

EFFECTIVE COMMITTEE SERIES

The Investment Committee

Second Edition

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AGB

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About AGB

At the Association of Governing Boards of Universities and Colleges (AGB), we believe in the power of higher education to transform lives, strengthen inclusive democracy, and support a thriving society. We believe that strong higher education starts with great governing boards. AGB provides advocacy, leading practices, educational resources, expert support, and renowned programs that advance board excellence for 40,000 AGB members from more than 2,000 institutions and foundations. For more than 100 years, AGB has been the trusted authority for board members, chief executives, board professionals, and key administrators on higher education governance and leadership. Learn more at [AGB.org](https://www.agb.org).



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About Strategic Investment Group

Strategic was founded as an outsourced chief investment officer (OCIO) provider in 1987 by the World Bank's former senior investment team to provide sophisticated, customized investment solutions to other institutional investors who chose not to manage investments internally. From their vantage point at the World Bank, and on the boards of the Harvard Management Company and other prominent institutions, our founders saw the need for a new and vibrant firm to help institutions manage growing asset pools in a complicated and often inhospitable environment.

They founded a firm intended to be a fiduciary partner, or investment office for hire, for a select number of clients. The organization was built with the vision to provide sophisticated, customized investment solutions for clients, which were traditionally only available to multibillion-dollar investors, allowing all clients to gain the benefits of our best ideas. Strategic's mission is to provide the same type of comprehensive customized fiduciary investment solutions to organizations that do not choose to, or do not have the ability to, build this capability internally. This frees clients from the day-to-day business of managing investment portfolios so that they can focus on their core mission. We become our client's investment office and function seamlessly as an extension of their staff. For more information, visit www.strategicgroup.com.

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The Effective Committee Series is intended to strengthen the effectiveness of governing boards and board members by providing information about the respective roles of committees and the board. This series of publications is intended to inform debate and discussion, not to represent or imply endorsement by the association or its members.

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INTRODUCTION

Effective Committees

THIS PUBLICATION is part of an AGB series devoted to strengthening the role of key standing committees of college and university governing boards. While no committee system is optimum for every institution of higher education, certain principles, practices, and procedures prevail. The best practices outlined below support the objectives of board committees: focused effort, informed decision-making, and self-management.

A. FOCUS THE WORK OF COMMITTEES

The work of boards should be grounded in its committees. Operating in tandem, committees enhance the purpose and advance the productivity of the full board.

1. Committee charters should clearly declare the governance purpose of each committee.
2. Committee work should be aligned with the institution's strategic vision, goals, and priorities.
3. Committees should translate their charges into annual goals and work plans that align with the board's governance responsibilities and the institution's strategic plan.
4. Committees should focus on monitoring the institution's strategic progress and their own accomplishments.
5. Committee meeting agendas should be concise, developed in consultation with the committee chair and designated staff member, clearly state desired meeting outcomes, and be distributed with relevant supporting documents well in advance.
6. Committee members should strike an appropriate balance between "too much" and "too little" information. They must guard against requesting overly detailed information to avoid becoming embroiled in administration or overburdening staff. At the same time, they need sufficient supporting materials to make sound recommendations and provide adequate oversight.

B. FACILITATE INFORMED AND PARTICIPATORY DECISION-MAKING

Committees are responsible for recommending decisions and actions to the full board. They should serve as models of good governance, where issues are debated and recommendations are framed openly, inclusively, and with full transparency.

1. Committees should deliberately include constituents whose voices have legitimate bearing on the topics under consideration.
2. Board members and constituents should have an active and reciprocal understanding of their respective roles and responsibilities within the institution's governance structure.
3. Through committees, board members and the institution's constituents should engage in a dialogue that demands facts and explores critical issues within the appropriate boundaries. Jointly and based on mutual trust, they should learn to ask the right questions that honor governance prerogatives and advance the institution's strategic direction.
4. When making formal recommendations to the full board, committees should present conclusions that summarize relevant data and findings, including a diverse range of constituent perspectives.

C. ORGANIZE THE WORK OF COMMITTEES

While board bylaws often define the committee structure, the needs of each committee will vary depending on its purpose and the institution's changing circumstances. Within the division of labor between committees and the board, committees have responsibility for managing their own policies and practices.

1. Committee assignments should be rotated among board members to deepen each member's education, engagement, and experience. Term limits should be considered, because most committees benefit from hearing new voices and examining fresh perspectives. In some instances, however, continuity may be important for a period of time.
2. Each committee should establish and articulate performance expectations of its members.
3. No board member should be assigned to more than two committees, excluding the executive committee.
4. Committee leadership positions should be used intentionally to prepare board members for future board leadership.

5. Each committee must have an administrative staff member designated to serve as its liaison. This staff member is an integral part of the committee and should work in full partnership with committee leadership.
6. Committee performance should be reviewed annually to assess progress toward annual goals and work plans.
7. Evaluation of individual board members should include an assessment of their committee performance.
8. The board should periodically review its committee structure to determine if the current organization, operations, and practices of its committees continue to cover the board's oversight responsibilities, serve strategic purposes, and support effective committee performance.

Because much board work is accomplished in committees, effective committees are essential to productive board meetings and, ultimately, to successful boards. These universal best practices were designed to be incorporated into the work of all committees. The publications in the Effective Committee Series address the specific nature and requirements of each particular committee as well as the periodic need to realign committees with the emerging strategic priorities of the institution or foundation and its governing board.

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SECTION 1

Funding the Future

GROWING ENDOWMENTS are indispensable to maintaining higher education as we know it. Regular transfers from the endowment help pay an institution's annual budgetary outlays, and an increasing number of students rely on endowed scholarships. In fact, the long-term financial viability of colleges and universities depends on preserving and increasing endowment resources. Without endowments to help defray ever-rising costs, higher education would be an unattainable dream for many talented young people.

The volunteers who serve on the investment committee of a college or university, or its institutionally related foundation, assume important fiduciary responsibilities, as their challenge is to help secure the future of their institution by managing its endowment wisely. They also undertake the vital social role of preserving intergenerational equity—that is, ensuring that current and future students benefit equally from endowments. Endowments need the benefit of the governing board's guidance to meet not only the current demands placed on them but also the long-term goal of providing a growing resource of support to the institution well into the future.

This book is dedicated to those volunteers, and its goal is to provide guidance that improves their service on the board's investment committee and facilitates their stewardship of the endowments underpinning our colleges and universities.

The severe disruption and uncertainty unleashed by the COVID-19 pandemic caused major setbacks for many institutions. The pandemic should serve as a wake-up call about the precarious footing on which some may be operating. The darkest periods of the pandemic revealed the vulnerability of college and university operations and endowments, as well as underscored the need to redouble the institution or foundation governing board's efforts to increase the financial resilience of the institutions they serve.

The challenges of investing are both technical and human. To excel, endowment stewards must be as attentive to landmines in higher education governance as they are to those in global markets. Stories abound about institutions with brilliant technical investment processes but poor governance practices that undermined the work of their investment teams.

Given all these challenges, those who agree to serve on investment committees shoulder important responsibilities. Yet the emotional rewards are also great: Working to expand the endowment of an alma mater or other beloved institution, thereby helping to secure its future, can be exceptionally gratifying and a source of great pride.