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Common investment committee agenda topics

Topics of discussion and frequency of meetings will vary depending on each investment committee's charter, the portfolio's complexity, and the staff's size and capabilities.

At a minimum, committees should meet semiannually to evaluate the portfolio's performance and at least annually to review asset allocation characteristics. Other committees may choose to meet on a quarterly basis with at least one meeting taking an educational focus, such as reviewing a particular asset class or investment strategy.

New committee members in particular should review meeting minutes and committee materials from the past one or two years to have a better awareness of the committee's activities.

A summary of some items that investment committees of Vanguard's institutional clients often include in their agendas follows.

At each meeting

- **Approve minutes:** Approval of the prior meeting's minutes serves as a helpful reminder for committee members to review recently discussed topics and allows for a common starting point at each meeting. This is usually mandated by charter or statute.
- **Portfolio review:**
 - **Review investment performance:** While total portfolio and component performance should be reviewed at each meeting, committees should evaluate them with a longer-term perspective. Best practices dictate that committees evaluate investment performance in the context of overall capital market conditions/returns to provide an attribution and understanding of portfolio returns.
 - **Review asset allocation for rebalancing as necessary:** Asset allocation decisions should be long-term in nature. Rebalancing should be examined at least every one to two years unless there is a major change in strategy or manager investment philosophy. However, a small component of the portfolio may be more tactical and opportunistic based on capital market conditions. In such cases, more frequent reviews of asset allocation may be necessary.
- **Identify agenda items for subsequent committee meetings:** Discussion at a meeting often leads to agenda items for subsequent meetings. At each meeting, committees should present a schedule of future meeting dates and proposed agenda items.

Annually

- **Approve investment committee members:** Generally, committee members (and committee officers) are reviewed and appointed annually. Board and investment committee members should rotate on a continuous cycle, with the board determining the appropriate rotation schedule based on the organization's specific needs and circumstances. Gradual shifts in committee composition are one of the most effective ways to balance the need for continuity with the importance of fresh perspectives.
- **Reaffirm objectives:** It is important for the investment committee to review and reaffirm the portfolio in light of the organization's mission statement and goals. The board should also discuss if any part of the objectives has changed, how and whether any changes reasonably fit in with or alter the mission and goals, and the appropriate response to them.
- **Investment Policy Statement (IPS):** The committee should formally review the IPS. Changes in the asset pool and board constituencies may necessitate modest modifications to the IPS over time. Such a review also creates a shared understanding of the asset pool's objectives and would be particularly useful following turnover of committee members.
- **Spending policy:** Similar to the IPS, it is useful to have a regular discussion about the spending policy. Many committees need to approve the spending policy annually by charter. While the policy is unlikely to change often, formally reviewing it is a key role of the investment committee.
- **Asset allocation:** Committees should discuss their asset allocation annually; addressing the level of risk, the likelihood of meeting spending and growth objectives, and the impact of changing strategic asset allocation. Major strategic changes to asset allocations should be made infrequently and only after careful consideration. However, conducting an asset allocation assessment in conjunction with a spending policy review helps committees evaluate and validate their assumptions.

- **Major asset classes:** Committees should review each major asset class throughout the year to analyze the objective of the asset classes, their construction, and success to date in meeting their stated objectives.
- **Risk management review:** Some committees find it useful to assess portfolio risk annually, either as part of an asset allocation study or separately. A regular review process should be implemented to help committees develop a shared understanding of portfolio risks—from asset class to operational risks—that exist in their portfolio.
- **Review costs associated with the portfolio:** Because costs diminish a portfolio's net return, it is always important to keep a close eye on fees and expenses. A regular cost review should include custodian, consultant, accounting, legal, and asset management fees. For new Form 990 purposes, asset management fees are amounts paid for investment counseling and portfolio management; monthly account service fees are considered portfolio management expenses; and transaction costs, such as brokerage fees and commissions, are treated as sales expenses and not as investment management fees.

Periodically

- **Review investment managers:** Managers should not be evaluated solely on performance but also on criteria such as consistency of investment philosophy, fees and expenses, and stability of the investment team and firm.
- **Discuss relevant regulatory changes:** Periodically, regulatory changes may impact the management of your portfolio, and therefore, such changes are important to bring up for committee discussion.
- **Review other contractual vendor agreements (custodians, consultants, etc.):** These agreements are typically reviewed every five years. While these responsibilities are often delegated to the staff, there may be review and approval required by the committee to execute material charges or engage a new investment manager or a consultant. All insurance policies, including Directors and Officers Liability Insurance and Errors and Omissions Insurance, should be reviewed by the committee as well as the full board to ensure they are in good standing and current. The committee should also discuss its satisfaction with the quality of the service and responsiveness provided by applicable vendors, including trustees.
- **Review ancillary pools of assets:** Nonprofit organizations often have ancillary asset pools outside of the endowment/foundation or receive unique gifts. A review of outside asset pools should be conducted when they require board approval or when the committee feels it is warranted.

For additional information and one-stop access to other valuable resources, please visit Vanguard's Investment Committee Resource Center at vanguard.com/nonprofitresourcecenter.

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