



# Investment Committee & Endowment Management Best Practices

April 9, 2026

# Investment Committee Best Practices

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- **Build a Diverse and Qualified Committee**

- Include individuals with relevant expertise in finance, investing or accounting
- Try to recruit diversity of backgrounds and perspectives to avoid groupthink
- Maintain a size that allows for productive discussion (typically 5 to 9 members)
- Consider term limits and / or rotating committee chair

- **Maintain Fiduciary Responsibility**

- Act in the best interest of the organization, with care and loyalty
- Avoid conflicts of interest and disclose any potential concerns
- Keep minutes and documentation of all decisions (including rationale) and discussions

- **Coordinate with Other Governance Bodies**

- Align investment decisions with finance, audit, fundraising committees
- Ensure that investment strategy supports the organizations operating budget and long-term goals
- Ensure transparency and accountability for donors, auditors and regulators

# Investment Committee Recruitment of New Members

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Recruiting new members for a nonprofit investment committee requires a thoughtful, strategic approach to ensure you attract individuals with the right expertise, commitment, and alignment with your organizations mission. Here are some best practices to guide your recruitment process:

- **Define the Role Clearly**
  - Created a detailed position description outlining responsibilities, time commitment, terms limits, expectations (e.g., attendance, giving, confidentiality), desired qualifications (credentials and or relevant work experience).
- **Use Your Networks Strategically**
  - Start with warm introductions through current board members, donors, and professional contacts
  - Ask for recommendations from existing committee members, your finance team or partner organizations
  - Leverage LinkedIn or professional groups
- **Conduct a Thoughtful Vetting Process**
  - Interview candidates with 2 to 3 people (e.g., executive director, board treasurer, committee chair
  - Assess investment acumen, collaboration skills and nonprofit mission alignment
  - Check references, especially around ethics and reliability

# Investment Committee New Members

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Once you have recruited a new investment committee member, you must successfully integrate them into your organization. Here are some best practices to guide your onboarding process:

- **Onboard Effectively by provide new members with:**
  - Investment Policy Statement (IPS)
  - Recent performance reports and committee meeting minutes
  - Overview of the nonprofits finances and goals
  - Offer a mentor (a current committee member) for the first 6 to 12 months
- **Engage Continuously**
  - Keep members informed on organizational developments between meetings
  - Invite members to organizational events
  - Show appreciation of their time and expertise

# Request for Proposal (RFP)

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## **Organizations should have a documented Request for Proposal Process**

- If your organization has never done an RFP before, you should undertake the process
- RFP's should be done every 3 to 5 years
  - This interval is common to ensure due diligence and fiduciary oversight
- Or After Significant Events
  - Investment manager changes investment process
  - Shifts in the organizations goals, risk tolerance or liquidity needs
  - Regulatory or compliance changes
- **Benefits of Regular RFPs**
  - Ensures competitive fees and service quality
  - Brings fresh perspective and new strategies to the table
  - Demonstrates fiduciary responsibility and transparency

# Investment Policy Statement (IPS)

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Organizations should have an Investment Policy Statement (IPS) to ensure that their financial assets are managed responsibly, consistently, and in alignment with their mission and long-term goals.

- **Clarifies Investment Objectives**

- An IPS defines the organizations investment goals (e.g. capital preservation, income generation, or growth), helping align investment decision with financial needs and mission objectives

- **Establishes Governance and Accountability**

- It outlines who is responsible for making investment decisions (e.g. board, investment committee, advisors), reducing confusion and improving oversight and fiduciary accountability

- **Guides Asset Allocation and Risk Tolerance**

- The IPS sets clear guidelines on asset allocation and acceptable risk levels, which helps maintain a balanced portfolio appropriate for the organization's time horizon and cash flow needs.

# Investment Policy Statement (IPS) continued

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- **Promotes Consistency Across Leadership Changes**

- As board members or staff change over time, the IPS provides continuity and consistency in investment practices, avoiding abrupt or reactive shifts in strategy

- **Facilitates Communication with Advisors**

- It gives external managers or advisors a clear framework to operate within, helping ensure that their decisions align with the organization's values and objectives.

- **Supports Ethical or Mission-Aligned Investing**

- Some non-profits want their investments to reflect their values and an IPS can formalize these priorities

- **Demonstrates Fiduciary Responsibility**

- Having an IPS shows donors, regulators, and other stakeholders that the organization is managing its assets prudently, which builds trust and credibility

# Investment Policy Statement (IPS) continued

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Potential downsides to if there are too many restrictions in an IPS

- **Limited Flexibility:** Excessive restrictions can reduce the ability to adapt to changing market conditions or seize new investment opportunities. For instance, if an IPS prohibits certain asset classes or geographic areas, it could mean missing out on potentially lucrative investments.
- **Relative performance Risk:** Some restrictions might prevent the investment portfolio from being properly diversified, which could lead to underperformance compared to broader market indices. For example, a restriction on certain asset classes may result in a higher allocation to low return asset classes.
- **Increased Complexity:** Including too many specific restrictions can make the IPS more complicated to manage and enforce. This could lead to confusion for the investment manager, as they have to adhere to many rules that may not always be practical or beneficial in every market situation.

## Investment Policy Statement (IPS) continued

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- **Lack of Diversification:** Restrictions on particular asset classes, industries, or investment vehicles could limit the diversification of the portfolio. Lack of diversification increases the risk, as the portfolio is more susceptible to volatility within the remaining allowed sectors.
- **Difficulty in Monitoring:** If the restrictions are too granular or detailed, it could be hard for the investment committee or auditors to monitor for compliance. This can create an ongoing burden for the investor or the investment manager, making the overall investment process less streamlined.
- **Investor Frustration:** Overly restrictive policies might create frustration among investors, especially if the restrictions are not aligned with their long-term goals or they feel they are missing out on growth opportunities due to arbitrary limitations.

Overall, while an IPS with restrictions can provide necessary guidelines, it's essential to strike a balance to avoid stifling the flexibility and performance potential of the investment portfolio.

# Performance Evaluation

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Performance evaluation is a critical function of an investment committee, ensuring fiduciary responsibilities are met and investment objectives are achieved efficiently. Best practices for performance evaluation of investment committees include both qualitative and quantitative assessments, ensuring accountability and transparency.

- **Define Clear Roles & Responsibilities**
  - Establish formal performance evaluation process in the IPS
  - Clarify the responsibilities of the asset manager vs. the investment committee
- **Set Measurable Goal and Benchmarks**
  - Investment Policy Statement (IPS) defines return targets, risk tolerance and performance benchmarks
  - Evaluation performance relative to benchmark (e.g., CPI + X%, policy index, peer group comparisons)
- **Conduct Regular and Structured Reviews**
  - Perform evaluations annually (minimum), using a structured process
  - Include both retrospective (performance over past period) and prospective (risk posture, market alignment) reviews.

# Performance Evaluation continued

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## Utilize Both Quantitative and Qualitative Metrics

- **Quantitative Metrics:**
  - Portfolio returns vs. benchmark (e.g., net of fees over 1,3,5 years)
  - Risk-adjusted returns (Sharpe Ratio, Information Ratio)
  - Peer group comparison
  - Upside vs. Downside Capture
  - Cost analysis (fees paid, transaction costs)
- **Qualitative Metrics:**
  - Decision-making quality and timeliness
  - Adherence to IPS and governance policies
  - Effectiveness of oversight and communication
  - Engagement level and meeting presentation effectiveness

# Spending Rate Policy

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A spending policy for an endowment is a critical component of its financial management. It determines how much of the endowment's assets are spent each year to support the mission of the institution while ensuring long-term financial sustainability.

- **Set Objectives:**
  - Define the purpose: growth, income, preservation or a mix
  - Balance present needs with future obligations
- **Flexibility and Governance Review:**
  - Allow for adjustments in extreme market conditions or emergencies
  - The policy should be approved by the board and reviewed at least annually
- **Financial Sustainability:**
  - Ensures that the endowment lasts in perpetuity by balancing current spending with the need to preserve purchasing power over time
  - Provides predictable, stable income streams to fund operations, scholarship, or programs, regardless of market volatility.

# Spending Rate Methodology

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Nonprofits, particularly those managing endowments or investment funds, use different spending rate methodologies to determine how much money can be spent annually while maintain a long-term financial sustainability. Here are the most common types:

- **Fixed Dollar**

- Description: A specific dollar amount is spent each year
- Pros: Predictable and easy to budget
- Cons: Doesn't account for changes in market value of inflation

- **Fixed Percentage**

- Description: A set percentage (e.g., 3 to 5%) of the endowments average market value
- Pros: Simple and automatically adjusts to changes in asset value
- Cons: Can lead to volatility in actual dollars spent if the market fluctuates

- **Rolling Average Method**

- Description: Applies a fixed percentage (e.g., 3 to 5%) of the average market value of the fund over a period (typically 3 to 5 years)
- Pros: Reduces spending volatility caused by short-term market fluctuations
- Cons: May delay the effect of recent gains or losses on spending

# Spending Rate Methodology continued

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- **Inflation Adjusted Spending**

- Description: Starts with a base spending amount and it increases it annually based on inflation (e.g., CPI)
- Pros: Maintains consistent purchasing power over time
- Cons: Not responsive to large changes in fund value

- **Hybrid Model**

- Description: Combines elements of different methods, e.g., a weighted formula such as:
  - 50% of last year's spending adjusted for inflation + 50% of a percentage of market value
- Pros: Balances predictability and responsiveness
- Cons: More complex to administer

- **Income-Only Spending**

- Description: Spends only interest and dividends, not capital gains
- Pros: Preserves principal
- Cons: Can severely limit available funds during low-interest periods

No spending rate policy is perfect, but it is important to select a methodology that is appropriate for your organization and stick with it.

# Selecting an Investment Advisor - The Four P's

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Selecting an investment advisor to manage your organizations endowment is time consuming and can be quite challenging for an organization's investment committee. We recommend organizations focus on the Four P's outlined below:

- **People/Organization**

- Who are the folks who will be managing your relationship?
  - Do you get a dedicated Relationship Manager to handle administrative tasks like account opening, updating authorized signers, money movement, stock gifting, compliance reporting etc?
  - Do you get a dedicated Portfolio Manager who manages the accounts within the IPS guidelines. That implements asset allocation and is involved in the portfolio construction process?
  - Does the organization have a long track record of managing money for non-profits? Are they local to your community? Do they have adequate compliance / oversight and errors and omission insurance coverages?

- **Philosophy**

- **Process/Portfolio**

- **Performance**

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- **People/Organization**
- **Philosophy**
  - Advisor full authority or obtain preapproval for changes?
  - Active or passive investments?
  - Strategic or tactical asset allocation?
  - Downside protection or upside capture?
  - Liquid public investments or private limited liquidity investments?
  - Separately managed account or mutual fund solution
- **Process/Portfolio**
- **Performance**

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- **People/Organization**
- **Philosophy**
- **Process/Portfolio**
  - Rebalancing frequency
  - Asset class ranges
  - Turnover
  - Income
  - Withdrawal timing
  - Commingled accounts with sub-accounting vs. separate accounts
- **Performance**

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- **People/Organization**
- **Philosophy**
- **Process/Portfolio**
- **Performance**
  - Absolute vs. relative
  - Static benchmark vs. dynamic benchmark
  - Total account performance vs. asset class performance
  - Investment advisor style
    - Quality / value manager underperforms in a bull market is expected
    - Technology / growth manager underperforms in a bull market is unacceptable

# Contact Us

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At Rockland Trust Investment Management Group, we want to get to know YOU. A custom approach to conquering your goals. Contact us today for more information.

## Becky Dowd (Primary Contact)

Vice President & Financial Consultant  
Investment Management Group  
765 Main Street  
Hyannis, MA 02601  
Office 508-732-3374  
Mobile 339-364-0061  
[Becky.Dowd@RocklandTrust.com](mailto:Becky.Dowd@RocklandTrust.com)

## Ryan Martin

Vice President & Portfolio Manager  
Investment Management Group  
58 Main St.  
Franklin, MA 02038  
Office 781-982-6259  
Mobile 617-835-7759  
[Robert.Quirk@RocklandTrust.com](mailto:Robert.Quirk@RocklandTrust.com)

## Claudia Bender, CFP®, CTFA

Vice President & Relationship Manager  
Investment Management Group  
22 Wianno Ave  
Osterville, MA 02655  
Office 508.957-1265  
Mobile XXX-XXX-XXXX  
[Claudia.Bender@RocklandTrust.com](mailto:Claudia.Bender@RocklandTrust.com)

# Meet Becky Dowd

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Vice President & Financial Consultant



## HOW I CAN HELP YOU

Becky Dowd is a Vice President and Financial Consultant, and has been with Rockland Trust since 2015. Becky is responsible for evaluating client needs and goals to develop customized, long-term solutions to help build and protect their wealth.

## MY BACKGROUND AND EXPERIENCE

Becky has worked in the financial services industry since 1994. Prior to joining Rockland Trust, Becky was Director of Business Development at the Bank of Cape Cod. Becky received her BS in Business Administration from the University of Wisconsin.

## GETTING TO KNOW ME

Becky is on the Marketing Communications Committee for WE CAN in Harwichport and a member of the Board of Directors for the Arts Foundation of Cape Cod. She is also active in several community and business organizations including the Marshfield Boys & Girls Club and the Marshfield Food Pantry. Becky resides in Marshfield with her husband.

# Meet Claudia Bender, CFP<sup>®</sup>, CTFA

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Vice President & Relationship Manager



## HOW I CAN HELP YOU

Claudia Bender is a Vice President and Relationship Manager, and joined Rockland Trust in 2021. Claudia is responsible for the primary oversight of the account administration and helping clients reach their short- and long-term financial goals through detailed financial planning, wealth management, and estate planning analysis.

## MY BACKGROUND AND EXPERIENCE

Claudia has worked in the financial services industry since 2005. Prior to joining Rockland Trust, Claudia held positions at Eastern Bank Wealth Management, Morgan Stanley, and Bank of America/Merrill Lynch. Claudia received her BA from Connecticut College and her MA from Boston University. She holds a Certificate in Financial Planning from Boston University and has had her CFP<sup>®</sup> designation since 2012. Claudia is also a designated Certified Trust and Financial Advisor (CTFA).

## GETTING TO KNOW ME

Claudia is on the Financial Stability Impact team for the Cape and Islands United Way and lives in Marion, MA with her husband and two young children.

# Meet Ryan Martin

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Vice President & Portfolio Manager



## HOW I CAN HELP YOU

Ryan Martin is a Vice President & Portfolio Manager and has been with Rockland Trust since 2022. Ryan is responsible for integrating an investment strategy that reflect our clients' objectives, financial goals and risk tolerance including custom asset allocation, long-term goal planning, and securities research.

## MY BACKGROUND AND EXPERIENCE

Ryan has worked in the financial services industry since 2004. Prior to joining Rockland Trust, he spent 17 years at Eastern Bank Wealth Management where he was most recently a Vice President and Relationship Manager managing portfolios for high net-worth individuals and institutions. Ryan received his BS degree in Finance from Bentley University.

## GETTING TO KNOW ME

Ryan is on the Finance Committee for the Town of Mansfield and is a board member and coach for Mansfield Youth Lacrosse. He resides in Mansfield with his wife and two children and enjoys skiing in his spare time.

# Disclosures

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## Important Disclosures

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