
Mutual Fund Director Compensation: The 2024 Management Practice Annual Survey

May 21, 2024



Introduction

The Mutual Fund Directors Forum (MFDF) is an independent, nonprofit organization that serves the independent directors of U.S. mutual funds.

Management Practice (MPI) has been an active adviser to mutual fund directors and their counsel since 1970.



MUTUAL FUND DIRECTORS FORUM
The FORUM for FUND INDEPENDENT DIRECTORS

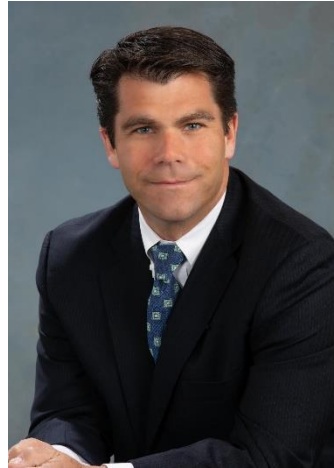
MANAGEMENT
PRACTICE®

Today's Speakers



Carolyn McPhillips
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Mutual Fund
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Management
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Agenda

- 01 Survey Methodology, Director Demographics, Industry Statistics
- 02 Setting Director Compensation/Director Compensation Data
- 03 Other Compensation and Governance Practices
- 04 Cost of Fund Governance and Comparison to Corporate Board Compensation

Setting Trustee Compensation Properly is Important for Many Reasons

- Must be fair to shareholders
- Must be fair to board members – increasing workloads, duties and exposure
- Necessary to attract/retain high quality trustees
- Regulatory impact/optical considerations
- Industry growth: AUM, distribution channels, use of sub-advisors, new products (e.g. ETFs), complex investments (e.g. derivatives)...
- Process, process, process...

01

Survey Methodology, Director Demographics, and Industry Statistics



Survey Methodology

- 359 Boards
- 1821 Trustees/Directors
- Client Surveys
- Public filings/SAs, Morningstar, ICI

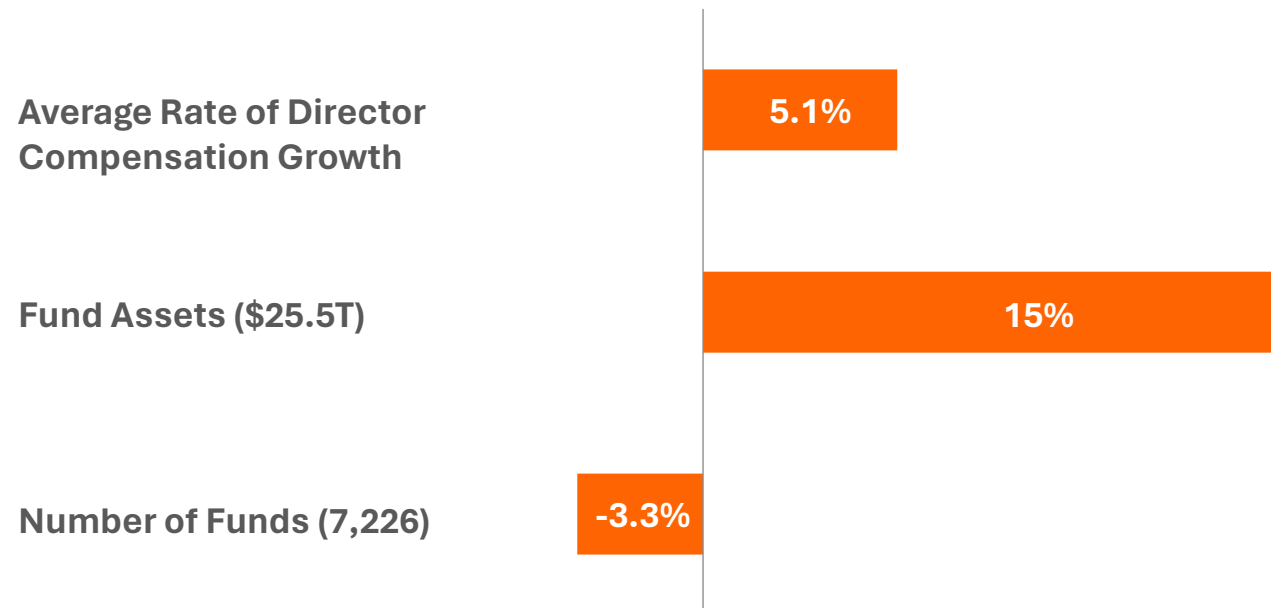
Director Demographics

- Approximately 2,000 fund directors overseeing about \$25 trillion AUM
- Average/median age 68
- Retirement age has shifted to 75 and beyond
- Tenure: current directors have served an average of 11.8 years, median 10 years
- Approximately 29% of current directors and 45% of incoming directors in 2023 were female

02 Director/Trustee Compensation

U.S. Mutual Fund Industry in 2023

Director compensation was up 5.1% while industry assets were up 15%. The number of funds was down 3.3%.



Source: Mutual Fund NSAR Filings (Trustee Compensation and Expenses); ICI "Trends in Mutual Fund Investing" (change in fund assets and number of funds).

An aerial photograph of a city at dusk or dawn, with buildings and streets visible. A large, semi-transparent orange circle is overlaid on the left side of the image, partially obscuring the city view. The sky is hazy and the city lights are beginning to glow.

02

SETTING DIRECTOR COMPENSATION/ DIRECTOR COMPENSATION DATA

Source: Statistical data from MPI surveys, corporate proxies, and SEC filings

Level 1: Traditional Approach – AUM and Fund Count

Description/method:

- Comparison to industry wide cohort data
- Minimum of two/both metrics recommended
- Look at median of AUM and fund count categories for indication of appropriate level

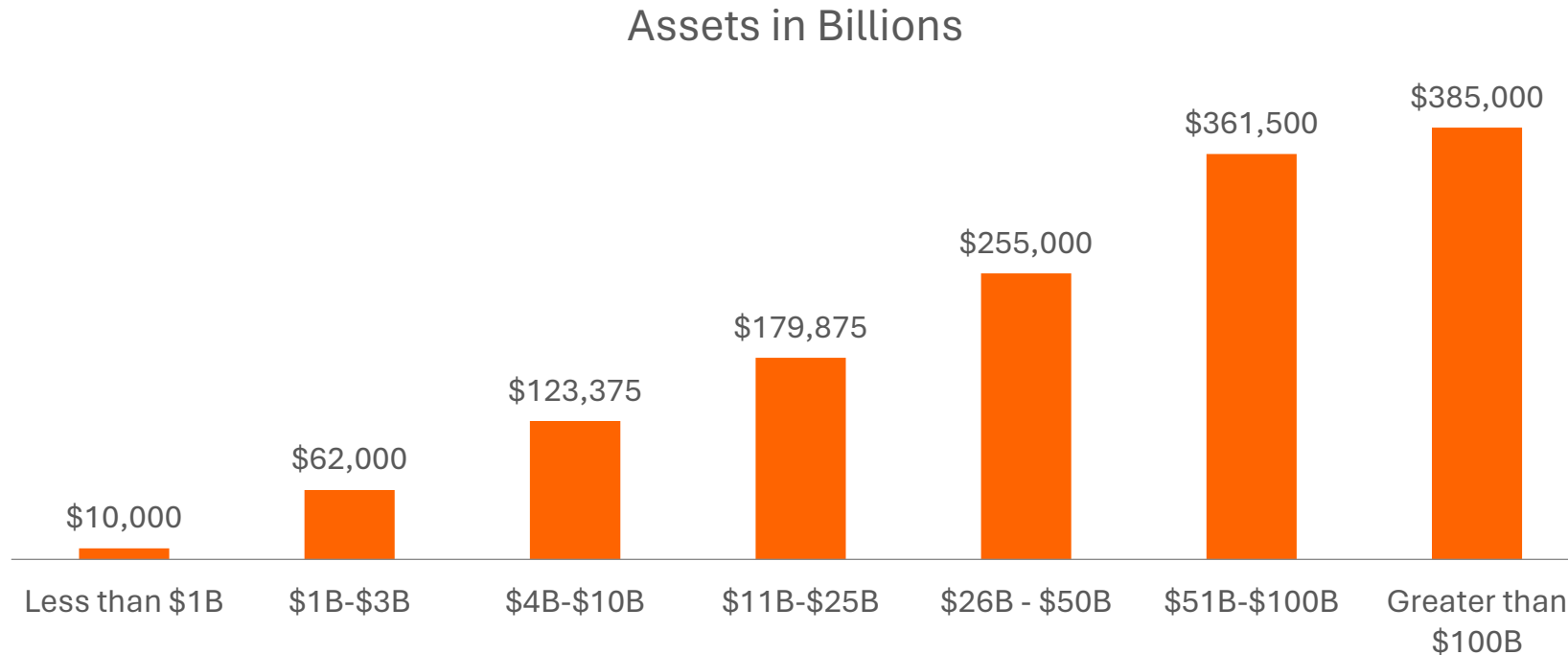
Caveats:

- Descriptive, not prescriptive, more appropriate for “review” vs. “setting”
- Wide range within categories
- Could be problematic if at the higher or lower end of both categories
- Could be misleading/not always rational (i.e. an increase in AUM could indicate a decrease in pay)
- Does not take into account specific/unique features of each board’s duties

02 Director/Trustee Compensation

Median Total Compensation per Director in 2023 - Total Assets Governed

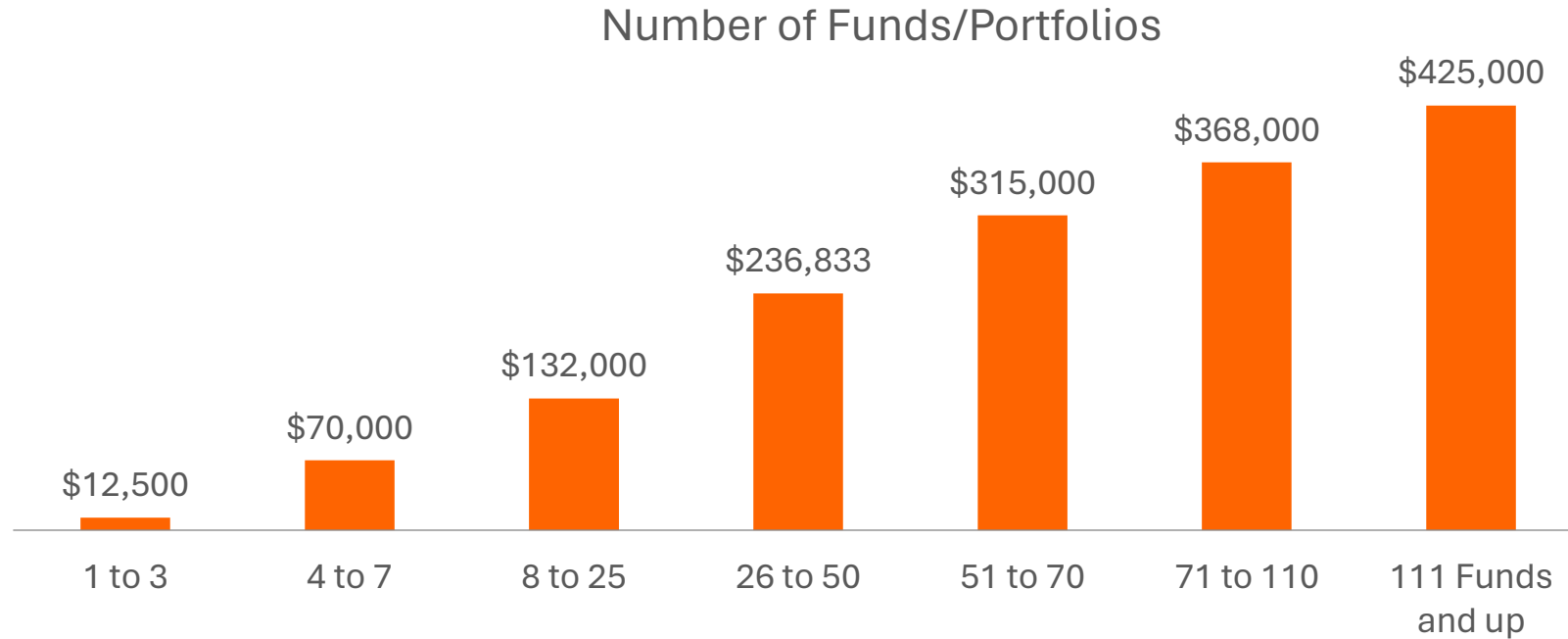
Total compensation rises with increasing asset levels.



02 Director/Trustee Compensation

Median Total Compensation per Director in 2023 – Number of Funds/Portfolios Governed

Total compensation increases as the number of funds/portfolios governed grows.



Level II – Peer Selection and Comparison (Data is fictitious, for illustrative purposes only)

Description/method:

- Select group of 8-12 peers based on AUM and fund count
- When possible skew toward insurance, sub-advised funds, etc.
- NOT 15(c) peers
- Run median, other percentiles
- Aggregate pay
- If comfortable with peer group, can be useful comparison for chair fees, meetings, other issues

Sample Board Peer Group -- Data as of December 31, 20XY					
	Approx. Assets (\$B)	Approx. #Funds/Portfolios	Median Total Director Compensation (20XX)	Median Total Director Compensation (20XY)	% Change 20XX-20XY
Fund Board					
Sample Board	\$30	40	\$157,250	\$162,400	3.3%
Selected Peer Group					
Peer A	\$60	55	\$225,000	\$235,000	4.4%
Peer B	\$32	47	\$164,280	\$172,250	4.9%
Peer C	\$19	29	\$110,000	\$125,000	13.6%
Peer D	\$36	17	\$198,600	\$205,000	3.2%
Peer E	\$52	50	\$212,750	\$218,500	2.7%
Peer F	\$28	60	\$151,400	\$162,000	7.0%
Peer G	\$46	24	\$148,750	\$168,000	12.9%
Peer H	\$34	18	\$184,700	\$198,500	7.5%
Peer I	\$17	52	\$152,300	\$164,000	7.7%
Percentile – 25 th	\$28	24	\$151,400	\$164,000	8.3%
Percentile - 50 th (median)	\$34	47	\$164,280	\$172,250	4.9%
Percentile – 75 th	\$46	52	\$198,600	\$205,000	3.2%
Mean	\$36	39	\$171,976	\$183,139	6.5%

Level III: Degree of Difficulty/ 4 Dimensions of Complexity

Structural Complexity

- Distribution platforms
- Number of sub-advisors
- New fund activity

Product Complexity

- Fund count
- Fund types (OE, CE, ETF, Alloc. Muni, MMKT, etc.)
- Share classes

Investment Complexity

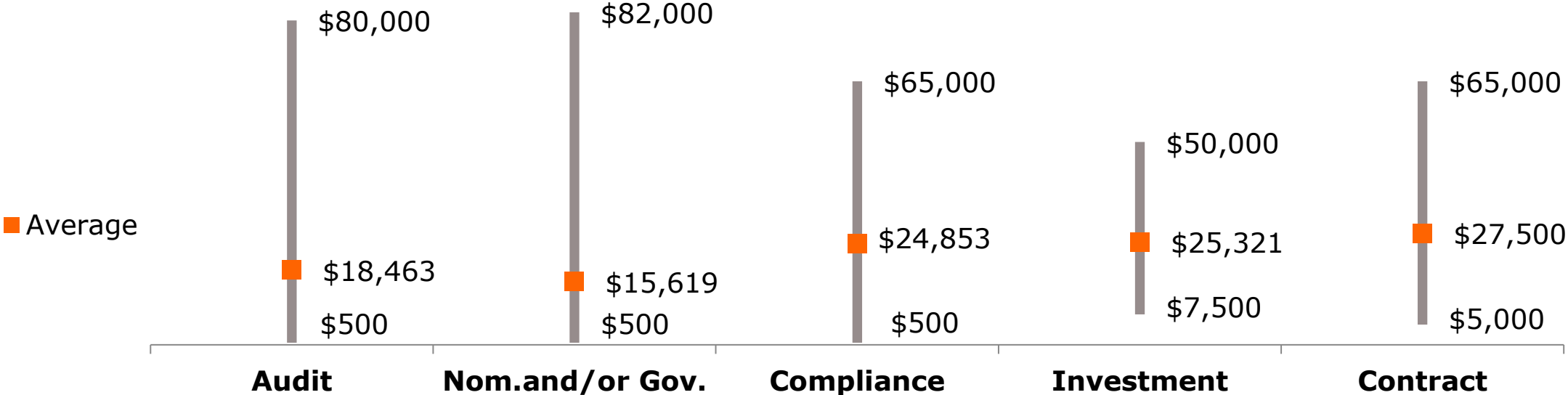
- Investment categories
- Alternative funds
- Other (tax strategies, securities lending, etc.)

Organizational Complexity

- AUM
- Number of sub-advisors
- Legal activity

Average Committee Chair Fees

Committee chair fees vary among fund and committee types often depending on asset size and fund complexity. The following chart depicts the range and average fee paid to each committee chair. Some of the larger complexes that have higher committee fees also may be the funds that have additional committees for areas such as investments, causing the average to be higher than audit, where 100% of boards have committees.





03

Other Compensation and Governance Practices

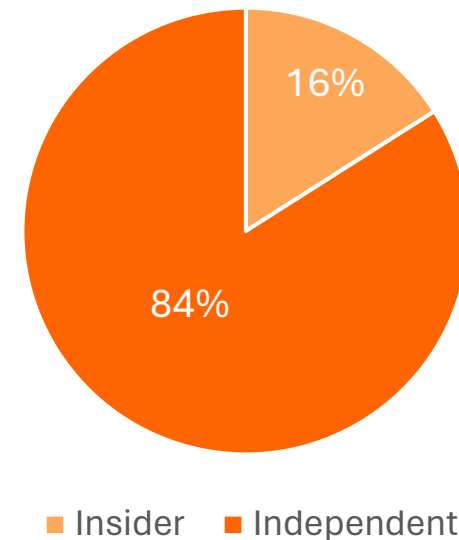
Source: Statistical data from MPI surveys, the Investment Company Institute and SEC filings

Board Independence

83% of directors on participating boards are independent (“disinterested” in legal parlance).

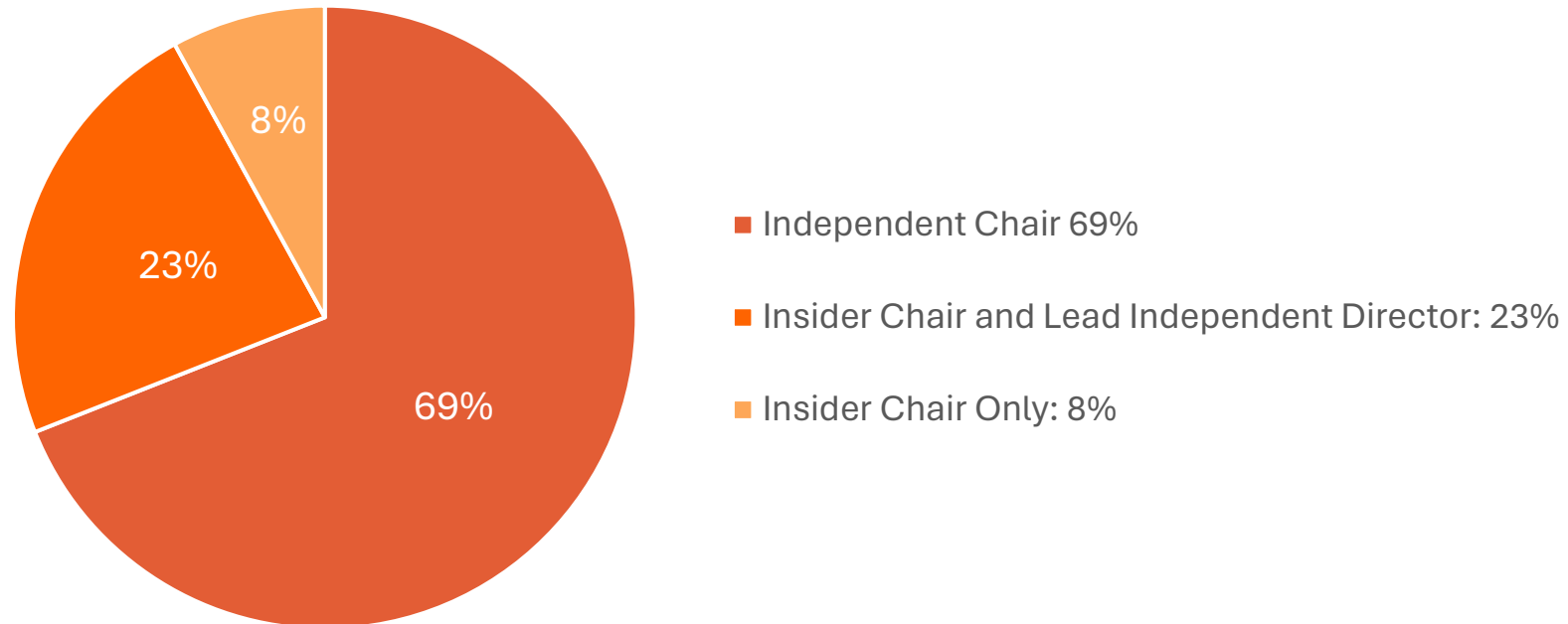
Over **86%** of boards comply with the SEC’s formerly proposed “Super Majority” rule requiring **75%** independent directors.

% of Independent Directors on Board



Board Leadership

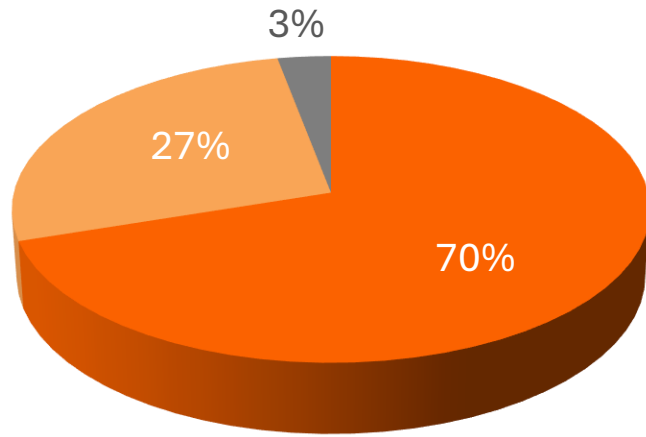
69% of fund boards are chaired by an independent director, up from 42% in 2004. While 31% have insider chairs, 23% also have a lead independent director.



Breakdown of Board Compensation: Structural/Pay Methods

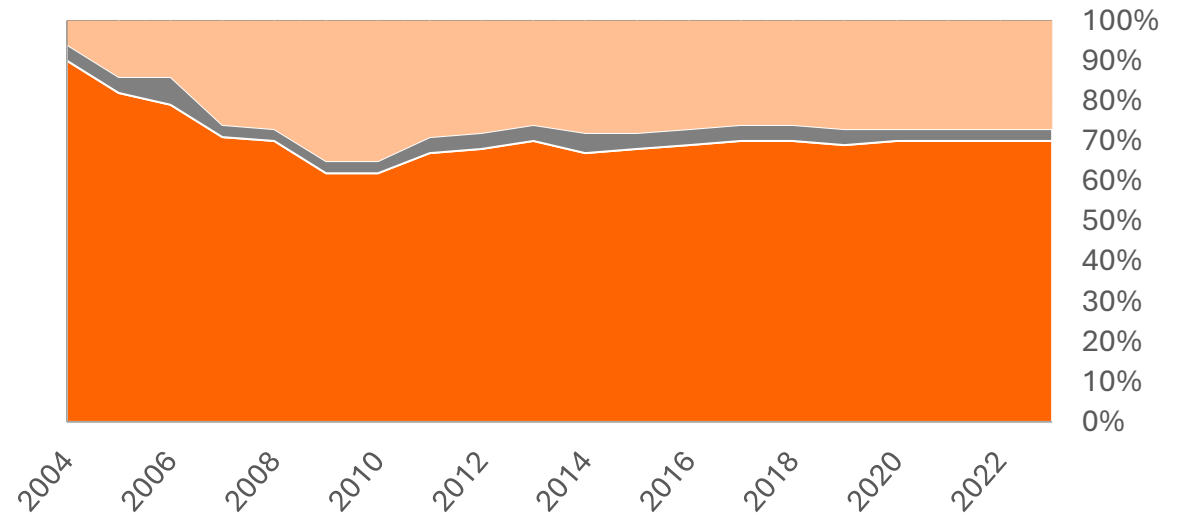
70% of directors are on boards that pay a combination of retainer plus meeting fees.

Board Compensation



- Retainer & Meeting Fees
- Retainer Only
- Meeting Fees Only

Board Compensation Trend



03 Compensation and Governance Practices

Board Committee Detail

All boards have an audit committee, most have governance and nominating committees, and many have an investment and/or compliance committee.

There has been a notable increase in the number of governance committees and investment committees in response to changes in the market and industry.

Percent of participants with each committee

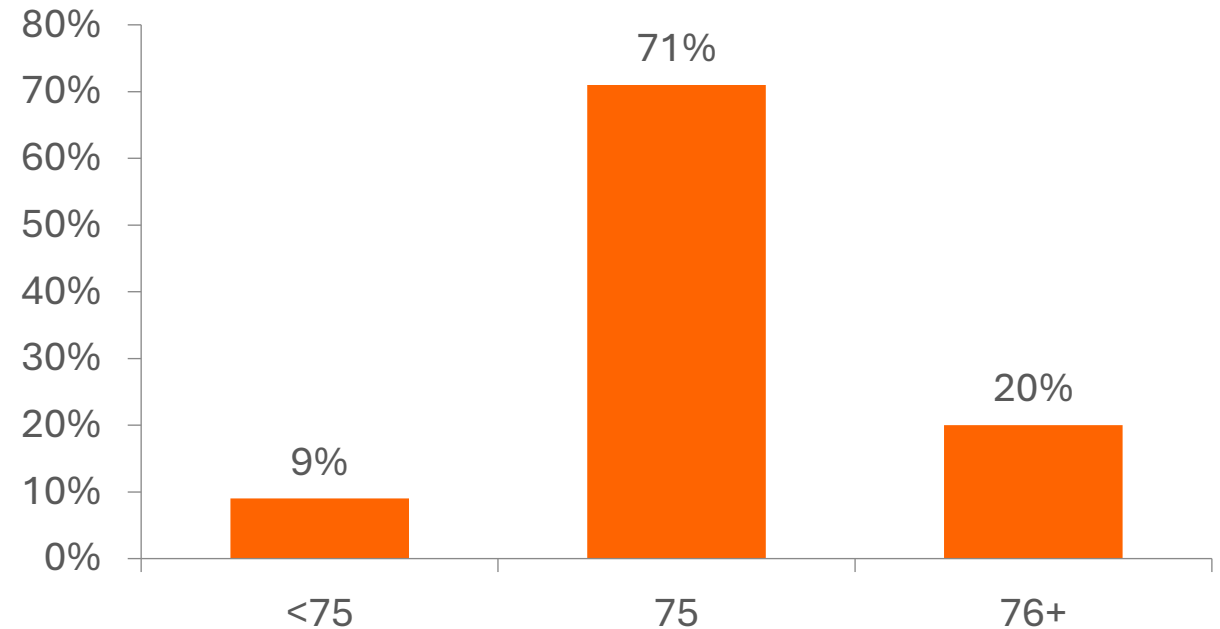
100%	Audit
82%	Nominating and/or Governance
21%	Pricing/Valuation
18%	Investment/Performance
18%	Compliance
11%	Contracts
8%	Executive
6%	Risk
4%	Brokerage/Portfolio Trading
4%	Proxy
3%	Marketing/Distribution
2%	Operations
<1%	Ethics

* Does not add to 100% due to non-exclusive nature of committees.

Board Retirement Age

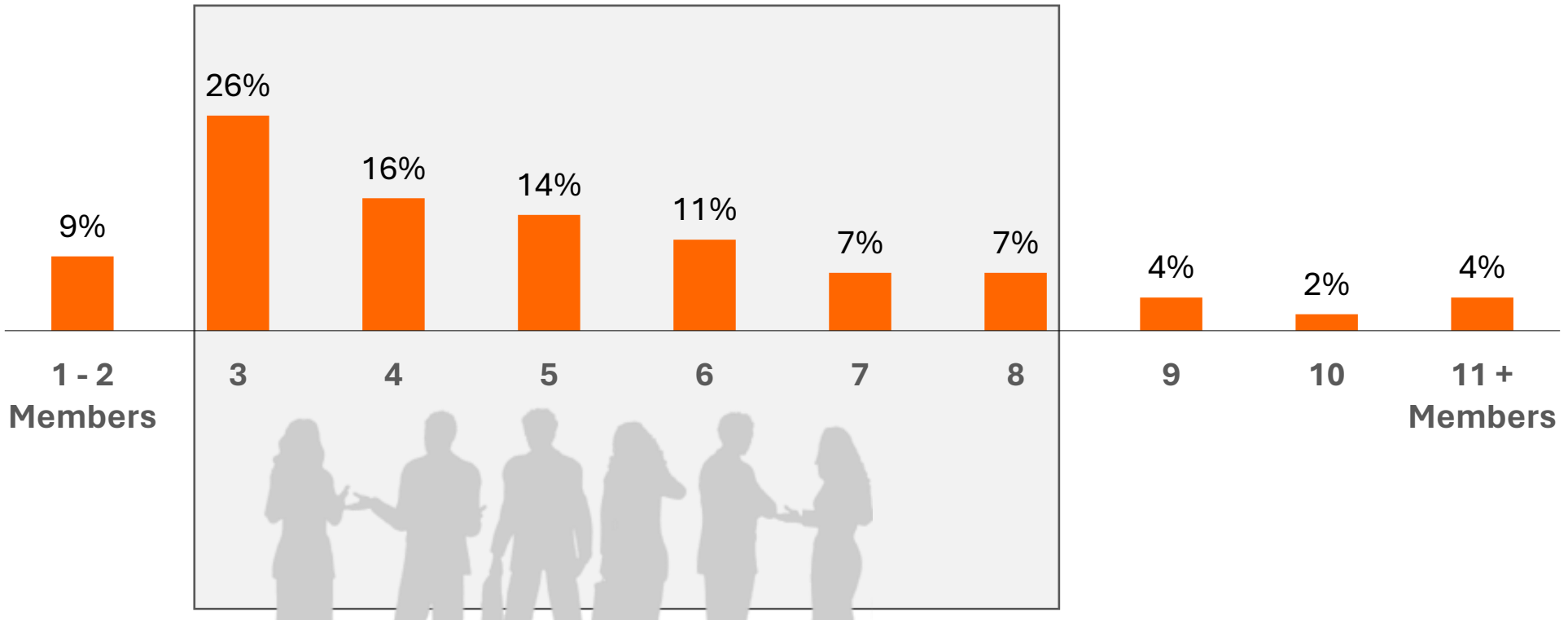
After a significant increase in average retirement ages in recent years, the pace has now started to level off. 71% of participating boards have a mandatory retirement policy, with 75 now overwhelmingly the most commonly reported retirement age (74%, up from 37% seven years ago) after remaining at 72 for many years. 20% have retirement ages above 75. Approximately 5%-10% of boards have an emeritus program.

Mandatory Retirement Age
(for boards that have them)



Number of Independent Board Members per Board

The average number of independent board members is 5.1. Merger activity can cause wide variability in head counts (sometimes up to 15 members or higher) as boards combine and consolidate. However, the majority of fund boards have three to eight independent members.



Findings on Independent Fund Director Demographics



68

Was the average and median director age.



6.9%

served on **other mutual fund boards** down from **19%** in 2006.



67%

of directors serve on **other corporate, charitable or non-profit boards.**



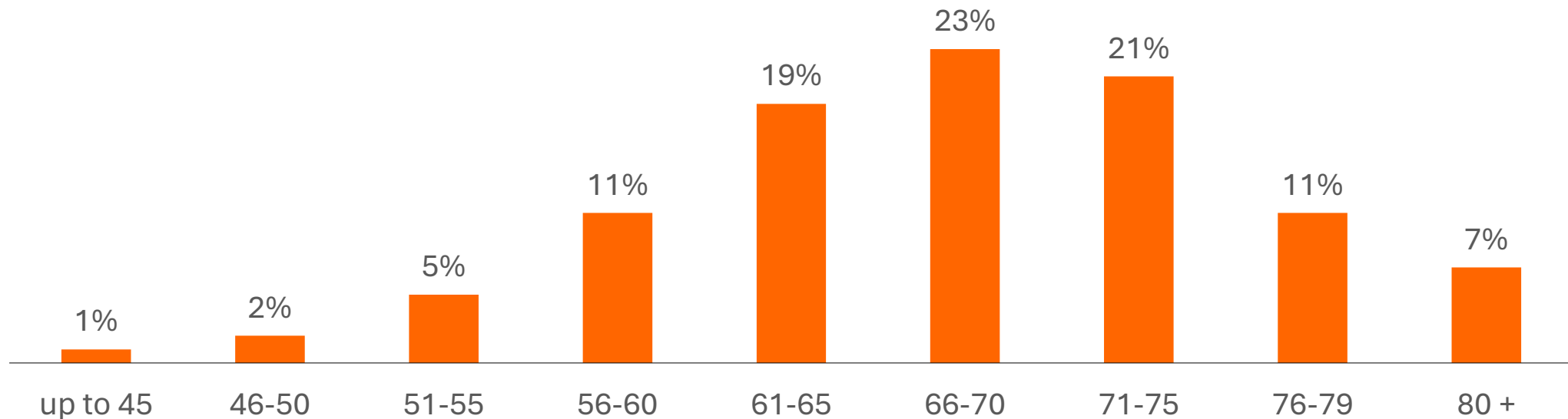
29%

of current and 45% of new independent directors in 2023 were **female.**

Age of Directors

The majority of directors are in the 60-75 age range.

Percentage of Directors in Each Age Category





04

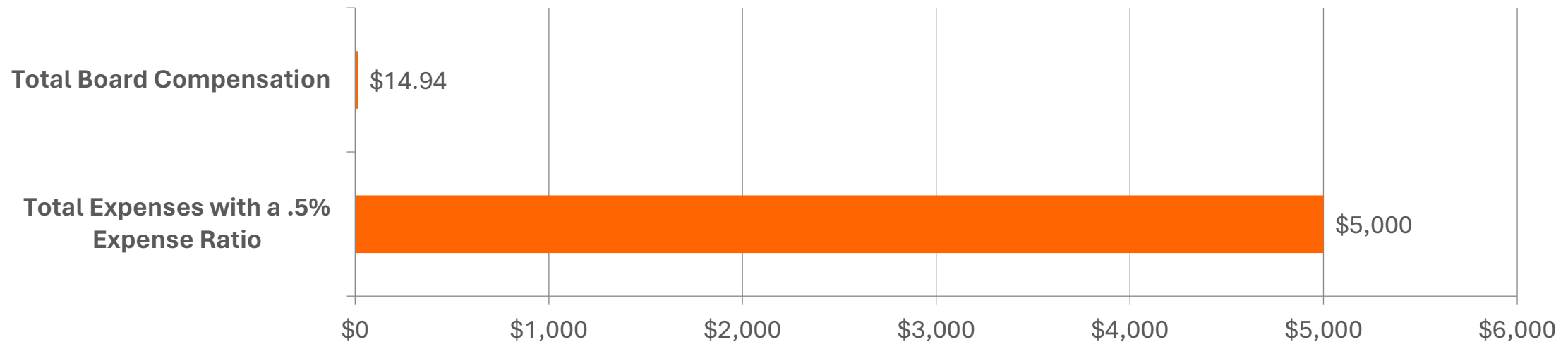
Cost of Fund Governance and Comparison to Corporate Board Compensation

Source: Statistical data from MPI surveys, the Investment Company Institute
and SEC filings

04 Cost of Fund Governance and Comparison to Corporate Board Compensation

Total compensation for all independent directors represents a fraction of a typical fund's total expenses.

Total Industry Board Compensation Compared to Total Expenses
for a Typical Equity Fund for \$1 million in Assets



Corporate Board Compensation - 2023

Corporate Board	Median Total Compensation	Number of Independent Directors	Aggregate Board Pay
Apple	\$380,551	7	\$2,907,619
Citigroup	\$415,000	12	\$4,792,500
ExxonMobil	\$379,637	11	\$4,241,831
IBM	\$430,662	11	\$5,148,510
J&J	\$340,000	12	\$3,913,123
JP Morgan	\$402,500	9	\$4,160,208
Morgan Stanley	\$390,000	11	\$4,213,333
Verizon	\$335,000	11	\$3,860,000
Walmart	\$315,946	10	\$3,371,553

Data is approximate and findings may differ due to varying reporting standards and other factors.



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