



Sample Investment Committee Charter

This document will help you, as a fiduciary, develop a charter for the committee that oversees investments for your nonprofit organization.

Committee charters outline the roles, responsibilities, and authority of the investment committee, support staff, outside consultants, and investment managers. Vanguard's experience working with nonprofits indicates that a committee charter is a key component of a successful investment board and a crucial first step in forming a committee.

Drafting the committee charter will clarify the scope and range of roles, eliminating overlap and duplication. Most importantly, this process will help you meet the fiduciary responsibilities you are required to fulfill on behalf of your organization's mission.

We think the attached sample charter will serve as a valuable tool to help you create your own committee blueprint that meets your nonprofit's specific needs. However, this document is not a "one-size-fits-all" template. The sample charter was drafted broadly to address the needs of a variety of nonprofit organizations from foundations with mandatory spend-out rates and short-term missions to university endowments with unlimited time horizons.

Although we include some specific suggestions, you will need to customize the charter's final version based on your organization's specific goals. We strongly recommend that you review your charter with your organization's legal counsel before formal adoption. This sample document is for informational purposes only; it is not legal advice.

CHARTER OF THE INVESTMENT COMMITTEE OF XYZ NONPROFIT (insert formal name of organization)

Introduction

The Investment Committee is a standing committee of XYZ Nonprofit Organization *[insert formal name of nonprofit]*.

This Charter outlines the responsibilities of the Committee with respect to the duties of individual members. The Committee is responsible for the investments of XYZ Nonprofit Organization and those investments shall collectively be referred to as the Portfolio.

Purpose of the Investment Committee

The Investment Committee has overall responsibility for the operation and administration of the Portfolio. The members of the Investment Committee are fiduciaries of the Portfolio with respect to all responsibilities allocated to them. The members will discharge their duties solely on behalf of the sponsoring organization's mission in accordance with its specific terms.

Committee membership

The Committee shall consist of ten members. *[The smaller the portfolio and the narrower the scope of duties, the smaller the committee can be. Most investment committees have both administrative and investment duties. The members' competencies should reflect the responsibilities that they will undertake.]* Each member shall be appointed by the Committee for a term of five years. The terms of the members shall be staggered to the extent practicable. The Committee shall designate one member to serve as Chair. Each member shall acknowledge his or her membership in writing. Members shall serve at the pleasure of the sponsoring organization.

The Committee may form subcommittees as it deems appropriate. Subcommittees may be formed to address special projects for a limited period or may become standing subcommittees for a particular purpose. *[Some investment committees have an investment subcommittee and an administrative subcommittee, which allows members to allocate their duties efficiently while retaining the ability to set policy and make major decisions as a single body. Some committees convene a subcommittee for a special project, such as the evaluation of a particular asset class or investment strategy.]*

Organization

The Committee shall hold regular semiannual/quarterly meetings and shall meet more frequently as circumstances require. The Committee shall keep minutes of the meetings and provide quarterly [set frequency here to at least annually or use "periodic"] reports to the nonprofit. The Chair shall, in consultation with other Committee members, set the agenda for and preside at the meetings. A quorum for the transaction of business at any meeting of the Committee shall consist of a majority of Committee members. Decisions shall be made by a majority of those present at the meeting.

The Committee shall have direct access to and complete and open communications with senior leaders of the sponsoring organization and may obtain advice and assistance from internal staff. The Committee may also retain independent consultants to assist it and determine the compensation for such consultants.

Authority and responsibilities

[In this section, it is particularly important to tailor the duties to those set forth in the portfolio document, committee resolutions, and other delegations of authority. The duties can be articulated more specifically here than in the portfolio documents. The suggested language is representative of an investment committee's duties.]

A. Investment duties

1. Understanding the sponsoring organization's investment goals and how these objectives support the nonprofit's mission.
2. Adopting, periodically reviewing, and revising an Investment Policy Statement.
3. Monitoring the performance of investment funds and investment managers in accordance with the Investment Policy Statement.
4. Retaining or replacing investment managers and/or investment funds for the Portfolio.
5. Reviewing the backgrounds of Investment Committee members and staff to ensure no conflicts of interest exist.

B. Administrative duties

1. Resolving all questions of interpretation of policy under the Portfolio.
2. Determining the amount of contributions necessary for the Portfolio.
3. Furnishing notices and reports to Investment Committee members and others affiliated with the nonprofit.
4. Reviewing all fees incurred by or on behalf of the Portfolio for reasonableness.
5. Preparing and filing such forms as may be required by government entities.
6. Reviewing the audited and unaudited financial statements of the Portfolio and audit reports of the Portfolio's service providers.
7. Maintaining records for the administration of the Portfolio and the actions of the Committee.
8. Selecting, monitoring, and replacing third-party advisors of the Portfolio, such as consultants and other providers of Portfolio services.
9. Making adjustments or correcting defects under the Portfolio in a uniform and nondiscriminatory manner.
10. Preparing amendments to the Portfolio for changes in design or applicable laws and regulations.

Compensation

All members receiving full-time compensation from the nonprofit shall serve without additional compensation for the performance of their duties as members of the Committee. The Committee shall reimburse the members for all expenses properly and actually incurred.

Representations by the nonprofit

The sponsoring organization shall provide the Committee with such information as is necessary or desirable to fulfill its responsibilities. The nonprofit may furnish the Committee with such clerical and other assistance as the Committee may need to perform its duties. The sponsoring organization shall be responsible for any reasonable costs or expenses incurred in the Portfolio's operation or administration. However, any duly authorized Portfolio expenses may be paid by or reimbursed from the Portfolio.

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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