

## Appendix IV

### SIOF Executive Board Motion Revising the Financial Principles and Financial Reserve Policy

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The current SIOF Financial Principles require the maintenance of a reserve fund equal to one year of operating budget. The language of the Principles states in relevant part:

7. The minimum amount of reserves to be held by SIOF shall be equal to one year's operating budget will offer [sic] protection for the future of the Society by allowing it to meet its short term needs. I.e. [sic] payroll, lease payments, utilities, and annual programs. The cash reserves may be invested in a diverse portfolio in keeping with the SIOF Investment Policy Statement. When reserves exceed the minimum balance, the Executive Committee may consider, on an annual basis, the release of the excess cash to support the needs of the Society. These needs shall be defined as 1) furthering one of [sic] more strategic goals of the EC, 2) investing in technology, and/or 3) providing funding to the SIOF Foundation, Inc. to support the future of I-O psychology. (SIOF Financial Principles, 2001, as amended 2007)

Additionally, the current SIOF Financial Reserves Policy Statement specifies in relevant part:

SIOF will maintain adequate financial reserves for the following purposes:

- An Operating Reserve to protect the organization against unforeseen economic emergencies with respect to Society operations.
- A Technology and Equipment Reserve to provide adequate resources to purchase, maintain, and replace essential equipment and technology.
- A Special Projects Reserve to provide financial support for special issues that are beyond the means of the annual operating budget and are in accordance with the Society's strategic plan.

The reserves will be invested according to the guidelines of the SIOF Investment Policy Statement. SIOF will maintain a minimum of one-half year's operating budget in the Operating Reserve and target a combined total in all three reserves of one year's operating budget. (SIOF Financial Reserves Policy Statement, undated)

Given the recent economic conditions, the total market value of the investments in which the reserve funds are held may be less than the total operating budget of the Society. Thus, the current Principles and Policy reflect a requirement that may become unattainable under current conditions. While the maintenance of substantial reserves is a valuable goal, both statements should be revised to specify the prospective and aspirational nature of this goal.

In addition, the provision of the Principles is inconsistent with the Reserves Policy Statement and does not provide clear guidance regarding use of the Reserve Funds. While it is appropriate that the Financial Principles should reflect the intent that the reserves not become excessive, the Financial Reserve Policy Statement establishes designated funds for Technology

& Equipment and Special Projects within the total requirement of having a year's operating budget in reserve. Though similar, these categories are not the same as those given in the Financial Principles.

Moreover, the intent of the Financial Principles statement (see above) appears to be to allocate "excess" (undefined) reserves to three categories (strategic goals, technology, and Foundation). No guidance is provided regarding under what conditions the non-excess funds would be used, though presumably they would be available to meet urgent needs if the operating budget were inadequate (e.g., unexpected equipment failure affecting the website) and could be released "subject to the approval of the Executive Committee [sic] or Emergency Action Committee" (SIOP Financial Reserves Policy Statement).

On the other hand, the Financial Reserves Policy states in relevant part:

Traditionally, financial reserves are thought of as a "rainy-day" fund but a broader approach will enable SIOP to take advantage of opportunities that will further the strategic goals of the Society. Additionally, it is important for SIOP to remain ahead of the technology curve, so the policy should also consider technology upgrades as needed. (SIOP Financial Reserves Policy Statement, undated)

Thus, the Reserves Policy seems to imply that in addition to being a "rainy day" fund, the Reserves should also be used for other purposes as indicated by the sub-funds specified in the Policy. It is not clear how the overall goal of maintaining the Fund with an amount equal to one year's operating budget would be met if allocations from each of the sub-funds were made. One interpretation of these statements might be that the "Operating Reserve" (50% of the annual operating budget) is to serve as an "emergency" or "rainy day" fund, while the E&T and SP Reserves are to be more readily available for use; however, such an interpretation is inconsistent with a goal of maintaining the total of the Reserve funds equal to one year's operating budget.

Alternatively, the Principles and Policy might reasonably be interpreted such that funds in excess of the goal of one year's annual budget are to be allocated as indicated by the combination of the three categories appearing in the Principles and latter two categories appearing in the Reserves Policy. Clearly, investing in technology (Principles category 2) is consistent with the Technology & Equipment Reserve (Reserve Policy). Additionally, furthering SIOP's strategic goals (see SIOP Strategic Plan, undated) as indicated in the Principles need not be inconsistent with the Special Projects Reserve (Reserve Policy). This second interpretation seems to be more internally consistent, particularly with the goal of a year's annual budget in reserve.

Finally, the Principles refer to “cash reserves;” however, SIOF’s Financial Reserves Policy states, “The reserves will be invested according to the guidelines of the SIOF Investment Policy Statement.” In turn, the Investment Policy Statement (2007) specifies that 60-70% of the Reserves will be held in equities with no more than 40% held in fixed income instruments or cash.

To make these documents more consistent, to clarify their intent, and to manage these funds more effectively, the following motions are made to amend the SIOF Financial Principles and the SIOF Financial Reserves Policy Statement (note that these motions should not be considered *ad seriatim* because of their inherent dependency):

**Motion:** Replace paragraph 7 of the Principles with the following paragraph:

7. It shall be the goal of the Society to maintain reserves equal to one year’s operating budget. Achieving this goal will offer protection for the future of the Society by allowing it to meet its short term needs when current operating funds are insufficient, e.g., payroll, lease payments, equipment maintenance, utilities, and annual programs. Such reserves may be invested in a diverse portfolio consistent with the SIOF Investment Policy Statement. When reserves exceed by more than 10% the minimum goal as of the close of the Society’s fiscal year, the Financial Officer/Secretary will bring this situation to the attention of the Executive Board for consideration and approval to release excess funds to support the needs of the Society, defined as 1) furthering one or more strategic goals of the EB, 2) investing in technology, and/or 3) providing funding to the SIOF Foundation, Inc., to support the future of I/O psychology.

**Amendment added by Executive Board:**

In the event that the reserves are 90% or less of the goal for three consecutive years or 70% or less of the goal in any one year, the President shall appoint a Task Force, chaired by the Financial Officer. The Reserves Task Force will review the overall financial status of the Society and return a recommendation(s) to the Executive Board at its next regularly scheduled meeting regarding action(s) necessary to return the reserves to the goal. The Executive Board will consider the recommendations and take action as necessary and appropriate.

**Motion:** Replace the first paragraph of SIOF’s Financial Reserves Policy Statement, the three bullets, and the second paragraph (from “SIOF will maintain...” to “one year’s operating budget” with the following:

It shall be the goal of the Society to maintain an Operating Reserve equal to one year’s annual operating budget. The Operating Reserve will be available to meet urgent needs if the operating budget were to become inadequate (e.g., unexpected equipment failure affecting the website, meeting urgent business needs, supplementary funding of the annual conference, etc.) and can be released as required subject to the approval of the Executive Board or the Emergency Action Committee.

Any funds held in Reserve accounts in excess of the Operating Reserve goal will be allocated in equal amounts to the following sub-funds:

- Special Projects Reserve to provide funding in support of the strategic goals of the Executive Board that is beyond the means of the annual budget.
- Technology and Equipment Reserve to provide for investment in technology development beyond that included in the annual budget.
- Reserve for other uses, such as contribution to the SIOP Foundation, Inc., to provide funding to support the future of I/O psychology.

Operating Reserve funds will be invested according to the guidelines of the SIOP Investment Policy Statement. Should the total Reserve Fund exceed the operating budget of the Society by 10%, the Financial Officer shall notify the Executive Board which shall consider proposals to effectuate the Society's Financial Principles, which include the provision: "When reserves exceed by more than 10% the minimum goal as of the close of the Society's fiscal year, the Financial Officer will bring this situation to the attention of the Executive Board for consideration and approval to release excess funds to support the needs of the Society, defined as 1) furthering one or more strategic goals of the EB, 2) investing in technology, and/or 3) providing funding to the SIOP Foundation, Inc., to support the future of I/O psychology." Should the Board elect not to release any or part of the excess funds, they will be retained in the sub-funds for further consideration by the Board or re-evaluation at the end of the subsequent fiscal year. Reserves in excess of the Operating Reserves will be held in cash or cash equivalent securities pending their expenditure.

In general, release of any funds from the Reserve Fund, including accrued earnings on investments, shall require authorization by vote of the Executive Board. Unless and until such authorization is received, earnings shall be re-invested consistent with SIOP's Investment Policy. The Emergency Action Committee may act on behalf of the Board to release funds to address urgent or immediate needs between Board meetings.