

APFA

ANNUAL BOARD OF DIRECTORS CONVENTION



March 8-10, 2022

Westin Irving Convention Center at Las Colinas

Resolution Information	Resolution #: 7
	Resolution Name: Investment Policy
	Status: Pass
	Maker: Harris
	Second: Trautman
	Date: 03/09/2022
	Time: 4:05 p.m.
Affects PM: <input type="checkbox"/>	
Comments:	

	BOS Milenkovic	CLT Hazlewood	DCA Pennel	DFW De Roxtra	LAX Nikides	LGA Santana	MIA Trautman	ORD Wroble	PHL Kaswinkel	PHX Agee	SFO Ross	Pres Hedrick
YES	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
NO	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ABS	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
N/A	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Yes: 11 No: 0 Abstain: 0 Absent: 0 Show of Hands:

WHEREAS, Article III, Section 3.A of the APFA Constitution authorizes the Board of Directors to adopt policies for the direction and management of the affairs of the APFA; and

WHEREAS, APFA’s investment advisors, Wells Fargo; along with APFA’s Independent auditor, Woods, Stephens & O’Neil, L.L.P have recommended that APFA amend the Investment Policy Statement to utilize prior year’s investment income towards services to the membership.

BE IT THEREFORE RESOLVED, that the changes to the attached Investment Policy Statement is adopted.

The Association
of
Professional Flight Attendants

INVESTMENT POLICY STATEMENT

I. PURPOSE

The purpose of the Investment Policy is to:

- A. Explain the function of the Negotiations and Negotiation-Related Fund (NNRF) and the non-restricted account, as well as their funding and withdrawal policies.
- B. Establish the investment objectives, policies, guidelines, and eligible securities for the NNRF and the non-restricted account.
- C. Communicate the objectives and guidelines for the accounts to the APFA Board of Directors, the APFA Executive Committee and the Investment Advisor.
- D. Identify the criteria against which the investment performance of the organization's accounts and assets will be measured.
- E. Outline the expectations for the Investment Advisor.
- F. Serve as a review document to guide the ongoing oversight of the management of the investments held in the NNRF and the non-restricted account.

II. THE ACCOUNTS

A. NNRF

1. The NNRF has been established for the purpose of reimbursement to the APFA operating account for negotiations and negotiations-related expenses which exceed the budget for those expenses over a particular time period.

B. Non-Restricted

1. The non-restricted account is a savings/reserve account which historically has been accessed only when necessary to meet current obligations of the APFA that may not be met in a timely manner without a withdrawal from the account.

III. FUNDING AND WITHDRAWAL POLICY:

A. NNRF

1. Each month, the APFA deposits into the NNRF a sum equal to or exceeding the amount outlined in Article IV Sec.1.D of the APFA Constitution.
2. Withdrawals from the NNRF must be approved via resolution by either the APFA Executive Committee or the APFA Board of Directors.
3. A letter requesting a withdrawal from the NNRF, accompanied by a copy of the withdrawal resolution, will be sent to the investment advisors, and signed by at least two (2) APFA National Officers.
4. NNRF withdrawals will be deposited into the APFA operating account.
5. **At the recommendation of the National Treasurer, the income generated from the fixed income account may be transferred to the APFA operating account at the end of the fiscal year to be budgeted in the following fiscal year.**

B. Non-Restricted

1. There is no formal or informal policy in place for funding the non-restricted account. Currently, deposits are not scheduled to be made into this account.
2. A letter requesting a withdrawal from this account will be sent to the investment advisors and signed by at least two (2) APFA National Officers.
3. Non-restricted account withdrawals will be deposited into the APFA operating account.
4. The APFA Board of Directors and the APFA Executive Committee will be notified of any withdrawal from the non-restricted account within twenty-four (24) hours of withdrawal.

C. Withdrawal Notification

1. APFA will attempt to notify the Investment Advisor at least five (5) business days prior to requesting a withdrawal from the NNRF and Non-Restricted investment accounts. At which time the Investment Advisor will coordinate with the Investment Managers to raise the necessary funds requested for the withdrawal.

IV. INVESTMENT OBJECTIVE

- A. The investment objective for the NNRF and the non-restricted account is to preserve the capital held in such accounts while providing the necessary liquidity identified by the APFA Treasurer, from time to time. APFA shall seek the total return (income and appreciation) on the assets held in the accounts that is commensurate with its investment objective by accepting moderate risk attributable to volatility, sector selection, and inflation.
- B. With respect to capital in the accounts that is not anticipated to be withdrawn during the ensuing twelve (12) months, the APFA shall seek a total return (income and appreciation) of at least 1% greater than the rate of inflation, as measured by the Consumer Price Index, over a full market cycle (3-5 years).

V. INVESTMENT GUIDELINES

The following guidelines apply to the three main investment asset classes:

A. Cash Equivalents

- 1. All amounts anticipated to be available for withdrawal over the ensuing twelve (12) months, shall be maintained in cash equivalents.
- 2. Up to 80% of the remaining amounts may be maintained in cash equivalents. Cash equivalents shall consist of:

B. Treasury Bills

- 1. Money Market Instruments, each of which matures in one year or less and either has been rated by at least one nationally recognized rating agency in the highest category for short-term debt securities or is of comparable quality as demonstrated by another measure widely recognized by professional investors.
- 2. Certificates of Deposit, each of which matures in two years or less.

C. Equities

- 1. Up to 25% of the amounts not anticipated to be available for withdrawal over the ensuing twelve (12) months may be maintained in equities.
- 2. Equities and the equity portfolio shall consist of:
 - a. Common or preferred shares of corporate stock that are widely traded publicly on the New York, NASDAQ, or American Exchanges.
 - b. No more than 5% invested in any one issuer.

- c. No more than 20% invested in stocks contained within the same sector.
3. In no event shall the assets of the accounts be invested in initial public offerings, restricted securities, option contracts, or any security issued by AMR or American Airlines. Equity investments may be held either directly or in mutual funds adhering to the investment characteristics identified above.

D. Fixed Income

1. Up to 95% of the amounts not anticipated to be available for withdrawal over the ensuing twelve (12) months may be maintained in fixed income securities. Fixed Income securities and the fixed income portfolio shall consist of:
 - a. Debt obligations that have an investment-grade rating (Baa/BBB or higher), are widely traded in public markets, and are denominated in U.S. dollars.
 - b. An average duration of no more than 10 years, with no more than 25% of debt obligations maintained in the portfolio having a duration of greater than 10 years.
 - c. No more than 20% invested in corporate debt obligations of the same issuer.
 - d. No more than 20% invested in bonds of issuers in the same sector.
 - e. No more than 20% invested in Real Estate Equity Income Trusts.
2. In no event shall the assets of the accounts be invested in interest only (IO), principal only (PO), or residual tranche (CMO) debt obligations, or any security issued by AMR or American Airlines.
3. Fixed income investments may be held either directly or in mutual funds adhering to the investment characteristics identified above.

E. Alternative Investments

1. Up to 5% of the amounts not anticipated to be available for withdrawal over the ensuing twelve (12) months may be maintained in Alternative Investments – limited to the following:
 - a. Managed Futures Funds

- b. Hedge Equity
- c. Arbitrage
- d. Global Macro
- e. Currency
- f. Managed Futures

F. Prohibited Investments

1. The assets of the accounts may only be invested in the asset classes described above.
2. To avoid any doubt, in addition to the proscriptions described with respect to each asset class, the assets of the accounts may not be invested in private equity or real estate (real land or property).

G. Prohibited Transactions

1. The assets of the account may not be invested using short sales or margin sales.
2. Notwithstanding the prohibitions provided in these investment guidelines, investments may be made in mutual funds which periodically engage in prohibited investments or transactions for the purpose of mitigating risk.

VI. PERFORMANCE MEASUREMENTS STANDARDS

- A. Performance of the assets will be evaluated using an appropriate market index and the relevant peer group.

Asset Class/Peer Group	Index
Large Cap Equities	
Large Cap Value	Russell 3000
Large Cap Blend	Russell 3000
Large Cap Growth	Russell 3000
Mid Cap Equities	
Mid Cap Value	Russell 3000
Mid Cap Blend	Russell 3000
Mid Cap Growth	Russell 3000

Small Cap Equities	
Small Cap Value	Russell 3000
Small Cap Blend	Russell 3000
Small Cap Growth	Russell 3000
International Equities	
	MSCI EAFE
Emerging Markets	
	MSCI Emerging Markets
International Fixed Income	
	Barclays Emerging Markets
Real Estate Investment Trust	
	Dow Jones US Select REIT
High Yield	
	B of A ML High Yield Master II
Fixed Income	
Long-Term Bond	Barclays US Aggregate
Intermediate-Term Bond	Barclays US Aggregate
Short-Term Bond	Barclays US Aggregate
Money Market	
	90 Day T-Bills

VII. INVESTMENT ADVISOR

- A. The APFA will retain a professional, fully licensed investment advisor (the “Advisor”) to assist the union in investing the assets of the NNRF and the non-restricted account.
- B. The Advisor will assist the APFA in the following:
 1. Establishing investment policy; objectives and guidelines, including investment time horizon; risk tolerance and total return objectives.
 2. Selecting one or more Investment Managers.
 3. Measuring and evaluating the performance of Investment Managers over time; and other tasks as deemed appropriate.
- C. No investment with, or withdrawal from, an investment account managed by an investment manager, or a mutual fund shall be made without the approval of the APFA Treasurer or other APFA National Officer if the Treasurer is not available.
- D. The Advisor shall be responsible for rebalancing the assets among the allocations as of the end of each calendar quarter.

- E. The Advisor will prepare reports and meet with the APFA Treasurer at least quarterly to review the investment performance of the NNRF and the non-restricted account.
- F. At least once a year, the Advisor will meet with the APFA Treasurer to evaluate the appropriateness of the asset allocation set forth in this Investment Policy Statement and to recommend any changes that might be necessary or desirable.
- G. At least once a year, the Advisor will meet with the APFA Executive Committee or the APFA Board of Directors to review the investment performance and asset allocation of the NNRF and the non-restricted account.

VIII. POLICY REVIEW

- A. Based on recommendations from the Advisor, APFA will review and update (if needed) this Investment Policy Statement from time to time to account for long-term changes in market conditions or in the APFA's investment objectives.
- B. Any change to this policy will be communicated in writing on a timely basis to the APFA Board of Directors, the APFA Executive Committee and the Investment Advisor.