

**NOTICE TO SHAREHOLDERS  
RUSSELL INVESTMENT COMPANY**

January 27, 2011

**Russell Emerging Markets Fund**

The Russell Emerging Markets Fund (the "Fund") allocates most of its assets among multiple Money Managers. Russell Investment Management Company ("RIMCo"), as the Fund's advisor, may change the allocation of the Fund's assets among Money Managers at any time. An exemptive order from the Securities and Exchange Commission ("SEC") permits RIMCo to hire a Money Manager at any time, subject to the approval by the Fund's Board of Trustees (the "Board") without a shareholder vote. Pursuant to the terms of the exemptive order, the Fund is required to notify its shareholders within 60 days of when a new Money Manager begins providing services to the Fund.

**Change of Control of Money Manager**

T. Rowe Price International, Inc ("TRPI") is a Money Manager for the Fund. On December 31, 2010, T. Rowe Price Group, Inc., the parent company for TRPI, undertook a restructuring involving certain of its wholly-owned subsidiaries. As a part of the restructuring, TRPI was merged into T. Rowe Price Associates, Inc. ("TRPA"). In addition, a portion of the Russell Emerging Markets Fund will be managed by T. Rowe Price International Ltd. ("TRPIL"). Although this restructure did not constitute a change of control under the Investment Company Act of , as amended ("1940 Act"), the new structure of the entities requires that the Board of Russell Investment Company ("RIC") approve new portfolio management contracts with TRPA and TRPIL, respectively, effective upon the closing of the restructuring.

**Portfolio Management Contract**

Effective January 1, 2011, RIMCo, as fiduciary for RIC, entered into new portfolio management contracts with TRPA and TRPIL. Each contract will continue until April 30, 2011. Thereafter, each contract will continue in effect for successive annual periods if its continuance has been specifically approved at least annually by RIC's Board, including the affirmative vote of a majority of the Trustees who are not parties to the contract, or "interested persons" (as defined in the 1940 Act) of any such party, cast in person at a meeting called for the purpose of considering such approval. Each contract is automatically terminated if assigned. Each contract may be terminated without payment of any penalty by RIMCo or RIC immediately upon written notice to TRPA or TRPIL and by TRPA or TRPIL upon 30 days' written notice to RIMCo.

**Board Approval of Portfolio Management Contract**

In evaluating the portfolio management contracts with TRPA and TRPIL, the Board considered that the Fund, in employing a manager-of-managers method of investment, operates in a manner that is distinctly different from most other investment companies. In the case of most other investment companies, an advisory fee is paid by the investment company to its adviser which in turn, employs and compensates individual portfolio managers to make specific securities selections consistent with the adviser's style and investment philosophy. In the case of the Fund, an advisory fee is paid by the Fund to RIMCo which in turn compensates the Money Manager firms hired to make specific securities selections.

The Board considered that RIMCo (rather than any Money Manager) is responsible under the investment advisory agreement for determining, implementing and maintaining the investment program for the Fund. Assets of the Fund generally have been allocated among the multiple Money Managers.

RIMCo is responsible for selecting, subject to Board approval, Money Managers for the Fund and for actively managing allocations and reallocations of assets among the Money Managers. The Board has been advised that RIMCo's goal is to construct and manage diversified portfolios in a risk aware manner. Each Money Manager for the Fund in effect performs the function of an individual portfolio manager who is responsible for selecting portfolio securities for the portion of the Fund assigned to it by RIMCo (each, a "segment") in accordance with the Fund's applicable investment objective, policies and restrictions, any constraints placed by RIMCo upon their selection of portfolio securities and the Money Manager's specified role in the Fund. RIMCo is responsible for communicating performance expectations to each Money Manager; supervising compliance by each Money Manager with the Fund's investment objective and policies; authorizing Money Managers to engage in certain investment strategies for the Fund; and recommending annually to the Board whether portfolio management contracts should be renewed, modified or terminated. In addition to its annual recommendation as to the renewal, modification or termination of portfolio management contracts, RIMCo is responsible for recommending to the Board the additions of new Money Managers or replacements of existing Money Managers at any time when, based on RIMCo's research and ongoing review and analysis, such actions are appropriate. RIMCo may impose specific investment constraints from time to time for each Money

Manager intended to capitalize on the strengths of that Money Manager or to coordinate the investment activities of Money Managers for the Fund in a complementary manner. Therefore, RIMCo's selection of Money Managers is made not only on the basis of performance considerations but anticipated compatibility with other Money Managers in the Fund. In light of the foregoing, the overall performance of the Fund over appropriate periods reflects, in great part, the performance of RIMCo in designing the Fund's investment program, structuring the Fund, selecting an effective Money Manager with a particular investment style or sub-style for a segment that is complementary to the styles of the Money Managers of other Fund segments, and allocating assets among the Money Managers in a manner designed to achieve the objectives of the Fund.

The Board considered that the prospectus for the Fund and other public disclosures emphasize to investors RIMCo's role as the principal investment manager for the Fund, rather than the investment selection role of the Fund's Money Managers, and describes the manner in which the Fund operates so that investors may take that information into account when deciding to purchase shares of the Fund.

At a meeting held on December 7, 2010, the Board received a proposal from RIMCo to approve new portfolio management contracts between RIMCo and TRPA and RIMCo and TRPIL, respectively. The Trustees approved the terms of the proposed portfolio management contracts with TRPA and TRPIL based substantially upon RIMCo's recommendation to hire the Money Managers at the proposed fee rate; any significant business relationships between the Money Managers and RIMCo or Russell Financial Services, Inc., the Fund's underwriter; RIMCo's explanation as to the lack of relevance of profitability to the evaluation of portfolio management contracts with money managers because the willingness of Money Managers to serve in such capacity depends upon arm's-length negotiations with RIMCo; RIMCo's awareness of the fees charged by the Money Managers to other clients; and RIMCo's belief that the proposed investment advisory fees would be reasonable in light of the anticipated quality of investment advisory services to be rendered. The Trustees considered information provided by RIMCo that the proposed change would have no impact to the fees RIMCo pays to the Money Managers of the Fund. The Trustees also considered their findings at their April 20, 2010 meeting as to the reasonableness of the aggregate investment advisory fees paid by the Fund, and the fact that the aggregate investment advisory fees paid by the Fund would not increase as a result of the implementation of the proposed Money Manager change because the Money Managers' investment advisory fees are paid by RIMCo. A more extensive discussion of the Board's findings at their April 20, 2010 meeting is available in the Fund's annual report for the period ended October 31, 2010, a copy of which is available free of charge by calling 1-800-787-7354.

### **Compensation**

Under its advisory agreement with RIC, RIMCo receives an advisory fee from the Fund for its services. From its advisory fee, RIMCo, as agent for RIC, pays all Fund Money Managers for their investment selection services. The remainder of the fee is retained by RIMCo as compensation for its services and to pay expenses. Quarterly, each Fund Money Manager, including TRPIL and TRPA, is paid a pro rata portion of its annual fee, based on the monthly average of all the assets allocated to it. The annual rate of the advisory fees payable to RIMCo as a percentage of the average daily net assets of the Fund is 1.15% (estimated to be \$15,460,798 based on an assumed average asset level of \$1,344,250,831 for the twelve months ended October 31, 2010, RIC's fiscal year end). Prior to the changes described herein, the aggregate annual advisory fee payable to the Fund's Money Managers was approximately 0.45% (estimated to be \$6,049,129 based on the same asset level). Giving effect to the changes described in this notice, the aggregate annual advisory fee payable to the Fund's Money Managers would have been approximately 0.43% (estimated to have been \$5,780,279 based on the same asset level).

For the most recently completed fiscal year, the Fund paid no aggregate commissions to brokers affiliated with TRPIL or TRPA.

The Money Manager may use brokerage commissions to pay for soft dollar research services. Any such use will be in accordance with Section 28(e) of the Securities Exchange Act of 1934.

### **Similar Investment Advisory Relationships**

TRPA acts as an investment adviser to other registered U.S. investment companies with investment objectives similar to that of the Fund. The name of and approximate assets under management for these funds are as follows:

<u>Name</u>	<u>Assets as of September 30, 2010</u>
T. Rowe Price Institutional Emerging Markets Equity Fund	*
T. Rowe Price Emerging Market Stock Fund	*

\* TRPA's approximate aggregate assets under management for these Funds as of September 30, 2010, was \$5,505 million. RIMCo does not have access to TRPA's assets under management on a per fund basis.

TRPIL was formed as a result of a restructuring of its parent company, T. Rowe Price Group, Inc. As of December 31, 2010, TRPIL did not act as an investment adviser to other registered U.S. investment companies with investment objectives similar to that of the Fund.

**Related Information**

*T. Rowe Price Associates, Inc.*, 100 East Platt Street, Baltimore, MD 21201, is a direct wholly-owned subsidiary of T. Rowe Price Group, Inc., a publicly traded financial services holding company.

*T. Rowe Price International Ltd.*, 60 Queen Victoria Street, London, EC4N 4TZ England, is a direct wholly-owned subsidiary of T. Rowe Price Associates, Inc., which in turn, is a direct wholly-owned subsidiary of T. Rowe Price Group, Inc., a publicly traded financial services holding company.

*Russell Investment Management Company*, 1301 Second Avenue, 18<sup>th</sup> Floor, Seattle, WA 98101, provides or oversees the provision of all investment advisory and portfolio management services for the Fund.

*Russell Financial Services, Inc.*, 1301 Second Avenue, 18<sup>th</sup> Floor, Seattle, WA 98101, a wholly-owned subsidiary of RIMCo, is the principal distributor of Fund shares.

**Additional Information**

If you have any questions about the changes described in this notice or if you wish to obtain a copy of the Fund's annual or semiannual reports to shareholders at no charge, please contact your Russell authorized financial intermediary or RIC, at 1301 Second Avenue, 18<sup>th</sup> Floor, Seattle, WA 98101 or 1-800-787-7354.