

# Investment Policy Statement and Guidelines

Approved on August 9, 2014 by vote of the Division 15 Executive Committee

## I. Overview

This document has been created by the Educational Psychology Division of the American Psychological Association (Division 15) to establish investment policies, strategies, and guidelines for use in conjunction with its investments in financial securities. The document provides the framework for an investment strategy focused on the needs of the organization. It is designed to provide clear guidance to Division 15 in its investment process in order to assure that the organization's objectives are achieved. The financial securities of Division 15 are invested in a single fund: the APA Division 15 Portfolio (Division 15 Portfolio).

## II. Fiduciary Standards

The Executive Committee of Division 15 recognizes our fiduciary responsibilities with respect to the Division 15 Portfolio. These duties can be summarized according to the duties enumerated in the model Uniform Prudent Management of Institutional Funds Act (UPMIFA).

- 1) Funds contributed to the Division 15 Portfolio must be utilized subject to a donor's intent, based on specific directions, or in alignment with the charitable purposes of the American Psychological Association and the purposes of our investment funds;
- 2) The Executive Committee of Division 15, or their delegates, must comply with the duty of loyalty; must manage and invest funds in good faith with the care an ordinarily prudent person in a like position would exercise under similar circumstances;
- 3) Division 15 should only incur costs that are appropriate and reasonable in relation to the assets and purposes of the Division 15 Portfolio, aligned with the Division 15 spending policy, and/or approved by the Executive Committee. Executive Committee Members must make a reasonable effort to verify facts relevant to the management and investment of the Division 15 Portfolio;
- 4) Executive Committee Members must consider:
  - a) General economic conditions
  - b) The possible effects of inflation or deflation
  - c) The expected tax consequences of investment decisions/strategies
  - d) The role of each investment within the context of the overall portfolio
  - e) The expected total return from income and appreciation
  - f) Other resources of Division 15
  - g) The need to make distributions and to preserve capital
  - h) An asset's special relationship/value to Division 15's charitable purpose
- 5) The Executive Committee of Division 15 must diversify investments absent a reasonable determination that the Division 15 Portfolio is better served without diversification;
- 6) The Executive Committee of Division 15 should retain, dispose of, and rebalance assets to bring the Division 15 Portfolio into compliance with the purposes, terms, and distribution requirements of this Investment Policy Statement; and

- 7) The Executive Committee of Division 15 must recognize that a person or institution selected in reliance on a representation of special skills or expertise has a duty to use those skills or that expertise in managing or investing the Division 15 Portfolio.

### **III. Conflicts of Interest**

Establishing a strong conflict of interest policy is particularly important for Division 15 because such conflicts have the potential to jeopardize the organization's tax exempt status and damage its reputation. Pursuant to IRS requirements, a conflict of interest policy statement must be made available to anyone requesting the policy statement. Division 15 will develop and maintain such a conflict of interest policy statement. Furthermore, the Executive Committee of Division 15 must provide:

1. A clear record of any proceedings concerning individuals who have either disclosed a conflict of interest or who were found to have one;
2. A description of compensation and other financial arrangements which members of the Executive Committee of Division 15 have with Division-sponsored sources that includes clearly established rules prohibiting board and committee members who receive compensation from the organization from voting on matters pertaining to their compensation;
3. A periodic review of existing conflict of interest policies to ensure that it is relevant and reflects the Division 15 Portfolio's specific needs and unique situation.

### **IV. Delegation of Authority**

Subject to any specific limitation set forth in a gift instrument or law the Executive Committee of Division 15 may delegate to an external agent the management and investment of the Division 15 Portfolio. In doing so, Executive Committee members shall act in good faith with the care that an ordinarily prudent person in a like position would exercise under similar circumstances. The Executive Committee of Division 15 shall establish the scope and terms of the delegation to be consistent with the purposes of Division 15 and the Division 15 Portfolio. The Executive Committee of Division 15 must establish a policy for the periodic review of the agent's actions to monitor performance and compliance with the scope and terms of the delegation. So long as Division 15 complies with the above requirements the Division is not liable for the actions of an agent to which the function was delegated.

### **V. Overall Investment Objective**

The basic philosophy governing the investments of Division 15, as defined in section VII, will be prudent growth of principal with the understanding that the Division 15 Portfolio's values will fluctuate with the capital markets over shorter term time periods. Within this investment plan, this policy seeks to provide a competitive total return consistent with historical capital market conditions and subject to risk tolerances, liquidity requirements, and investment guidelines established throughout the remainder of this policy.

## **VI. Spending Policy**

Income from the Division 15 Portfolio will be used annually to fund the Division 15 programs and support its operational needs. Division 15 will develop and maintain a spending policy.

The Division 15 Portfolio includes three broad categories: invested monies, a reserve fund equal to operating expenses for at least two years, and the operating budget for the existing year.

Funds have accrued primarily through publications and membership dues.

- Reserve requirements. In accordance with the by-laws, policies, and procedures of the division, operating expenses for two years must be readily available.
- Operating budget. Division 15 officers and members of the Executive Committee will make annual decisions on which expenditures to make for the year (January-December) in a timely matter preceding the onset of the budgetary year in question.

# Spending Policy

## *Spending Policy Statement and Guidelines for the Educational Psychology Division (Division 15) of the American Psychological Association*

*Adopted: November 10, 2013*

*Last Modified: June 5, 2014*

### **Overview**

This document has been created by the Executive Committee of the American Psychological Association's Division 15 to establish spending policies, strategies, and guidelines for use in managing short- and long-term spending. The document provides a framework for determining how to make spending decisions to ensure equity across various Division 15 constituencies and to simultaneously remain fiscally secure over the life of this organization. The Division 15 Executive Committee is expected to use these guidelines when making decisions about how to allocate resources and whether to support particular initiatives.

### **Fiduciary Standards**

- The Executive Committee of Division 15 recognizes their fiduciary responsibilities with respect to the American Psychological Association's Division 15 Portfolio (Division 15 Portfolio). These duties can be summarized according to the guidelines of the American Psychological Association.
- Designated funds contributed to the Division 15 Portfolio must be utilized as intended with unspent funds returned to the general fund.
- The Executive Committee of Division 15 must comply with the duty of loyalty to the goals of Division 15. Funds must be managed and invested in good faith with the care an ordinarily prudent person;
- The Executive Committee of Division 15 should only incur costs that are appropriate and reasonable in relation to the assets, purposes of Division 15 within the American Psychological Association, and the needs of the Division 15 membership.
- The Executive Committee of Division 15 should only incur costs that are accounted for in the budget except with a 75% approval of the full Executive Committee.

### **Delegation of Authority**

In accordance with the by-laws of Division 15, the Treasurer works in collaboration with the President and elected members of the Executive Committee to make all financial decisions. The President and Treasurer ensure that fiscal records, taxes, annual budgets are maintained. The Treasurer also handles funds for day-to-day operations, disperses award funds, and otherwise ensures that money is spent in accordance with the Division 15 By-Laws, the Policy and Procedures Manual, and the guidelines provided by the American Psychological Association. The President ensures that the work of the Treasurer is supported when setting the schedules for various Executive Committee meetings and organizes ad-hoc committees as needed to ensure the Division upholds its fiduciary standards.

## **Budgetary Classifications**

The Division 15 Portfolio includes monies that include a reserve fund equal to operating expenses for at least two years.

**Reserve requirements.** In accordance with the by-laws, policies, and procedures of the division, operating expenses for two years must be readily available in a reserve fund. These funds can be placed in an interest-bearing account, but must be readily available for use in an emergency.

**Operating fund.** Division 15 officers and elected members of the Executive Committee will make annual decisions (requiring a 75% approval of the full elected Executive Committee) on which expenditures to make for the year, January-December, based on projected income, in an Executive Committee meeting preceding the onset of the budget year.

## **Timeline for Budget Review**

August Review draft budget at APA for following year (Jan - Dec)

Fall Retreat - Approve annual budget for the following year (Jan- Dec)

Submit budget to APA by APA's designated deadline

## **Conflicts of Interest**

This spending policy must conform to the federal rules required of nonprofit organizations with 501c(3) status. Any individuals or organizations that support Division 15 must also adhere to those rules. This will directly affect how monies are allocated and where they are deposited once spending decisions are made. To ensure that any plans conform to these rules, the President, Treasurer, and recipient of any funds will work with members of the central office of the American Psychological Association to ensure that there are no conflicts of interest in the resulting plans before they are enacted. See appendix for full conflict of interest statement.

## **Policy Modification and Exceptions**

Any changes to this Spending Policy Statement deemed necessary by the Executive Committee of Division 15 will be fully discussed and agreed upon by 75% of the Executive Committee. Requests for changes may be initiated by members outside this group, but must receive the full certification of all parties to be instantiated. All changes will be incorporated in writing into the guidelines as they are made, and this document will be reviewed annually as part of the annual budget certification process. The Executive Committee of Division 15 may, from time to time, recommend written exceptions to this policy. Written notice of a policy exception should contain the date the exception is effective, the specific exception to be allowed and the date the exception's effectiveness will terminate. Any changes we deem necessary will be incorporated in writing into the guidelines.

Appendix A  
**Conflict of Interest Policy Statement**  
**Educational Psychology Division (Division 15) of the American Psychological Association**

The purpose of this conflict of interest policy is to protect the **Educational Psychology Division of the American Psychological Association (Division 15)**'s interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of one of its officers, directors or employees, or might result in a possible excess benefit transaction. This policy is intended to supplement, but not replace, any applicable state and federal laws governing conflicts of interest.

**Scope**

This policy statement is directed to not only officers and directors, but also to employees, committee members, and volunteers who may be in a position to exercise substantial influence over the actions and affairs of Division 15.

**Definitions**

Below are important roles and definitions associated with the establishment of this policy.

***Interested Person.*** Any director, officer, committee member with governing board delegated powers, person, and his/her immediate family members or controlled entities, having a direct or indirect interest in a transaction or arrangement involving **Division 15**.

***Family member.*** The spouse, ancestors, children, grandchildren, great grandchildren, siblings, and the spouse of each such person.

***Controlled entity.*** Any corporation or organization of which an "*interested person*" is a board member, director, officer, partner, or participant in the management of or employee of, or directly or indirectly owns or is the beneficial owner of any debt or equity securities as well as any trust or estate in which an "*interested person*" holds a substantial beneficial interest or as to which an "*interested person*" serves as a trustee or executor.

***Conflict of interest.*** Any situation where an "*interested person's*" private interests may be incompatible with or in conflict with their responsibilities to **Division 15**. This includes, but is not limited to, situations involving the "*interested person*" receiving a direct or indirect pecuniary or financial gain that might affect the objectivity or business judgment of the person involved.

***Confidential information.*** Information or material acquired in the course of conducting a person's responsibilities to **Division 15** such as rosters, mailing lists, telephone directories, business plans, non-public board proceedings, and information regarding vendors and/or donors.

**Duty to Disclose**

The mere fact that an "*interested person*" may have a pecuniary or financial interest in a transaction involving **Division 15** does not necessarily mean that a conflict of interest exists. It is the policy of **Division 15** that only the **Executive Committee** and those to whom it has properly delegated such authority are authorized to determine whether a conflict of interest exists with respect to any particular transaction.

In connection with any actual, perceived, or possible conflict of interest an "*interested person*" must disclose the existence of his/her private interest and all material facts to **Division 15** through the elected **Executive Committee** so the actual, perceived, or potential conflict of interest can be

reviewed and managed. To aid in such disclosure each “*interested person*” shall, no less frequently than annually, complete a conflict of interest report.

#### **Determining Whether a Conflict of Interest Exists**

**Division 15**, through its duly appointed committee, shall review each “*interested person’s*” report and any other disclosures regarding an actual, perceived or potential conflict of interest and shall then in a closed meeting, not including such “*interested person,*” determine whether a conflict exists.

#### **Addressing a Conflict of Interest**

After exercising its due diligence, the **Executive Committee of Division 15** shall determine whether the organization can obtain with reasonable effort a more advantageous transaction or arrangement from a person or entity that would not create a conflict of interest. If an alternative transaction or arrangement is not possible, the **Executive Committee** shall determine by a majority vote of disinterested directors whether the transaction or arrangement is in the best interests of the organization as well as fair and reasonable and whether or not to proceed with the transaction or arrangement.

#### **Disciplinary Action**

If the **Executive Committee of Division 15** has reason to believe that an “*interested person*” has failed to disclose an actual, perceived, or potential conflict of interest such person shall be informed of such alleged failure and given an opportunity to explain his/her actions. If thereafter there is still reason to believe that a conflict of interest exists the board of directors, or its delegate, shall take appropriate corrective or disciplinary action.