

## FOCUS ON FUNDS

February 21, 2020

# Focus on Funds: Fund Boards Continue to Safeguard the Interests of Investors

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### Fund Boards Continue to Safeguard the Interests of Investors

Fund boards set a high standard for fund oversight by continuing to adopt strong governance practices. A regular survey by ICI and the Independent Directors Council captures the trends. In the February 21, 2020, edition of *Focus on Funds*, Lisa Hamman, senior associate counsel for the Independent Directors Council, and Greg Smith, ICI senior director of fund accounting and compliance, summarize the key findings.

### Transcript

**Stephanie Ortvals-Tibbs, ICI director of media relations:** What are the major fund governance trends? The Independent Directors Council and ICI take a look at this and have for 25 years. These landmark results are out once again, and I'm going to talk with the coauthors of our trend lines and the experts on this issue: Greg Smith and Lisa Hamman.

I'm going to start, if we could, by taking a look at the profile of the fund board director these days. What do you see there, Lisa?

**Lisa Hamman, IDC senior associate council:** The demographics show us that the average age of a fund director is 67 years old, and he or she has been serving for 12 years on average. But the biggest change that we've seen in the demographics of a fund director is in gender diversity. Twenty-eight percent of fund directors are female, and this is up from 20 percent just a few years ago.

**Ortbals-Tibbs:** Greg, another governance question that comes up is about share ownership. What did we learn there?

**Greg Smith, ICI senior director of fund accounting and compliance:** Many boards require the fund directors to invest in the funds that they serve. We're seeing about one-third of all complexes in our survey indicate that their directors are required to own shares, and that's up from about 25 percent of complexes about 10 years ago.

**Ortbals-Tibbs:** What's going on with board retirement policies?

**Hamman:** Mandatory retirement policies are a major topic for fund directors. Fund directors adopt mandatory retirement policies in about two-thirds of the case; the vast majority of those are age-based retirement policies. So the retirement policy might say, “At age 75, you need to retire from the board.”

But some boards in a few cases are also adopting a term limit component to the policy. So the policy might say something like, “You need to retire when you’ve reached age 75 or you’ve served 15 years—whichever comes first.”

**Ortbals-Tibbs:** Such a long project by now, something we’ve done for a long time, there’s a lot of data.

**Smith:** We get over 90 percent of industry assets, about 85 percent of industry funds. We collect data on about 240 different fund boards, and over 1,300 individual independent directors.

## **Additional Resources**

- [Independent Directors Council](#)
- [Overview of Fund Governance Practices, 1994–2018](#)
- [Focus on Funds: Fund Boards Continue to Change](#)
- [ICI Viewpoints: IDC Celebrates 15 Years](#)
- [IDC’s 2019 Annual Review](#)

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