

# FINANCE STRATEGIC PLAN PROPOSAL

August 2021

## ACCORDING TO THE IPS (INVESTMENT POLICY STATEMENT)



- **Liquidate Bernstein portfolio**
  - Very, very poor investment results costing LSC millions
  - Did not follow IPS: high risk/inappropriate investments, excessive international exposure
  - No accountability
  - All monies invested in proprietary funds i.e. all Bernstein products
- **Transfer to Merrill Lynch and reinvest**
  - Follows the IPS
  - Goal is to outperform the market and protect the core portfolio
  - Allows for accountability
  - Low to modest risk with quarterly risk assessment while tracking the major indexes
  - Fixed income cash returns are put into a money market account for LSC use instead of being reinvested

# REINVESTED PORTFOLIO

AS OF JULY 26, 2021

## FUNDS

- \$1,100,000 Thornburg Limited Income Fund (Short term, low duration, cash equivalent)
- \$500,000 Blackrock Strategic Income Fund (Total return fund with higher risk fixed income, more speculative fixed income)
- \$200,000 MFS International Diversification (Basket of MFS International funds)
- \$700,000 Western Asset Core Bond (Intermediate to long-term bond fund in high quality, investment grade bonds.

## ETF'S

- |                   |                               |
|-------------------|-------------------------------|
| • 1367 shares IWM | IWM (Russell 2000, small cap) |
| • 854 shares DIA  | SPDR tracks DJIA              |
| • 908 shares SPY  | SPDR tracks S&P Index         |
| • 4037 shares TLT | 20 year treasury bond         |
| • 814 shares QQQ  | Tracks NASDAQ                 |

## YEAR OVER YEAR INVESTMENT *STRATEGY*

- Follow the IPS mandate
- Review investment results and assess risk tolerance – risk tolerance may be too low at 60% fixed income & 5% cash
- Modify IPS as deemed appropriate
- Meet with Financial Advisor quarterly to review portfolio performance
- Transfer interest and dividend income to a money market account



## YEAR OVER YEAR INVESTMENT *GOALS*

- **Outperform market in the majority or all of the investment allocations**
- Finance Committee makes recommendation for the timing of transfer and use of funds in the money market account and presents recommendation to the Board
- Finance Committee develops a long term strategic plan for SCS funds





## QUESTIONS TO ASK

What is the ***purpose*** of the investment portfolio?

What is the ***long-term strategic plan*** for the portfolio?

What is the ***appropriate*** amount of money to maintain in the investment account?

What is the plan for ***continuity***? How is the plan communicated to a position that is elected every two years?



# LONG-TERM CONSIDERATIONS

- \$4,000,000+ is an excessive amount of funds without a dedicated plan
- The annual operating budget for the LSC is normally and optimally covered out of current income less expenses
- No known transfer of funds from the investment account to the general fund have been made
- Requires a **DECISION** on whether to build the portfolio for a long-term major project or reduce the holdings and use the funds for the current membership



# PLAN TO REDUCE THE SIZE OF THE PORTFOLIO OVER TIME

## Why reduce the size of the portfolio?

- \$4,000,000 is doing nothing to benefit the current membership
- Growth without purpose isn't a plan
- The LSC can maintain a large core portfolio while actively supporting Board-approved allocations
- Reducing the portfolio to \$3,000,000 is less dramatic and less drastic than it seems when viewed from the “10,000 feet” perspective
- The plan does not jeopardize the health/viability of the LSC going forward
- The Board can reverse the process at any time





## DISTRIBUTION OF \$200,000 PER YEAR

Year	Beginning Balance*	Distribution	Beginning Bal less Dist.	Investment Earnings at 3%	Ending Balance**
1	\$4,400,000	\$200,000	\$4,200,000	\$126,000	\$4,326,000
2	\$4,326,000	\$200,000	\$4,126,000	\$123,780	\$4,249,780
3	\$4,249,780	\$200,000	\$4,049,780	\$121,493	\$4,171,273
4	\$4,171,273	\$200,000	\$3,971,273	\$119,138	\$4,090,412
5	\$4,090,412	\$200,000	\$3,890,412	\$116,712	\$4,007,124
6	\$4,007,124	\$200,000	\$3,807,124	\$114,214	\$3,921,338
7	\$3,921,338	\$200,000	\$3,721,338	\$111,640	\$3,832,978
8	\$3,832,978	\$200,000	\$3,632,978	\$108,989	\$3,741,967
9	\$3,741,967	\$200,000	\$3,541,967	\$106,259	\$3,648,226
10	\$3,648,226	\$200,000	\$3,448,226	\$103,447	\$3,551,673
<b>Year 15***</b>	\$3,135,612	\$200,000	\$2,935,612	\$88,068	\$3,023,680

\* Does not include any money transferred from General Fund to the investment account

\*\* Does not include investment advisor fee

\*\*\* Will take 15 years to reduce the holdings to \$3,000,000 in this scenario

# DISTRIBUTION OF \$200,000 WITH \$50,000 FUNDRAISING/SPONSORSHIP PER YEAR

Year	Beginning Balance*	Distribution	Beginning Bal less Dist.	Investment Earnings at 3%	Ending Balance**
1	\$ 4,326,000	\$ 150,000	\$ 4,176,000	\$ 125,280	\$ 4,301,280
2	\$ 4,301,280	\$ 150,000	\$ 4,151,280	\$ 124,538	\$ 4,275,818
3	\$ 4,275,818	\$ 150,000	\$ 4,125,818	\$ 123,775	\$ 4,249,593
4	\$ 4,249,593	\$ 150,000	\$ 4,099,593	\$ 122,988	\$ 4,222,581
5	\$ 4,222,581	\$ 150,000	\$ 4,072,581	\$ 122,177	\$ 4,194,758
6	\$ 4,194,758	\$ 150,000	\$ 4,044,758	\$ 121,343	\$ 4,166,101
7	\$ 4,166,101	\$ 150,000	\$ 4,016,101	\$ 120,483	\$ 4,136,584
8	\$ 4,136,584	\$ 150,000	\$ 3,986,584	\$ 119,598	\$ 4,106,181
9	\$ 4,106,181	\$ 150,000	\$ 3,956,181	\$ 118,685	\$ 4,074,867
10	\$ 4,074,867	\$ 150,000	\$ 3,924,867	\$ 117,746	\$ 4,042,613
Year 32	\$ 3,089,934	\$ 150,000	\$ 2,939,934	\$ 88,198	\$ 3,028,132

\* Does not include any money transferred from General Fund to the investment account

\*\* Does not include investment advisor fee

\*\*\* Will take 32 years to reduce the holdings to \$3,000,000 in this scenario

## SHORT TERM STRATEGY



- Reduce the portfolio by 25-50% over time and fund Board approved projects and initiatives
- Support additional funding of travel and expenses on a tiered basis
- Develop club support for small teams
- Develop sponsorship and support fund for SCS signature events
- Financial aid for low income families
- Create a health insurance platform that pays for 50% of premium for a HMO plan like Kaiser for coaches and officials
- Create a sponsorship and fundraising team within SCS

## LONG TERM STRATEGY



- Create a “*Legacy Project*”
- Corporate and/or municipal partnership to build a renown indoor facility
- Extend “LA 84” project to increase swim base through swim lessons, summer swim program, and novice league development
- Create a sponsorship and fundraising team within SCS