Amplifying Our Voice: Leading Boldly for Our Students, Our Professions, and Our Union

Investment Risk – Good Risk, Bad Risk and the Association Investment Policy

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COMPETENCY: STRATEGY AND FISCAL HEALTH

• NEA Leadership Competency progression Level:
  • Level 2: Mobilizing & Power Building

• NEA Leadership Competency Theme:
  • Supports financial health
NEA Strategic Goal and NEA Organizational Priority:

• NEA Strategic Goal
  • building the capacity of the local, state and national union to ensure the success of public education.

• NEA Organizational Priorities
  • Supporting Professional Excellence
What to expect from this session:

• Overseeing the investment of an affiliate’s reserves is one of the most important responsibilities of the Board of Directors.

• Establishing an Investment Policy Statement is among the most important steps toward fulfilling that responsibility.

• In this session, we will explore the importance of having an Investment Policy, how to go about developing an Investment Policy, and the duties and responsibilities of all parties involved in administering the Investment Policy.
Financial Reserves

• What are reserves?
• Why are they important?
• How much is enough?
• Who monitors them?
Financial Best Practices Standards for Reserves

Building Reserves

<table>
<thead>
<tr>
<th>Year</th>
<th>Budget</th>
<th>Actual</th>
<th>Reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>26</td>
<td>16.75</td>
<td>3.25</td>
</tr>
<tr>
<td>2018</td>
<td>18</td>
<td>17</td>
<td>4.38</td>
</tr>
<tr>
<td>2019</td>
<td>19.5</td>
<td>16.5</td>
<td>7.5552</td>
</tr>
<tr>
<td>2020</td>
<td>21</td>
<td>20</td>
<td>8.857408</td>
</tr>
</tbody>
</table>

- Budget
- Actual
- Reserves
Financial Best Practices Standards for Reserves

DAYS IN RESERVE

Days in Reserve

- 2017: 68
- 2018: 91
- 2019: 157
- 2020: 185
Information Gathering

• What are the long- and short-term goals for the reserves?
• What is the appetite for and/or ability to withstand risk?
• Are there specific investments that will be prohibited?
• Who will make up the Investment Committee?
• Is there talent on staff to manage investments?
• Is an outside investment manager required?
• How to hire an investment manager
• 3(21) vs 3(38)
Writing an Investment Policy Statement (IPS)

- Introduction
  - Prologue
  - Definitions
• Statement of Purpose/Mission
  • Investment goals and objectives
  • Investment philosophy
  • Performance expectations
• Roles and Responsibilities
  • Committee
  • Investment Consultant
  • Staff
• Asset Allocation
  • Priority and purpose of asset allocation
  • Rebalancing directives
• Investment guidelines
  • Prohibited Investments
  • Class restrictions
  • Rating restrictions
  • Selection of Investment Manager
• Performance Monitoring
  • Purpose
  • Scoring platform
  • Investment Consultant/Manager performance review and evaluation
Acknowledgment and Acceptance
  • Signature pages
Questions?

• Sharable documents:
  • IPSs
  • Requests for proposal
  • Scorecards
Session Outcomes

The content from this session can be used in the following ways in your current position/role:

• Gain an understanding of the components of a sound investment policy
• Understand different types of investments
• Understand risk assessment to protect cash, reserves, and investments.
Closing

• Please complete the evaluation for this breakout session by using the NEA Summit Mobile App! (Allow at least 5 minutes at the end of the session.)

• Please visit the Leadership Development Resources website at www.nea.org/leadershipdevelopment