

**MEMO# 12877**

November 21, 2000

## **2001 ICI DIRECTOR PRACTICES STUDY**

[12877] November 21, 2000 TO: ACCOUNTING/TREASURERS MEMBERS No. 32-00 BOARD OF GOVERNORS No. 66-00 CEOS OPERATIONS MEMBERS No. 27-00 PRIMARY CONTACTS - MEMBER COMPLEX No. 78-00 SEC RULES MEMBERS No. 77-00 SMALL FUNDS MEMBERS No. 22-00 1999 INDEPENDENT DIRECTORS STUDY PARTICIPANTS RE: 2001 ICI DIRECTOR PRACTICES STUDY As you know, the Investment Company Institute is committed to providing programs and services that help fund boards, especially independent directors, to fulfill their responsibilities to shareholders. To that end, the Institute conducted studies of director policies and practices in 1996, 1997, and 1999. These studies, which represent some of most comprehensive surveys to date on investment company directors, returned data to participating mutual fund complexes on a range of mutual fund board and independent director practices, including compensation. One hundred ninety-five mutual fund complexes took part in the 1999 survey, and their combined assets represented approximately 83% of total mutual fund assets under management. In an effort to keep its director database accurate and current, the Institute is preparing to undertake its fourth Director Practices Study early next year. The objective of this study will be to collect year-end 2000 data and to provide detailed reports to participating complexes in the third quarter of 2001. Accordingly, the Investment Company Institute is pleased to invite your organization to participate in the Institute's 2001 Director Practices Study. William M. Mercer, Inc., ("Mercer") a nationally recognized consulting firm with considerable experience in board practices and compensation issues in the mutual fund industry, will assist the Institute staff in performing the survey. The 2001 survey will collect data comparable to that collected in prior surveys. An industry advisory committee, representing a cross-section of ICI member complexes, will review the survey questionnaire to ensure that the data collected is responsive to the needs of directors and ICI members. This extensive effort reflects the Institute's commitment to the development of a comprehensive database of information that funds and trustees will be able to draw upon in considering board practices.

**2STUDY OBJECTIVES** The primary objectives of the survey are: (1) to provide participants with data necessary to make well-informed judgments about trustee practices, including compensation, and (2) to develop a resource that will permit the Institute to communicate authoritatively, on the industry's and directors' behalf, with media, government and others on these subjects, which are of considerable and continuing interest. Individual company responses to this survey will be held in strict confidence; however, aggregated survey data may be released to the media or public officials. At the conclusion of the data collection and analysis phases of the survey, a summary report of the aggregate survey results will be provided to each participant. The report will present detailed analyses of: (1) board and committee meeting practices, including number of funds served, number and types of committees served, and relative time spent addressing specific areas of responsibility in board meetings; (2) trustee term practices, mandatory

retirement practices, use of separate counsel, and use of dedicated staff; (3) the structure, type, and amount of trustee compensation, including retainers, fees, total compensation, and retirement and other benefits, by complex size, adviser type (independent, bank, broker/dealer, or insurance company affiliated) and other criteria; (4) demographic information about trustees, including age and professional background, and (5) other information. In addition, to provide maximum utility of the survey data to participants, the Institute will again provide interested survey participants with a report comparing their practices with aggregate data reflecting the practices of a participant-specified industry peer group. Concurrent with the delivery of the summary report, participants will be invited to request one such peer group analysis. Additional reports may be requested for a fee of \$125.00 per request fulfilled. Each participant-specified peer group will be required to consist of at least seven participating fund groups. PARTICIPATION FEE As with other participant-funded ICI research, survey reports will be provided only to fund groups that choose to participate. Fund groups that do not participate will not have access to the survey or peer group reporting. The obligations of participants are to furnish a completed questionnaire to Mercer on a confidential basis and to share part of the costs of the survey with the Institute through advance payment of a participant fee in accordance with the following asset based schedule:

Total Assets of Open-end and Closed-end Funds	
Participation Fee in Complex (as of 9/30/00)	ICI Member Non-ICI Member
Over \$30 billion	\$1,750 \$3,500
\$20 - \$30 billion	\$20 \$30
\$10 - \$20 billion	\$1,500 \$3,000
\$5 - \$10 billion	\$1,250 \$2,500
\$3 - \$5 billion	\$1,000 \$2,000
\$1 - \$3 billion	\$750 \$1,500
Under \$1 billion	\$500 \$1,000

3DATA COLLECTION Fund groups that agree to participate in the survey will be provided with a questionnaire that solicits data at the fund complex level, the board level, and the individual director level. As with other ICI surveys, the confidentiality of data submitted by individual fund groups will be strictly maintained. As noted above, aggregated data from groups of companies may be released in limited circumstances. To make it as convenient as possible for fund groups to participate in this survey, each participating fund complex will be furnished with an automated version of the questionnaire on diskette along with the paper version. Completion of the automated questionnaire will require an IBM-compatible PC running Windows (95, 98 or NT). The Institute strongly encourages use of the automated version of the questionnaire to help us control the cost of conducting this project by minimizing the necessity for manual data entry and verification. TIMETABLE Mutual fund complexes have until January 19, 2001 to signify their intention to participate by filling out the attached participant authorization form and returning it to the Institute. We expect to supply participants with the survey questionnaire in late January. The deadline for completion and return of all questionnaires will be Friday, March 30, 2001. To enable participants to monitor the progress of data receipt by the survey team, the Institute will issue a weekly tracking report to all participants showing each participant's questionnaire submission status beginning the week of Monday, March 26, 2001 and continuing until all questionnaires are received. Our target for completion of data entry, data validation and scrubbing, and stabilization of the survey database is July 2001. A period of approximately six weeks of data aggregation and analysis will follow stabilization of the database. We expect to deliver summary reports to participants and begin accepting peer-group report requests during August 2001. ACTION REQUESTED So we may proceed with this project as soon as possible, it is important that we hear from you promptly as to your interest in participating. Please return the attached form to the Institute by fax (202/326-8314) as soon as possible, but not later than January 19, 2001 to indicate whether or not your organization will participate. Please do not send participation fee payments to the Institute at this time. An invoice will be mailed to participating complexes after January 19. Please do not hesitate to contact the undersigned at 202/326-5851 if you have any questions regarding this project. Thank you in advance for your prompt response. We look

forward to working with each of you on this important project. Gregory M. Smith Director – Operations/ Compliance & Fund Accounting Attachment (in .pdf format)

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