

Investment committee meetings: How do yours measure up?

10 questions to help improve the effectiveness of your meetings



Investment committees play a key role in the deployment of the trillions of dollars of institutional assets in the United States. More often than not, it is an investment committee that establishes strategy, oversees critical asset allocation decisions, and selects the people who take day-to-day responsibility for running the money. Like the operation of any multimillion- or multibillion-dollar enterprise, the successful operation of an institution's investment committee is a fluid and complex business. There are a lot of things to consider. Getting it right is not always easy.

In this note, we will focus specifically on the operation of investment committee meetings. Some of the most common complaints about investment committee meetings are:

- Too much is done with no clear purpose
- Too much time is devoted to minutiae, and too little to the strategic decisions that ultimately lead to success or failure
- Committees can be petri dishes for behavioral errors, such as groupthink or overconfidence

Agendas

An investment committee is an oversight body, so its brief needs to be an open-ended one. There's no such thing as a perfect investment committee agenda: the best way to spend a committee's time will change as circumstances and priorities change. And the idea that there *is* a perfect agenda could even be harmful if it leads to a fixed routine and a treadmill of the same old discussions, with the same old reports being looked at by rote with no real purpose. Beware, too, of the danger of perpetuating an omission or of pushing important discussions beyond the possibility of consideration.

While there is no perfect agenda, there are principles of what makes for a good one. Here – drawing on our experience working with hundreds of different investment committees over the course of decades – are some of those principles. We have expressed them as a series of questions that committee members can ask themselves, a means of judging just how well you measure up against the best (and not-so-best) other committees out there.

Focus (three questions)

1. Is it clear what success looks like?

A clear understanding of the end goal of the program is the foundation of an effective investment committee. The clearer the vision of the desired outcome, the more likely the committee is to focus its efforts in the right places.

2. How much time does the committee spend doing things that could be better done by others?

The committee's job is to make sure things get done, not necessarily to actually do them. There are many tasks that could be done better by others and thus should be delegated. This doesn't remove the task from the committee's purview, of course, but it changes the committee's role from actor to overseer – and the latter role is the one the typical committee is best placed to play. What you do, do well; what you can't do well, or don't have time to do, delegate.

3. Are actions driven by a desire to create the best outcomes – or to put checkmarks in legal boxes?

Because their role is a serious legal obligation, fiduciaries naturally seek to avoid making decisions that could lead to legal liability. This has become especially prevalent among defined contribution plan sponsors in recent years but is true of all sorts of investment programs. However, fiduciary conservatism and effective investment oversight can be very different things. The avoidance of legal liability is a necessary, but not of itself sufficient, condition for success.

Getting the right amount of legal input can be a difficult balance to strike: not too little, but not too much. And the type of legal input matters, too. It's not always best to use internal counsel; specialist counsel can sometimes be worthwhile, especially on major decisions.

Operation of the committee (four questions)

4. How much pre-work gets done?

This is perhaps the clearest indicator of committee effectiveness. Big issues need to be socialized with committee members before the actual meeting; it's unrealistic to attempt to frame an issue, educate members, discuss, and reach a decision on a major topic all in one short meeting. Members need to come into the meeting already aware of the key questions. That way, discussion gets to the point more quickly. No surprises.

5. Is it always clear what the purpose of an agenda item is?

A particular item may be on the agenda either for information or for a decision. The way it should be handled will differ in each of those two cases. An information item may include education and discussion, but the item serves as an end in itself. If a decision is needed, then the information that is provided and the discussion that ensues should be focused on that decision. In each case, the right information needs to be provided: sufficient detail, but clear enough and well structured, so that the pre-work actually gets done.

6. Do your meetings ever get sidetracked or hijacked?

Conversations can take all sorts of different directions. Each committee tends to have its own character: corporate pension plan committees are often made up of individuals who are accustomed to the committee environment; for non-profit, public plan, and multi-employer plan committees, this is not necessarily so. But any committee can be hijacked by individuals with pet peeves or personal agendas. Any committee can find itself steered off track by random comments that take the group into time-consuming but fruitless discussions.

7. How do you rate your group dynamics?

The group should feel that it has a shared purpose; the strategy should be clear to all. Individual decisions should add up to a coherent whole. Good committees are decisive when they need to be, avoiding the temptation to disguise a reluctance to decide as a request for further analysis.

Individuals should feel free to question a consensus view; diverse perspectives should be valued. Everyone can help to foster the mutual respect in which true cooperation thrives. The committee chair has a particular role to play in encouraging good dynamics. This includes determining whether deferral of a decision is helpful, or simply delaying; keeping all committee members engaged; maintaining focus; and ensuring a sense of shared ownership of decisions. Sometimes (see question 9, below), the chair needs to impose discipline.

Evaluation of effectiveness (three questions)

8. How useful are the meeting minutes?

The documentation that results from a meeting is an indicator of how purposeful the meeting was. Good minutes are a symptom, rather than a cause, of an effective meeting agenda. But if you're looking for clues into how well you're doing, they can be a good place to start. And if past meeting notes are hard to find, that tells a story in itself.

9. If something's not working, does it get fixed?

Without the right people, a committee cannot do a good job. And here the role of the chair is especially critical. All sorts of situations can prevent a committee from working as it should – everything from committee members who loathe each other, to members who see meetings as a chance to catch up on sleep, to individuals who – with the best will in the world – just aren't contributing anything useful. Some committees find a way to fix the thing that isn't working, whether it's the wrong people or some other challenge; others allow the problem to remain unresolved.

10. Do you ever step back and take stock?

Regular meetings can quickly fall into a routine. The important can be crowded out by the urgent. Sometimes, a fresh view is needed: it's worthwhile to occasionally carve out time for educational topics or to ask, "What are we missing?" Despite all of the other demands on a committee's attention, there comes a time – every so often – when it helps to step back and review the big picture.

These 10 questions capture the main principles that underpin an effective investment committee. In our experience working with many different investment committees over the years, we have found that there is no perfect committee, but there are committees that are more effective than others. It is clear that an effective committee environment makes a real difference in the quality of an investment program. It's our hope that the questions provided spark at least one idea that can help you improve the effectiveness of your own meetings.

About Russell Investments

Russell Investments is a global asset manager with a unique set of capabilities that we believe is essential to managing your total portfolio and to meeting your desired outcome. At Russell Investments, we stand with you, whether you're an institutional investor, a financial adviser, or an individual guided by an advisor's personalized advice. We believe the best way to reach your desired outcomes is with a multi-asset approach that combines: asset allocation, capital markets insights, factor exposures, manager research and portfolio implementation.

For more information

Call Russell Investments at [800-426-8506](tel:800-426-8506) or visit russellinvestments.com

Important information

Nothing contained in this material is intended to constitute legal, tax, securities, or investment advice, nor an opinion regarding the appropriateness of any investment, nor a solicitation of any type. The general information contained in this publication should not be acted upon without obtaining specific legal, tax, and investment advice from a licensed professional.

Russell Investments' ownership is composed of a majority stake held by funds managed by TA Associates with minority stakes held by funds managed by Reverence Capital Partners and Russell Investments' management.

Frank Russell Company is the owner of the Russell trademarks contained in this material and all trademark rights related to the Russell trademarks, which the members of the Russell Investments group of companies are permitted to use under license from Frank Russell Company. The members of the Russell Investments group of companies are not affiliated in any manner with Frank Russell Company or any entity operating under the "FTSE RUSSELL" brand.

Copyright © 2014-2020. Russell Investments Group, LLC. All rights reserved. This material is proprietary and may not be reproduced, transferred, or distributed in any form without prior written permission from Russell Investments. It is delivered on an "as is" basis without warranty.

First used: March 2014. Revised: October 2020

AI-28509-10-23