

# Top 10 Business Tips

*for Catholic Organizations in 2015*

Business leaders must wade through massive amounts of pressing and changing managerial issues to focus on matters that most impact their organizations. To help Catholic organizations zero in on topics that significantly impact business strategy, Christian Brothers Services (CBS) and Christians Brothers Investment Services (CBIS) compiled their top ten business tips for 2015.





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# 1

## Be vigilant that you are not investing in, or supporting, companies involved in human trafficking

The Trafficking Victims Protections Act (TVPA) defines human trafficking, in part, as the recruitment, harboring, transportation, provision or obtaining of a person for the purposes of commercial sex acts or labor services through the use of force, fraud or coercion. Approximately 15,000 people are being trafficked each year in the United States, as stated in The Huffington Post article, “*10 Things You Didn’t Know About Slavery, Human Trafficking (And What You Can Do About It)*” by Eleanor Goldberg. According to the website *Slavery Footprint*, there is a good chance that slaves contributed to making your food, clothes, and computer. Indicators of potential human trafficking include workers who live with their employer, will not speak without aid, or sound like they are speaking from a scripted speech. To help protect victims and bring justice to the offenders, companies need to have human rights policies that formally recognize human trafficking. Personnel, vendors, and other suppliers should be trained about human trafficking to safeguard against risks throughout the entire supply chain.

To read the **CBIS report**, “*Taking a Stand Against Human Trafficking*” visit [cbisonline.com/eu/wp-content/uploads/sites/3/2014/07/HUMAN\\_TRAFFIC\\_IR\\_FINAL2.pdf](http://cbisonline.com/eu/wp-content/uploads/sites/3/2014/07/HUMAN_TRAFFIC_IR_FINAL2.pdf). For more information, tools, guidelines, webinars, websites, and documents that explore our human rights, contact the **Interfaith Center on Corporate Responsibility**. Call the **National Human Trafficking Resource Center** if you have information about human trafficking to share. To get further involved in the cause, contact organizations like the **Polaris Project**, **Not for Sale**, and the **Project to End Human Trafficking**.

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### **Monitor the continued effects of the Patient Protection and Affordable Care Act (PPACA)**

Since the passage of the Patient Protection and Affordable Care Act (PPACA) in 2010, there have been many challenges to the constitutionality of this healthcare legislation. As organizations continue to strategize about how to best offer healthcare coverage to employees, it is important to monitor the federal court rulings and rely upon opinions from trusted legal experts who have experience in non-profit law and Church plan regulations. Organizations need to be aware of related legal cases and outcomes and to be as informed as possible when deciding what approach to take in offering employees healthcare coverage. In addition, Catholic employers should keep apprised of the Department of Health & Human Services ([hhs.gov](http://hhs.gov)) administrative rulings regarding the Affordable Care Act.

To access webinars, white papers, and other resources about navigating healthcare reform, visit [cbservices.org/healthcarereformwp](http://cbservices.org/healthcarereformwp) and [cbservices.org/educationalresources.php](http://cbservices.org/educationalresources.php).

## 3

### **Be Aware of “Reaching for Yield”**

Organizations must be prudent when selecting investment vehicles. A low interest rate environment is a prime time for investors to engage in reaching for yield, according to Bo Becker and Victoria Ivanshina, authors of *“Reaching for Yield in the Bond Market”*. Reaching for yield is finance industry jargon for an investor seeking higher investment yields without regard for related increased risks. Organizations need to assess risk tolerance before making investment decisions. Determining loss parameters and identifying financial obligations are critical factors when designing an investment program. This financial reflection helps assure organizations utilize appropriate investment vehicles.

For more information about responsible investing, visit [cbisonline.com/eu/literature](http://cbisonline.com/eu/literature).

# 4

## Look for property/casualty coverage providers with prudent investing strategies

Frequent increases in your property/casualty rates can be a reflection of your coverage provider's investing strategy. To avoid rate increases with your property/casualty coverage, work with providers that prudently manage funds. Richard McKenna, chief operating officer, Christian Brothers Services, says, "We operate as if the market is soft even when it is a hard market. Because of our effective operations, we minimize the need for rate increases which significantly helps our members' budget process." Ask your property/casualty coverage provider for their rate increase history over the years. Know how often the rates have increased and why. McKenna continues, "The property/casualty market has been enduringly soft. Interest rates will eventually rise and this will make money tighter. This can lead to a 'hard market' investing approach whereby insurance companies can forget their original investment strategy. They may focus on securing unrealistic future gains." The best property/casualty coverage providers have the temperament to invest prudently in all market cycles, which safeguards their clients from premium increases.

# 5

## Be a long-term steward of your organization's assets

Keep the big investment picture in sight when looking at your organization's quarterly earnings reports. One quarter's earnings usually does not significantly impact the big picture. Looking too closely at short-term results may cause you to lose sight of how different investment portfolio components are intended to work together over the long haul. Avoid the pitfall of outmaneuvering the market with skittish investing decisions and changes. Adhere to your long-term asset allocation policy targets to reach your financial goals at maximum speed. Prepare yourself emotionally and financially for market changes and make decisive plans to address market volatility through a disciplined rebalancing policy.

For more information, see the article "*The Temptation of Market Timing*" at [cbisonline.com/us/wp-content/uploads/sites/2/2014/07/MARKETING\\_TIMING\\_MP7.pdf](http://cbisonline.com/us/wp-content/uploads/sites/2/2014/07/MARKETING_TIMING_MP7.pdf).

## Protect defined benefit plans

As employers struggle to fund defined benefit plans, the topic of eliminating or freezing current plans inevitably arises. While this may seem to be an effective way to save money, there are negative consequences. Not only will freezing a defined benefit plan severely curtail an employee's retirement income but also it breaks a commitment with the employer. The employees of Catholic organizations rely on those organizations to respect their mission in all operations, including employee management. Freezing or eliminating a defined benefit plan can run contrary to an organization's mission and should be avoided if at all possible. In addition, freezing a defined benefit plan may not be the financial boon some organizations expect. Freezing a plan does not get rid of an organization's obligations to the plan and it can potentially lessen the organization's ability to fund another type of retirement vehicle. For example, if an organization chooses to freeze a defined benefit plan because it has not been able to fully fund the plan, the organization must still make payments to maintain the plan's existing level. This could tie up funds that could be used to provide other employee benefit options, such as an employer match for a defined contribution plan. Moving from a defined benefit approach to a defined contribution approach is simply transferring the investment risk from the employer to the employee. The question is: Who is better equipped to handle that risk?

For more information about defined benefit plans, including the advantages of a defined benefit plan, potential drawbacks of a defined benefit plan, the negative consequences of eliminating or freezing a defined benefit plan, and overcoming the challenges of a defined benefit plan, visit [cbservices.org/definedbenefitplanswp](http://cbservices.org/definedbenefitplanswp).

# 7

## Keep perspective on the stock market: returns are not linear

When investing in the stock market, keep in mind that changes in returns can be based on factors like the market reacting irrationally to economic news, press releases and rumors. The challenge is ignoring headlines that are designed to capture attention and sell publications. Unfortunately, grabby headlines may cause bad investing decisions. While stocks and other securities can be impacted in the short-term by fast market-changing events, it is important to keep perspective by remembering that returns are variable. To fairly assess returns, look at the average annual returns over longer periods of time. John W. Geissinger, chief investment officer, Christian Brothers Investment Services, says, “While a lot of science is applied to asset allocation there is also an art involved, which is where the investment manager comes into play. CBIS is a manager of investment managers. As a manager of investment managers, CBIS blends together institutional asset managers to create our diverse set of strategies. We believe that the combination is stronger than the individual parts.”

For more information, visit [cbisonline.com](http://cbisonline.com). Under the “literature” tab, see articles including “*CBIS’ Approach to Institutional Portfolio Management.*”

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## Protect your information and systems

High-profile security flaws are regularly in the news. In recent months, we have heard about the HeartBleed Internet security flaw and the “nasty bug” in the Microsoft Internet Explorer web browser. Additionally, large data breaches from the big well-known companies to the small are occurring on a frequent basis. Security incidents highlight the fact that no system is 100 percent protected at all times. The best practices to protect your information and systems include creating a comprehensive security awareness program for employees, keeping software fully up-to-date by applying all recommended vendor patches and fixes and regularly changing your password every 90 days, using complex standards that include ten characters mixed with upper and lowercase letters, a number and a special character. It also helps to keep more than one web browser installed and updated on your computer so you always have a backup.

For more information about information protection and systems security, contact Tom Drez, chief information officer/managing director, Information & Technology Services at Christian Brothers Services, at [Tom.Drez@cbservices.org](mailto:Tom.Drez@cbservices.org).



## **Do your homework with alternative investments**

While there are benefits to alternative investments there are also drawbacks. Alternative investments can include hedge funds, real estate, managed futures, commodities and derivatives contracts. Be careful when investing in these alternative options. Remember, the focus should be on selecting asset classes that help to further diversify your organization's portfolio. After the 2008 financial crisis, many people started rethinking stocks, bonds and cash and were attracted to alternative classes such as real assets. It is crucial to know the risks and explore all aspects of alternative investments. For example, some securities may be illiquid, which could be an issue for some organizations that need access to their funds quickly. Also, look at long-term performance and watch for hidden costs. Know the strategies of the alternative investment vehicle(s) and assess if the strategy aligns with your organizational investment needs. For example, if an organization is heavy into equities, they may opt for an alternative investing vehicle that hedges equities. And be sure to get expert advice before launching into alternative investments. "If alternative investments don't exactly fit your needs, the traditional portfolio tends to work just fine," states Geissinger, "Even after the 2008 financial crisis, a traditional portfolio performed pretty well and better than what it was supposed to do. A well-balanced, traditional portfolio works well for those who prefer not to use alternative investments."

## **Conduct a consulting audit**

Organizations often work with consultants in areas ranging from information technology and legal resources to executive searches and strategic planning. Look at how these costs add up. To help keep consulting costs as low as possible, periodically assess the bench strength of your team to determine what can be done in house and what warrants using a consultant. When using a consultant, look for proven providers with a history of working with Church organizations as they will have a deeper understanding of your mission, challenges and needs.

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## About the Authors



***Michael W. O'Hern, FSC, President and CEO,  
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CBIS is a unique provider of superior, socially responsible investment programs to the Catholic institutional market. As president and CEO, O'Hern is responsible for the firm's mission, services and organizational development. His experiences in leadership roles at Catholic organizations since 1974 have provided him with an understanding of their investment needs. O'Hern received a bachelor's degree from Lewis University, Romeoville, Illinois, in 1969. He also holds an MBA from the University of Chicago, a master's degree in administration from Northwestern University, and a master's degree in history from Michigan State University. His FINRA registrations include series 7, 24, 63, and 65.



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CBS is a nonprofit organization that administers cooperative programs in the areas of health, retirement, property/casualty, consulting, and technology for church organizations. Quirk is the president of Extollo Educational Foundation, a member of the Church Alliance and a board member of the Church Benefits Association.



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