

FOCUS ON FUNDS

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Focus on Funds: Latest Research Shows Strong Fund Board Governance

New IDC research on fund boards shows that their tradition of strong governance continues. In the October 13, 2017, edition of Focus on Funds, Lisa Hamman, senior associate counsel for the Independent Directors Council, outlines the findings.

Transcript

Stephanie Ortvals-Tibbs, ICI director, media relations: What are the latest trends in fund board governance? Recently, Lisa Hamman of the Independent Directors Council, shared with me some of the fresh research and analysis they're offering directors. Here are some of the key takeaways.

Lisa Hamman, senior associate counsel, Independent Directors Council: [Our paper](#) is based off of the Director's Practices Study that we do every other year and it shows trends and fund governance practices—over two decades' worth. And what it shows is that fund boards often adopt strong governance practices ahead of, or in absence of, any regulatory mandate to do so.

Ortvals-Tibbs: So it's a very interesting resources for fund directors. What are some of the key takeaways inside that report?

Hamman: Nearly 90 percent of fund boards are led by an independent director, whether it's an independent board chair or lead independent director. About two-thirds of fund boards have mandatory retirement policies, whether they're age-based—which is the majority of them—or number of years served.

So, for the age-based mandatory retirement policies, it shows that the average age is 75. For mandatory retirement policies that are based on the number of years served, it's 15. And a few boards even combine the two, so that they have mandatory retirement policies that say that a director needs to retire when he or she reaches the age of 75 or serves 15 years, whichever comes first.

New this year, we're reporting on gender diversity. We found that 25 percent of board seats are held by women—which is up from 20 percent just a few years ago.

Ortvals-Tibbs: That figure represents quite a jump for women on boards. Another important area for fund boards is audit committees. What do you see there in paper?

Hamman: The vast majority of fund boards have audit committee financial experts. Even

though there is not requirement to have one, it just requires you to disclose if you do have one. But 97 percent of fund have audit committee financial experts.

Ortbals-Tibbs: So that's really one more sign about how seriously fund directors take their job. And of course, as part of that too, you're trying to feed them an enormous number of resources, to help them do their job better. What do you have on offer this fall?

Hamman: Our Fund Directors Conference is coming up in Chicago, and we're have a session on fund governance practices there, where we'll talk about these trends and other trends.

We also have a chapter meeting program, where we meet in locations throughout the country, where directors can talk about fund governance practices and other topics that are on their minds. They can ask questions of one another and share ideas.

We also offer industry-segment conference calls, where directors can talk to other directors in similar situations on their boards. We have calls geared toward board leaders, audit committee chairs, governance committee chairs, and others, just so that they can get together in an informal setting and share practices and ideas.

Ortbals-Tibbs: Lisa, what we see here is really that there are all of these ways that IDC is offering resources to fund directors, and beyond all of the meetings, the phone calls, the webinars, there is also a tremendous amount of information posted on your website.

Hamman: That's right. Our website not only lists upcoming events, but we have a number of papers and other resources where directors can go to if they have questions, or if they have a meeting coming up on a particular topic and they just want a refresher, they can go to our website and look up just about any topic and find a wealth of information.

Additional Resources

- [Independent Directors Council \(IDC\) website](#)
- [ICI President and CEO Paul Schott Stevens on Fund Governance](#) (speech)
- [Virginia Law & Business Review: Fund Governance: A Successful, Evolving Model](#)