Florida Pharmacy Association

Budget & Finance Committee Historical Policies/Guidelines

Compiled by Don Bergemann, RPh, MBA
February 20, 2012

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Investment Policy Proposal

Donald A. Bergemann, RPh, MBA

Initially presented to FPA Budget & Finance Committee, March 24, 1998
Amended and approved by the FPA Budget and Finance Committee, September 19, 1998
Approved by the FPA Executive Committee, October 31, 1998

A couple of evenings after I received the two investment policies[1], I sat down with great anticipation to read them. I was grossly disappointed. While each contained items that I liked, neither one excited me.

After thinking about it for a couple of days, I realized that I did not know what I was looking for. I decided to start with the basics and go through an exercise to create a policy from scratch.

I started by pulling out and reviewing one of my text books from graduate school, *Investments* by William F. Sharpe. Next, I went to the local library and checked out three additional books: 1) *Dun & Bradstreet Guide to Your Investments* by Nancy Dunnan,
2) *Investments* by Lewis Mandell and Thomas J. O'Brien, and 3) *Investment Managers Handbook* edited by Sumner N. Levine. After reviewing them, I then reread the two investment policies that I started with.

Based on that research, my suggested investment policy is enclosed. It is preceded by my enumerated thoughts on what our investment policy should contain and why.

1. **The policy should be simple and it should be clearly and concisely stated.** Unlike many large businesses, our officers turn over regularly. The easier it is to understand the policy, the easier these transitions.

2. **Know what you want to accomplish by investing. Establish realistic investment objectives.** The Budget & Finance Committee has already done this through the motion passed at their August 12, 1997 meeting *'to have investment advisors propose a plan to achieve a minimum gain of $105,000 over 5 years with the dollars in our current investment plan'.*

3. **Select an investment advisor that utilizes a passive rather than active approach.** Our current investment advisor, Sylvia Fishman of Smith Barney, meets this criterion.

Active managers try to out perform the market. They engage in substantial portfolio changes through stock selection, market timing, or both. Most have been unable to keep pace with the market averages. Fewer still, do so on a consistent basis. It is becoming clear within the investment management community that the crucial factor is not how to increase rates of return, but rather how to control risk.

Passive managers on the other hand accept the proposition that the benefits from trading stocks on the basis of forecasted future prices is not likely to consistently cover the higher management fees and transaction costs associated with active management. Instead they concentrate on tailoring a portfolio that meets the specified needs. They utilize a 'buy and hold' approach with periodic adjustments as the goals of the client change and/or the attributes of the securities in the portfolio change.

4. **Establish the parameters within which the investment advisor must tailor your portfolio. It is appropriate to specify the specific investment policies to be followed.** We have not yet done this.

Investments may be viewed as part of a pyramid in which each level represents an increasing level of both risk and return (see attachments). The base of the pyramid represents the most conservative types of investments, those with the most liquidity. These types of investments are generally utilized to manage an organization's cash flow.

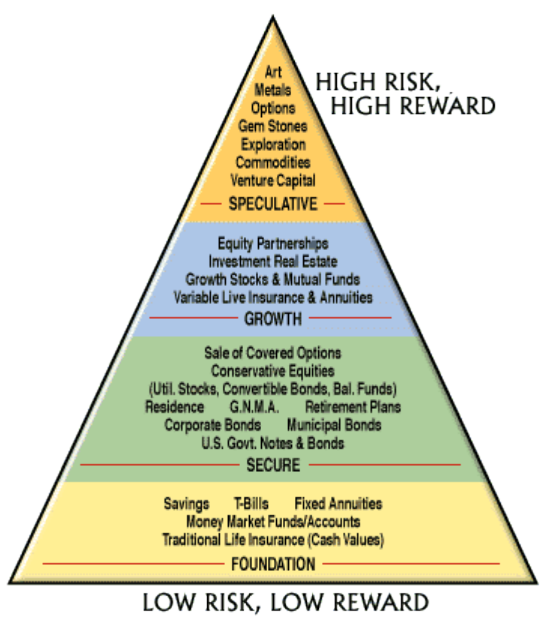
The apex of the pyramid represents speculative types of investments. These types of investments should be avoided unless you have money you can afford to lose, which we do not.

Our investment policy should prohibit speculative investments: options, futures, commodities, precious metals, junk bonds, limited partnerships. In addition, we should not be investing in stocks that are contrary to the nature of our profession.

5. **Establish the parameters and time frames for measurement and evaluation of the investment portfolio and investment objective.** Again, we have not yet done this.

Since the expectation for passive management of an investment portfolio is to control risk and not to out perform the market, any comparisons of portfolio performance or individual fund performance to market indices must be *relative*, not absolute. It is also important to separate operational performance from investment policy. The operational performance of a growth stock fund should be critiqued in comparison to an index of growth stocks, while the policy of investing in growth stocks would be critiqued by examining growth stocks against the stock market as a whole.

It is also important that we periodically ascertain whether our investment objective has changed. If so, that change needs to be communicated to our investment advisor.



1. American Society of Association Executives Investment Policy Statement
   Florida Society of Health-System Pharmacists Investment Policy Proposal

INVESTMENT POLICY

1. **Objective:** To have our investment advisors propose a plan to achieve a minimum gain of $105,000 over 5 years with the dollars in our current investment plan.

2. **Investment Parameters:**

The investment advisors are prohibited from investing in:

1. Options;
2. Futures;
3. Commodities;
4. Precious metals;
5. Junk bonds;
6. Limited partnerships.

The investment advisors are prohibited from engaging in:

1. Short sales;
2. Margin transactions;
3. Any speculative investment activities.

3. **Portfolio Changes:** The Executive Vice President, in concert with the Treasurer or another member of the President's Committee when the Treasurer is unavailable, is authorized to accept the *periodic* recommendations of the investment advisors for changes to our investment portfolio or the recommendations of the investment advisors for changes to our portfolio when we advise them of a change in our investment objectives.

4. **Performance Reporting:**

The investment advisors will provide statements on at least a quarterly basis for review by the Budget & Finance Committee.

Any analysis of the investment portfolio undertaken by the Budget and Finance Committee, should they determine that the investment objectives are not being met, will include both investment performance and investment policy.

Performance analysis of a particular security or fund of securities within the diversified portfolio will be through a *relative* comparison to an index of similar securities.

Policy analysis, that is, the decision to invest in a particular security or fund of securities will be through a *relative* comparison to the market as a whole.

The Budget & Finance Committee will review the association's investment objectives and its investment policy on at least an annual basis.

INVESTMENT POLICY

Revised and approved by the FPA Budget and Finance Committee, April 1, 2006

1. **Objective:** To have our investment advisors propose a plan to achieve a minimum net gain of 6% per year with the dollars in our current investment plan.

2. **Investment Parameters:**

The investment advisors are prohibited from investing in:

1. Options;
2. Futures;
3. Commodities;
4. Precious metals;
5. Junk bonds;
6. Limited partnerships.

The investment advisors are prohibited from engaging in:

1. Short sales;
2. Margin transactions;
3. Any speculative investment activities.

3. **Portfolio Changes:** The Executive Vice President, in concert with the Treasurer and another member of the President's Committee, is authorized to accept the *periodic* recommendations of the investment advisors for changes to our investment portfolio or the recommendations of the investment advisors for changes to our portfolio when we advise them of a change in our investment objectives.

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The Budget & Finance Committee will review the association's investment objectives and its investment policy on at least an annual basis.

Proposed **FPA Financial Guidelines**

Donald A. Bergemann, RPh, MBA

Initially presented to and revised by the FPA Budget & Finance Committee, March 23, 2001

Initially, the development of investment guidelines to augment our existing investment policy was one of the most difficult tasks that I have yet undertaken. As one who is not a fan of arbitrary limits due to the dynamic nature of organizations, I was not convinced that such guidelines were actually needed. In addition, my research, both at the library and via the Internet, was not yielding very much information.

In fact, up until February 5, 2001, I had located only a few non-specific abstracts. That all changed when our Executive Vice President loaned me his copy of a book entitled *'Reserve Funds and Investment Policies'*. That book is a collection of articles and excerpts from American Society of Association Executives (ASAE) publications.

After reviewing that publication, I realized that I was dealing with a very complex issue with no simple answers. I learned that the development of written financial guidelines was essential in order to ascertain the amount of resources that were available for investment purposes. I also found that it was necessary to at least consider a number of risk management issues and to include the motion passed at our June 2000 meeting in Orlando to establish a maximum amount to be maintained in checking and savings, i.e. working capital.

The most important thing that I learned from the ASAE publication is that we are not alone in not having formal financial guidelines. Most associations do not have them, but should have.

Interestingly, but not surprisingly, the degree of sophistication in written financial guidelines for those associations that do have them follows a certain continuum of organizational structure. These guidelines range from formal cash budgets to cash reserves equal to a fixed percentage of the annual operating budget. Those that are more formalized are associations that either have a staff accountant/controller or have centralized leadership. Those that utilize a fixed percentage tend to be associations that are largely volunteer organizations and/or have decentralized leadership.

The balance of this discussion will address three areas: cash management, reserve fund management (long-term investments), and indemnification of leadership if the financial guidelines are adhered to. The risk management issues will be addressed within those individual areas.

My recommended financial guidelines will be enumerated and incorporated into that discussion. I believe that you will find my recommendations are simple and realistic and that they are consistent with our current Constitution and Bylaws.

Cash Management

Cash management includes both liquid assets (savings, checking, money market funds) and any certificates of deposit. It is important to have some level of cash reserves (working capital) as a cushion in the event of unforeseen events: an unanticipated drop-off in membership renewals, meeting registrations lower than projected, etc.

1. We should always strive to have working capital (liquid assets) sufficient to cover **3 months** of day-to-day operating expenses such as wages, maintenance, office supplies, etc.

2. The balance in any one account should never exceed $100,000.

3. The Executive Vice President may move funds between any of these vehicles at his/her discretion.

Unfortunately, like most associations, we experience significant monthly cash swings and tend to accumulate a temporary surplus of funds a certain times of the year, such as, dues collection and meeting registrations. Those swings preclude setting an **absolute** cash reserve maximum. However, since good investment returns can result even from a temporary surplus of funds, it is an area that needs to be addressed.

4. Whenever the total cash reserves exceed **4.5 months** of day-to-day operating expenses the Executive Vice President, in concert with the Treasurer, must review the cash reserves in order to determine the nature of the surplus. Based upon that analysis, one of two courses of action needs to happen.

   - **Do not move** any funds – this action will generally occur when it is determined that the surplus is of a ***temporary*** nature, i.e. right after the annual meeting but before the meeting expenses have been paid.
   - **Prepare a motion** for the President's Committee to move the funds in excess of the 4.5 months limit into one or more of the Association's long-term reserve funds - this action will occur when it is determined that the surplus is ***not*** of a temporary nature.

From a risk management perspective there are two areas that bear future consideration. First, should we require a second signature, probably the President's, on any contract with a monetary commitment on the part of the Association in excess of a specified amount whether it has been reviewed by legal counsel or not. Second, should we require a second signature (probably the Treasurer's) on any check written if excess of a specified amount. The intent is not to micromanage but to minimize risk exposure.

Reserve Fund Management

Reserve funds are assets invested for an officially designated future purpose, i.e. repayment of mortgage on the FPA office. A general reserve fund for multiple purposes should not be utilized.

> 5. Each reserve fund should have its own investment policy specifying the goals, investment parameters, etc.
>
> 6. No reserve fund should be established until approved by the Budget & Finance Committee and the ratified by the President's Committee and/or Executive Committee as specified in the FPA Bylaws.
>
> 7. The funds in a designated reserve fund should not be utilized for any other purpose unless approved by the Budget & Finance Committee and ratified by the Executive Committee.

Although we utilize 'zero-based' budgeting we occasionally realize annual net income.

> 8. The budget should include specific parameters for investment of any net income into the various reserve funds.

Indemnification

The last item for discussion is indemnification of the Executive Vice President and other elected officers for investment decisions when they follow the specified guidelines. Generally, indemnification for paid officers or staff is handled via specific clauses, i.e. language, within their contracts. If the contract for the Executive Vice President does not currently contain such language, it could be added the next time the contract is up for renewal.

Indemnification of unpaid officers, i.e. volunteer leadership, when granted, is generally handled through a Corporation's ***elected*** Board of Directors. While our Executive Committee has many of the responsibilities of a Board of Directors, it is not truly an elected body. A few of the regional representatives may be elected, most seats are filled by volunteers and appointees. Since the officers are, for the most part, the only members elected by the membership; it would be inappropriate for them to grant themselves indemnification.

Implications:

1. Approval of the recommended financial guidelines shifts some fiduciary responsibility to the Executive Committee.

2. Approval of the recommended indemnification language in the Bylaws would also shift liability from staff and the President's Committee to the Executive Committee.

3. However, since the officers are the only truly elected members of the Executive Committee they may bear the bulk of that liability.

Article VII

Committees/Councils

Section 2-President's Committee. There shall be a President's Committee composed of the President, as Chairman, the President-Elect, the Treasurer, the Immediate Past President, the Speaker of the House of Delegates, the Chairman of the Academy of Pharmacy Practice, the Executive Vice President, and such other members as the President may appoint to assist the committee.

This committee shall be charged with making the decisions required to implement the actions of the Executive Committee. The President's Committee may take actions on behalf of the Association and may make interim decisions between meetings of the Executive Committee, subject to review and approval by the Executive Committee. The President will report to the Executive Committee, at its regular meeting, the actions taken on their behalf, for their approval .

Budget and Finance Committee. The President's Committee shall appoint a Budget and Finance Committee composed of the:

1. Treasurer who shall serve as Chair
2. **Immediate Past Treasurer, who shall serve as Vice Chair**
3. President of the Association
4. Immediate Past President
5. Speaker of the House of Delegates
6. Academy of Pharmacy Practice Chair
7. Two (2) members selected by the President as At-Large members who shall serve staggered terms of two (2) years and may be selected for reappointment; and
8. President-Elect
9. Executive Vice President

The Budget and Finance Committee shall be responsible for the:

1. investment policy of the Association
2. preparation of an annual budget; and
3. development of reimbursement policies for travel and per diem expenses of representatives of the Association

The Executive Committee shall ratify all decisions of the Budget and Finance Committee,however, the Executive Vice President may obtain approval of the President's Committee to implement decisions of the Budget and Finance Committee in the interim between meetings of the Executive Committee. <u>**The members of the Budget & Finance Committee and the President's Committee will be indemnified for all investment decisions made within the parameters of the financial guidelines approved by the Executive Committee.**</u>

Article XIV. Duties of Officers.

Section 1. Treasurer.

The Treasurer of the Florida Pharmacy Association:

I. Will work with the Executive Vice President and President to develop an annual budget for presentation to the Budget and Finance Committee and/or President's Committee;

II. Will review the Association's expenditures and receipts prior to each Executive Committee meeting;

III. Has oversight authority of the Budget and Finance Committee and will provide written certification to the Executive Committee during each Executive Committee Meeting;

IV. Will as immediate past treasurer, serve on the Nominating Committee as an Ex-Officio member to screen nominees for the position of Treasurer and President-Elect;

V. Will make a written Annual Report to the membership and present an oral report at the Annual Business meeting and be prepared to respond to questions;

VI. Will, if requested by the President, serve on the Budget and Finance Committee for one year after leaving the office of Treasurer.

FPA Financial Guidelines

Executive Committee Presentation

Donald A. Bergemann, RPh, MBA

Approved by the FPA Executive Committee, May 5, 2001

Initially, the development of investment guidelines to augment our existing investment policy was one of the most difficult tasks that I have yet undertaken. As one who is not a fan of arbitrary limits due to the dynamic nature of organizations, I was not convinced that such guidelines were actually needed. In addition, my research, both at the library and via the Internet, was not yielding very much information.

In fact, up until February 5, 2001, I had located only a few non-specific abstracts. That all changed when our Executive Vice President loaned me his copy of a book entitled *'Reserve Funds and Investment Policies'*. That book is a collection of articles and excerpts from American Society of Association Executives (ASAE) publications.

After reviewing that publication, I realized that I was dealing with a very complex issue with no simple answers. I learned that the development of written financial guidelines was essential in order to ascertain the amount of resources that were available for investment purposes.

The most important thing that I learned from the ASAE publication is that we are not alone in not having formal financial guidelines. Most associations do not have them, but should have.

Interestingly, but not surprisingly, the degree of sophistication in written financial guidelines for those associations that do have them follows a certain continuum of organizational structure. These guidelines range from formal cash budgets to cash reserves equal to a fixed percentage of the annual operating budget.

1. Those that are more formalized are associations that either have a staff accountant/controller or have centralized leadership.

2. Those that utilize a fixed percentage tend to be associations that are largely volunteer organizations and/or have decentralized leadership.

FPA Financial Guidelines
Donald A. Bergemann, RPh, MBA

Cash Management

Cash management includes both liquid assets (savings, checking, money market funds) and any certificates of deposit. It is important to have some level of cash reserves (working capital) as a cushion in the event of unforeseen events: an unanticipated drop-off in membership renewals, meeting registrations lower than projected, etc.

1. We should always strive to have working capital (liquid assets) sufficient to cover **3 months** of day-to-day operating expenses such as wages, maintenance, office supplies, etc.

2. The balance in any one account should never exceed $100,000.

3. The Executive Vice President may move funds between any of these vehicles at his/her discretion.

Unfortunately, like most associations, we experience significant monthly cash swings and tend to accumulate a temporary surplus of funds a certain times of the year, such as, dues collection and meeting registrations. Those swings preclude setting an **absolute** cash reserve maximum. However, since good investment returns can result even from a temporary surplus of funds, it is an area that needs to be addressed.

4. Whenever the total cash reserves exceed **4.5 months** of day-to-day operating expenses the Executive Vice President, in concert with the Treasurer, must review the cash reserves in order to determine the nature of the surplus. Based upon that analysis, one of two courses of action needs to happen.
   - **Do not move** any funds – this action will generally occur when it is determined that the surplus is of a ***temporary*** nature, i.e. right after the annual meeting but before the meeting expenses have been paid.
   - **Prepare a motion** for the President's Committee to move the funds in excess of the 4.5 months limit into one or more of the Association's long-term reserve funds - this action will occur when it is determined that the surplus is ***not*** of a temporary nature.

Reserve Fund Management

Reserve funds are assets invested for an officially designated future purpose, i.e. repayment of mortgage on the FPA office. A general reserve fund for multiple purposes should not be utilized.

5. Each reserve fund should have its own investment policy specifying the goals, investment parameters, etc. *(see copy of our existing Investment Policy on the next page)*.

6. No reserve fund should be established until approved by both the Budget & Finance Committee and the President's Committee.

7. The funds in a designated reserve fund should not be utilized for any other purpose unless approved by the Budget & Finance Committee and the President's Committee.

Although we utilize 'zero-based' budgeting we occasionally realize annual net income.

8. The budget should include specific parameters for investment of any net income into the various reserve funds.

Reserve Fund Management

(zero-based budgeting statement deleted by the FPA Budget & Finance Committee, August 29, 2009)

Reserve funds are assets invested for an officially designated future purpose, i.e. repayment of mortgage on the FPA office. A general reserve fund for multiple purposes should not be utilized.

5. Each reserve fund should have its own investment policy specifying the goals, investment parameters, etc. *(see copy of our existing Investment Policy on the next page).*

6. No reserve fund should be established until approved by both the Budget & Finance Committee and the President's Committee.

7. The funds in a designated reserve fund should not be utilized for any other purpose unless approved by the Budget & Finance Committee and the President's Committee.

8. The budget should include specific parameters for investment of any net income into the various reserve funds.

FPA Financial Guidelines

Revised for Addition of Short-Term Reserves, November 12, 2010

Donald A. Bergemann, RPh, MBA

Cash Management

Cash management includes liquid assets**:** savings, checking, and money market funds. It is important to have some level of cash reserves (working capital) as a cushion in the event of unforeseen events: an unanticipated drop-off in membership renewals, meeting registrations lower than projected, etc.

1. We should always strive to have working capital (liquid assets) sufficient to cover **3 months** of day-to-day operating expenses such as wages, maintenance, office supplies, etc.

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Unfortunately, like most associations, we experience significant monthly cash swings and tend to accumulate a temporary surplus of funds a certain times of the year, such as, dues collection and meeting registrations. Those swings preclude setting an **absolute** cash reserve maximum. However, since good investment returns can result even from a temporary surplus of funds, it is an area that needs to be addressed.

4. The Budget & Finance Committee in concert with the Association's Executive Vice President will review the association's cash reserves at least twice a year to determine if the total cash reserves exceed **4.5 months** of day-to-day operating expenses. If the cash reserves exceed the 4.5 month parameter, the Committee must determine the nature of the surplus. Based upon that analysis, one of two courses of action needs to happen.

   - **Do not move** any funds – this action will generally occur when it is determined that the surplus is of a ***temporary*** nature, i.e. right after the annual meeting but before the meeting expenses have been paid.
   - **Prepare a motion** for the President's Committee to move the funds in excess of the 4.5 months limit into one or more of the Association's short-term and/or long-term reserve funds - this action will occur when it is determined that the surplus is ***not*** of a temporary nature.

Reserve Fund Management

The Association will have two types of reserve funds: short-term reserve funds (certificates of deposit) and long-term reserve funds. Short-term reserve funds will be used to supplement cash reserves and/or to replace, upgrade or renovate capital assets as discussed in the Association's Capital Budget Plan.

The utilization of a short-term reserve fund must be approved by the President's Committee upon the request of the Association's Executive Vice-President and Treasurer.

Long-term reserve funds (those managed by the Association's financial advisor) are assets invested for an officially designated future purpose, i.e. repayment of mortgage on the FPA office. A general reserve fund for multiple purposes should not be utilized.

5. Each reserve fund should have its own investment policy specifying the goals, investment parameters, etc. *(see copy of our existing Investment Policy).*

6. No reserve fund should be established until approved by both the Budget & Finance Committee and the President's Committee.

7. The funds in a designated reserve fund should not be utilized for any other purpose unless approved by the Budget & Finance Committee and the President's Committee.

8. The budget should include specific parameters for investment of any net income into the various reserve funds.

FPA Reserve Fund Utilization

Amended Motion for Re-allocation

Approved by the FPA Budget & Finance Committee, April 5, 2002

The FPA Financial Guidelines that were approved last year, state:

- Reserve funds are assets invested for an officially designated future purpose, i.e. repayment of mortgage on the FPA office.

- A general reserve fund for multiple purposes should not be utilized.

- The funds in a designated reserve fund should not be utilized for any other purpose unless approved by the Budget & Finance Committee and the President's Committee.

Currently the FPA has only one such fund. Its specified purpose was to repay the mortgage on the FPA office. Since the mortgage was paid off without utilizing the reserve fund, it is now necessary to reallocate these funds.

As the above excerpts from the FPA Financial Guidelines indicate, separate accounts for each reserve fund would be preferable. However, it is common practice by investment firms to treat account transfers as sales and purchases, not as rollovers. Thus, any sale during a period of depressed market performance changes a paper loss into a real loss.

Thus, I therefore move that the current FPA reserve fund be re-designated in the percentages indicated for the following future purposes.

1) Building Maintenance (75%)

2) Dispute Resolution (10%)

3) Hardware/Telecommunication Equipment Replacement (15%)

The latter to only be included until the FPA establishes a formal capital budget. Any such capital budget should include annual replacement of a portion of said equipment.

FPA Long-Term Reserve Fund Utilization

Revised for Addition of Short-Term Reserves, November 12, 2010

Donald A. Bergemann, RPh, MBA

The FPA Financial Guidelines that were approved last year, state:

- Long-term reserve funds are assets invested for an officially designated future purpose, i.e. repayment of mortgage on the FPA office.

- A general reserve fund for multiple purposes should not be utilized.

- The funds in a designated reserve fund should not be utilized for any other purpose unless approved by the Budget & Finance Committee and the President's Committee.

Currently the FPA has only one such fund. Its specified purpose was to repay the mortgage on the FPA office. Since the mortgage was paid off without utilizing the reserve fund, it is now necessary to reallocate these funds.

As the above excerpts from the FPA Financial Guidelines indicate, separate accounts for each reserve fund would be preferable. However, it is common practice by investment firms to treat account transfers as sales and purchases, not as rollovers. Thus, any sale during a period of depressed market performance changes a paper loss into a real loss.

Thus, I therefore move that the current FPA reserve fund be re-designated in the percentages indicated for the following future purposes.

4) Building Maintenance (75%)

5) Dispute Resolution (10%)

6) Hardware/Telecommunication Equipment Replacement (15%)

The latter to only be included until the FPA establishes a formal capital budget. Any such capital budget should include annual replacement of a portion of said equipment.

Florida Pharmacy Association Reserve Asset Investment Policy Statement

drafted May 2, 2009
Approved by the FPA Budget & Finance Committee, July 8, 2009
Approved by the FPA Board of Directors, August 30, 2009

Purpose

The purpose of this statement of investment policy is to:

- Establish reasonable expectations, objectives, and guidelines in the investment of the Florida Pharmacy Associations' reserve assets.

- Set forth an investment structure detailing non-permissible securities and activities.

- Encourage effective communication between the Florida Pharmacy Association (FPA) and the investment advisor (Warren Bowman of Wells Fargo Advisors).

Investment Goals and Objectives

The assets of FPA's investment portfolio are to be managed with fiduciary care in all investment decisions. The assets of FPA's investment portfolio are to be invested with the primary objective of achieving a minimum net return of 6% per year with the dollars currently in the investment portfolio while simultaneously ensuring the preservation of capital in the investment portfolio. All recommendations of the investment advisor are subject to the guidelines reflected in this statement.

The investment portfolio shall remain sufficiently liquid to meet any unanticipated needs that are within the scope of FPA's Reserve Fund Utilization policy. The portfolio should include securities with active secondary or resale markets (dynamic liquidity).

Non-Permissible Securities/Activities

The investment advisor is prohibited from investing in:

- Options
- Futures
- Commodities
- Precious metals
- Junk bonds
- Limited partnerships.

The investment advisor is also are prohibited from engaging in:

- Short sales
- Margin transactions
- Any speculative investment activities.

Portfolio Changes

The Executive Vice President, in concert with the Treasurer or another member of the President's Committee, when the Treasurer is unavailable, are authorized to accept the *periodic* recommendations of the investment advisor for changes to FPA's investment portfolio or the recommendations of the investment advisor for changes to FPA's investment portfolio when we advise them of a change in our investment objectives.

Performance Reporting

The investment advisor will provide statements on at least a quarterly basis for review by the Budget & Finance Committee.

Any analysis of FPA's investment portfolio undertaken by the Budget and Finance Committee, should they determine that the investment objectives are not being met; will include both investment performance and investment policy.

Performance analysis of a particular security or fund of securities within the diversified investment portfolio will be through a *relative* comparison to an index of similar securities.

Policy analysis, that is, the decision to invest in a particular security or fund of securities will be through a *relative* comparison to the market as a whole.

The Budget & Finance Committee will review both the FPA's investment objectives and its investment policy on at least an *annual* basis.

Florida Pharmacy Association Long-Term Reserve Asset Investment Policy Statement
Revised for Addition of Short-Term Reserves, November 12, 2010
Donald A. Bergemann, RPh, MBA

Purpose

The purpose of this statement of investment policy is to:

- Establish reasonable expectations, objectives, and guidelines in the investment of the Florida Pharmacy Associations' long-term reserve assets.

- Set forth an investment structure detailing non-permissible securities and activities.

- Encourage effective communication between the Florida Pharmacy Association (FPA) and the investment advisor (Warren Bowman of Wells Fargo Advisors).

Investment Goals and Objectives

The assets of FPA's investment portfolio are to be managed with fiduciary care in all investment decisions. The assets of FPA's investment portfolio are to be invested with the primary objective of achieving a minimum net return of 6% per year with the dollars currently in the investment portfolio while simultaneously ensuring the preservation of capital in the investment portfolio. All recommendations of the investment advisor are subject to the guidelines reflected in this statement.

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The Budget & Finance Committee will review both the FPA's investment objectives and its investment policy on at least an *annual* basis.

Capitalization Policy

Approved by the FPA Budget & Finance Committee, August 29, 2009
Approved by the FPA Board of Directors, August 30, 2009

A capital asset is property, such as buildings, building improvements, and equipment with a cost equal to or greater than $2500 and a useful life of more than 1 year. Capital assets are acquired for use in normal operations and are not generally for resale. These assets may be subject to depreciation.

Assets costing below $2500 will be expensed; they will not be capitalized nor depreciated for financial reporting purposes. A physical inventory will be taken of capital assets at least once a year.

FPA Capital Budget Plan Proposal

Don Bergemann, RPH, MBA

Presented to the FPA Budget & Finance Committee, March 27, 2010

Once again this process turned out to be more complicated than it needed to be. The primary reason being that the articles and presentations found via internet research were primarily from academicians and were either far too theoretical or were of limited practicality for service type businesses.

By definition a capital budget is simply a plan to finance long-term outlays, such as fixed assets like facilities and equipment. On the other hand capital budgeting is a process, a process of making long-term planning decisions for capital investments. Capital budgeting uses tools such as pay back period, net present value, internal rate of return, and profitability index to select projects.

I believe it is unrealistic to expect that future treasurers of this association will always have advanced degrees in business management, finance, etc. Thus, we are going to avoid the process and concentrate on the development of a plan, a plan primarily for the replacement of fixed assets and/or maintenance of property.

The first part of that plan will be the development of a fixed assets schedule which is any asset costing $2500 or more with a useful life of more than one year. That schedule will include a description of the fixed asset, its acquisition cost or reasonable approximation of such, an estimation of its useful life, and an estimation of when it may need to be replaced, upgraded, or renovated. This plan will utilize a 5 year horizon and will be reviewed and updated annually.

Fixed Assets Schedule							
Asset Description	**Approximate Cost**	**Useful Life**	**Estimated Replacement Date**				
			2011	**2012**	**2013**	**2014**	**2015**

The funding for the replacement, upgrade or renovation projects may come from the following sources in order of priority and based on the decision of the Budget & Finance Committee taking into account the status of the Association's finances at that point in time.

- Operating budget, if it appears that the Association will end up in the black for the current budget year.
- Short-term reserve funds (savings, checking, money markets, and certificates of deposit), as discussed under the Cash Management section of the FPA Financial Guidelines.
- Long-term reserve funds as dictated by the Association's reserve fund utilization policy.

- Debt financing, as a last resort and approved by a super majority (80%) of the Board of Directors upon the recommendation of the Budget & Finance Committee.

Any of the above may be supplanted by a fund raising campaign for a specific purpose. For example, the ‘Walkway of Recognition’ project handled by the Florida Pharmacy Foundation.

FPA Capital Budget Plan Proposal

Presented to the FPA Budget & Finance Committee, March 27, 2010
Revised for Addition of Short-Term Reserves, November 12, 2010
Donald A. Bergemann, RPh, MBA

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The funding for the replacement, upgrade or renovation projects may come from the following sources in order of priority and based on the decision of the Budget & Finance Committee taking into account the status of the Association's finances at that point in time.

- Operating budget, if it appears that the Association will end up in the black for the current budget year.
- Cash reserves (savings, checking, money markets) as discussed under the Cash Management section of the FPA Financial Guidelines).
- Short-term reserve funds (certificates of deposit), as discussed under the Cash Management section of the FPA Financial Guidelines.

- Long-term reserve funds as dictated by the Association's reserve fund utilization policy.

- Debt financing, as a last resort and approved by a super majority (80%) of the Board of Directors upon the recommendation of the Budget & Finance Committee.

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Document Retention and Destruction Policy

Approved by the FPA Board of Directors, pending review by legal counsel, August 30, 2009
Review by legal counsel reported to Budget & Finance Committee, November 7, 2009

This Document Retention and Destruction Policy of the Florida Pharmacy Association identifies the record retention responsibilities of staff, volunteers, members of the Board of Directors, and outsiders for maintaining and documenting the storage and destruction of the Association's documents and records.

A. **Rules**. The Association's staff, volunteers, members of the Board of Directors and outsiders (i.e., independent contractors via agreements with them) are **required** to honor these rules: (1) paper or electronic documents indicated under the terms for retention below will be transferred and maintained by staff under the guidance of the Executive Vice President; (2) all other paper documents will be destroyed after three years; (3) all other electronic documents will be deleted from all individual computers, data bases, networks, and back-up storage after one year; and (4) no paper or electronic documents will be destroyed or deleted if pertinent to any ongoing or anticipated government investigation or private litigation.

B. **Terms for Retention**. Records will be retained as detailed below or **as required by law**.

Records	**Years**
Governance/Organizational records	
• Constitution and amendments	Permanent
• By-laws and amendments	Permanent
• Annual year end financial statements	6 years
• Correspondence (including e-mail): general, legal, members	6 years
• Governing board and board committee minutes	6 years
• Mortgage loans and settlement sheets	Permanent
Tax records	
• Filed state and federal tax returns/reports and supporting records	Permanent
• Tax exemption determination letters and related correspondence: income tax, sales tax, personal property	Permanent
• Files related to tax audits	Permanent
• Payroll taxes: W-2 & W-3, Form 940 & 941, state unemployment returns	6 years
• Other federal and state forms: 1099, 1096, 942	6 years
• Personal property	6 years
• Sales and use	6 years
Intellectual property records	
• Copyright and trademark registrations and samples of protected works	Permanent

Financial records	
• Audited financial statements	Permanent
• Attorney contingent liability letters	Permanent
• Annual budgets and approved revisions thereon	2 years
• Bank reconciliations	3 years
• Bank statements and related cancelled checks	6 years
• Contracts, leases, etc. relating to the purchase or sale of assets	6 years (after disposition of asset)
• Contracts, leases, etc. relating to construction, collective bargaining, affiliation	6 years
• Depreciation records	6 years
• General and subsidiary ledgers	6 years
• Internal and interim financial statements	6 years
• Investment custodial and advisory statements	6 years
• Consultant agreements	Retain during term (and for 3 years after termination, expiration, or non-renewal of agreement)
• Leases, licensure, etc.: software, vendor, hotel, and service agreements	Retain during term (and for 3 years after termination, expiration, or non-renewal of agreement)
• Vendor invoices and supporting documents	3 years
Pension and benefit records	
• Pension (ERISA) plan participant/beneficiary records	10 years
• Actuarial reports	10 years
• Related correspondence with government agencies	10 years
Government relations records	
• State and federal lobbying and political contribution reports and supporting records	10 years
Employee/employment records	
• Resume/application material	6 years (after termination of employment)
• Dates of hire and termination/separation	6 years (after termination of employment)
• Job descriptions	6 years (after termination of employment)

• Evaluations	6 years (after termination of employment)
• Disciplinary matters	6 years (after termination of employment)
• Engagement and discharge correspondence	6 years (after termination of employment)
• Employment contracts or similar documentation	6 years (after termination of employment)
• Pay history and related information	6 years (after termination of employment)
• Payroll election for benefits: pension, health coverage, etc.	6 years (after termination of employment)
• Independent contractor agreements	6 years (after termination of employment)
• Independent contractor status documentation	6 years (after termination of employment)
• Federal forms: W-4, I-9, etc.	6 years (after termination of employment)
Insurance records	
• Accident reports	3 years
• Fire inspection reports	3 years
• Insurance policies	3 years
• Safety records	3 years
• Settled claims	3 years

C. **Exceptions.** Exceptions to these rules and terms for retention may be granted only by the Association's Executive Vice President **and** the Board of Directors.

Joint Venture Policy

Approved by the FPA Board of Directors, pending review by legal counsel, August 30, 2009
Review by legal counsel reported to Budget & Finance Committee, November 7, 2009

This Joint Venture Policy of the Florida Pharmacy Association requires that the organization evaluate its participation in joint venture arrangements under Federal tax law and take steps to safeguard the Association's exempt status with respect to such arrangements. They apply to any joint ownership or contractual arrangement through which there is an agreement to jointly undertake a specific business enterprise, investment, or exempt-purpose activity as further defined in this policy.

A. **Joint ventures or similar arrangements with taxable entities.** For purposes of this policy, a joint venture or similar arrangement means any joint ownership or contractual arrangement through which there is an agreement to jointly undertake a specific business enterprise, investment , or exempt-purpose activity without regard to: (1) whether the Association controls the venture or arrangement; (2) the legal structure of the venture or arrangement; or (3) whether the venture or arrangement is taxed as a partnership or as an association or corporation for federal tax purposes. A venture or arrangement is disregarded if it meets both of the following conditions:

   (a) 95% or more of the venture's or arrangement's income for its tax year ending within the Association's tax year is excluded from unrelated business income taxation, including but not limited to: dividends, interest, and annuities; royalties, rent from real property and incidental related personal property except to the extent of debt-financing; and gains or losses from the sale of property; and

   (b) the primary purpose of the Association's contribution to, or investment or participation in, the venture or arrangement is the production of income or appreciation of property.

B. **Safeguards to ensure exempt status protection.** The Association will: (1) negotiate in its transactions and arrangements with other members of the venture or arrangement such terms and safeguards adequate to ensure that the Association's exempt status is protected; and (2) take steps to safeguard the Association's exempt status with respect to the venture or arrangement. Some examples of safeguards include:

   (a) control over the venture or arrangement sufficient to ensure that it furthers the exempt purpose of the Association;

   (b) requirements that the venture or arrangement gives priority to exempt purposes over maximizing profits for the other participants;

   (c) requirements that the venture or arrangement not engage in activities that would jeopardize the Association's exemption; and

   (d) requirements that all contracts entered into with the Association be on terms that are arm's length or more favorable to the Association.

Policy on the Process for Determining Compensation

Approved by the FPA Board of Directors, pending review by legal counsel, August 30, 2009
Review by legal counsel reported to Budget & Finance Committee, November 7, 2009

This Policy on the Process for Determining Compensation of the Florida Pharmacy Association applies to the compensation of the Association's Executive Vice President only. Compensation for all other employees of the Association is handled by the Executive Vice President within the budget constraints approved by the Board of Directors.

The process includes all of these elements: (1) review and approval by the Board of Directors upon the recommendation of the Compensation Committee of the Association; (2) use of data as to comparable compensation; and (3) contemporaneous documentation and recordkeeping.

1. **Review and Approval**. Although the FPA does not have a formal Compensation Committee of the Board of Directors; the officer's of the Association that were elected by the general membership (Board of Directors chair, President, President-Elect, and Treasurer) have functioned in that capacity. Each of the four officers individually completes the FPA EVP evaluation form, one of the four officers compiles a composite evaluation which all officers will discuss with the Executive Vice President on an annual basis following review of a self-evaluation completed by the Executive Vice President. Based on the score that the Executive Vice President receives on the evaluation, the compensation committee may recommend up to a 5% increase in pay. Any pay increase recommended must be approved by the Board of Directors, provided that persons with conflicts of interest with respect to the compensation arrangement at issue are not involved in the approval.

2. **Use of data as to comparable compensation.** The compensation of the Executive Vice President is reviewed and approved using data as to comparable compensation for similarly qualified persons in functionally comparable positions at similarly situated organizations.

3. **Contemporaneous documentation and recordkeeping.** There is contemporaneous documentation and recordkeeping with respect to the deliberations and decisions regarding the compensation arrangement.

Florida Pharmacy Association

Performance Appraisal for Executive Vice President

Please complete the form below. A compilation of the results from the Board of Directors Chair, President, President-Elect and Treasurer, after review of a self-evaluation completed by the Executive Vice President, will be discussed with the Executive Vice President no later than November of each year. This review will determine a salary increase for the coming budget year and will be approved as part of the budget process at the November meeting for the coming year.

Attached to this document are the duties of the Executive Vice President of the Florida Pharmacy Association as outlined in the contract. These duties should assist you as you consider performance.

Employee Name____

Date of Review____

Please use the following scoring system: 5=Outstanding, 4=Exceeds Expectations, 3=Commendable, 2=Meets Expectations, 1=Below Expectations. Comments in support of the score given as expected. Comments if the score is 1 are required. (Maximum score available=30, maximum salary adjustment 5%).

I. Personnel Management (manages office efficiently, obtains maximum utilization of staff communicates well with employees, understands employee needs)

	OUTSTANDING		**MEETS EXPECTATIONS**
	EXCEEDS EXPECTATIONS		**BELOW EXPECTATIONS**
	COMMENDABLE		

Comments: ____

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II. Financial Management (effectively supervises the business affairs of the association, manages the affairs and properties of FPA within policies established by the Board of Directors, works with the Treasurer to plan annual budget and ensures the association operates within the budget, ensures that all funds and assets of the association are properly safeguarded and maintained (including association office), seeks input from President's Committee regarding significant spending decisions, directs DUR program)

	OUTSTANDING		**MEETS EXPECTATIONS**
	EXCEEDS EXPECTATIONS		**BELOW EXPECTATIONS**
	COMMENDABLE		

Comments: ____

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III. Program Planning and Meeting Management (executes all decisions of the Board of Directors, association, plans quarterly plans and directs all continuing education programs, coordinates and plans annual meeting of the council and executive committee meetings)

	OUTSTANDING		**MEETS EXPECTATIONS**
	EXCEEDS EXPECTATIONS		**BELOW EXPECTATIONS**
	COMMENDABLE		

Comments: ____

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IV. <u>Communication</u> (keeps Board of Directors and officers informed about operations of FPA, maintains communication with hired consultants, serves as a liaison between FPA and other organizations including the Florida legislature and governmental entities)

	OUTSTANDING		**MEETS EXPECTATIONS**
	EXCEEDS EXPECTATIONS		**BELOW EXPECTATIONS**
	COMMENDABLE		

Comments: ____

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V. <u>Association and Professional Goals Development</u> (plans and formulates basic policies and programs which further the goals and priorities of FPA and forwards to the Board of Directors for approval, directs and approves programs, projects and major activities)

	OUTSTANDING		**MEETS EXPECTATIONS**
	EXCEEDS EXPECTATIONS		**BELOW EXPECTATIONS**
	COMMENDABLE		

Comments: ____

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VI. <u>Membership Growth and Development</u> (provides regular communication to members (through monthly journal columns, StatNews, etc), maintains and updates association website, works to find new member benefits to assist with retention, utilizes staff to recruit members and ensures staff is strong in customer service skills, serves as Editor in Chief of <u>Florida Pharmacy Today)</u>

	OUTSTANDING		**MEETS EXPECTATIONS**
	EXCEEDS EXPECTATIONS		**BELOW EXPECTATIONS**
	COMMENDABLE		

Comments: ____

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<u>Outstanding/Strong Points:</u>

<u>Weaknesses:</u>

<u>Goals for Improvement:</u>