diversity in their backgrounds and their thinking. The size of your committee depends on the size and complexity of the nonprofit you serve. We recommend avoiding large groups, such as nine or more, since this can make it overly difficult to build consensus.

And always choose an odd number of members to avoid ties when voting. Regardless of any specific responsibilities, all committee members should stay educated on portfolio performance, market trends, and benchmarks. Committee members have a fiduciary responsibility to monitor the organization's assets and should ask questions and review monthly statements and quarterly reports.

New committee members should be brought up to speed on historical decisions and performance when they join the committee. One of the most important tasks of an investment committee is to keep careful and detailed records. Include all

past versions of your IPS, keep meeting minutes that explain your decisions and the reasoning behind them, and take time to document the roles of each committee member.

Communicate regularly with donors, staff, board members, and other committee members to keep them well informed. This includes sharing news of investment performance, New or existing objectives, changes to the committee, and anything else that establishes transparency between your committee and the rest of the organization.

Being part of a nonprofit's investment committee is an awesome responsibility, in every sense of the word. You're part of a greater good. And by establishing a strong investment committee, you're helping create a ripple effect of positive change. For help establishing, optimizing, or restructuring your nonprofit investment committee, call CAPTRUST.

Our financial advisors have the expertise and experience to help.

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