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# NONPROFIT PERSPECTIVES

## Best Practices for an Effective Investment Committee

Most nonprofits rely on an investment committee to oversee their investment portfolios. This oversight group can have a big impact on real long-term wealth preservation and ensuring resources are available to realize organizational goals and aspirations.

These best practices are consistent with the fiduciary duties of care, loyalty and obedience, and include:

1. Form a strong investment committee that embraces the "commit" in committee.
2. Ensure diversity and experience in committee composition.
3. Set a strong Investment Governance and Operational Framework that establishes an Investment Policy Statement—including asset allocation, risk constraints, performance metrics and pay-out. It should be consistent with furthering the organization's objectives and realistic given its resources.
4. Refresh the organizational Investment Policy Statement on a regular basis to make sure that it continues to articulate the organization's long-term objectives and unique needs.
5. Define a realistic target for investment success that is consistent with the organization's resources, and focus on the implementation.
6. Be strategic in asset and investment manager selection and perform regular evaluations.
7. Find an appropriate person or organization that can act as the organization's Chief Investment Officer (CIO), to manage its investment portfolio, be held accountable to the committee and regularly review its performance.
8. Monitor results and make changes as needed.
9. Have regularly structured investment committee meetings and draft minutes from these meetings.

Above all, these best practices, which are fundamental regardless of the nature or size of the organization, can be boiled down to five C's: commitment, coordination, communication, continuity and completion.

While an investment committee can operate successfully with a variety of structures and approaches, these best practices can make any investment committee more efficient and effective. This should lead to improved long-term portfolio operation—ultimately benefiting grantees, beneficiaries and stakeholders.

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