



## **Policy Statement**

It is the policy of the Civic Institute of Professional Personnel that the Institute shall maintain a Reserve Fund for the joint purposes of providing security towards unforeseen needs and challenges and funding special projects that advance the interests of the membership.

## **Purpose**

The purpose of this policy is to ensure the integrity of the investment management process, by:

- a. Establishing investment objectives;
- b. Assigning responsibility for investment decisions;
- c. Establishing accountability standards for monitoring and reporting fund status;
- d. Determining an investment strategy, to include: risk management, asset allocation ranges, permitted and prohibited instruments and liquidity standards; and
- e. Determining policies and procedures for making withdrawals from the fund.

## **Application**

Subject to the terms and conditions outlined below, the Board of Directors shall maintain a Reserve Fund for the purposes of the Institute and benefit of the membership.

## **Investment Objectives**

1. Ensure sufficient reserves are on hand to address reasonably foreseeable demand for collective bargaining resources, labour relations support to the membership and/or special projects approved by the Board or membership.
2. Increase the purchasing power of the reserve fund, through any mix of interest payments, capital gains and/or dividends that, in combination, provide returns in excess of 3.5%.
3. Effectively minimize risk for the return provided.
4. Minimize costs and fees associated with the management and distribution of assets.

### **Responsibilities**

#### **Treasurer**

In accordance with By-law 7, Article 3, the Treasurer shall hold responsibility for the investment, management and distribution of the CIPP Reserve Fund. In exercising these responsibilities, the Treasurer shall:

1. Review all investments, divestments or transfers within the fund.
2. Report the status of the CIPP Reserve Fund:
  - a. to the Board of Directors and Council of Trustees, on a quarterly basis or as otherwise required;
  - b. to the membership annually.
3. Review the asset allocation on an annual basis at a minimum with the Fund Manager and authorize rebalancing when required to ensure the CIPP Reserve Fund portfolio remains close to the target asset allocation of this policy.
4. Evaluate portfolio performance against the investment objectives over a minimum five-year rolling outlook.
5. Review investment manager performance and compliance with the policy annually with the Executive Committee.
6. Recommend to the Executive Committee external professionals and/or agencies to serve as a Fund Manager.
7. Recommend to the Executive Committee the dismissal of a Fund Manager.

#### **Board of Directors**

1. Receive and consider reports concerning the fund's status on a quarterly basis, or as otherwise required.
2. Receive and consider requests for expenditures from the CIPP Reserve Fund.
3. Receive and consider recommendations with respect to changes in the Investment Policy or related procedures.

#### **Executive Director**

1. Receive all statements on behalf of CIPP and retain such statements for a period of not less than 10 years.
2. Retain all annual reports or audits with respect to the CIPP Reserve Fund for an indefinite period.
3. Provide records and reports as requested by the Board.

#### **Fund Manager**

1. Reporting the status of the fund to the Treasurer and Executive Director, monthly or as otherwise required.
2. Ensure funds are managed in accordance with this policy and all applicable statutory and regulatory requirements.

3. Actively manage risk and performance.
4. Provide oversight and accountability for any staff or third party agencies engaged in the operations of the fund.
5. Provide recommendation to the Board, through the Treasurer, for any changes in the Investment Policy.
6. Rebalance portfolio when maximum/minimum asset allocations exceeded or otherwise with the written permission of the Treasurer.
7. Report major fluctuations in portfolio value immediately to CIPP.
8. Benchmark annual performance by asset class.
9. Ensure that expenses for portfolio management, whether through commission or fees, do not exceed 1.25% of the portfolio value on an annual basis with the exception of the initial portfolio set up.

### Investment Direction

1. **Guiding Principles** – Given the purpose and objectives of this Investment Policy, the strategy for investment of the CIPP reserve fund must:
  - Limit the potential for capital losses by establishing limits for each risk category and by prohibiting high-risk investment vehicles;
  - Follow the Prudent Investor Rule – risk should be evaluated within the context of the total portfolio with funds invested as if it were the Fund Manager’s own funds.
  - Provide sufficient returns to grow the fund beyond the rate of inflation, as reflected in the Consumer Price Index of the local economy;
  - Provide sufficient and tiered liquidity to address:
    - i. Short-term cash flow to fund one month of operations beyond funds retained in the operating account(s) of the Institute;
    - ii. Medium-term (3 to 6 month) liquidity, accessed with minimal penalty, to provide emergency funds to meet un-forecast demand for legal and representational services or other unfunded expenditures approved by the Board.
    - iii. Long-term funds, in excess of one year, to ensure long-term financial sustainability and supplement the Institute’s revenue.
2. **Desired State** – That CIPP maintain a Reserve Fund of not less than \$750,000 and not more than \$2,000,000.
3. **Liquidity** – The CIPP Reserve Fund shall retain:
  - A minimum of \$100,000 in fully liquid assets
  - A minimum of \$200,000 in medium term assets, accessible within 3 months at minimal penalty.
  - Long-term growth assets.

## INVESTMENT POLICY

4. **Asset Allocation** – Assets (other than cash) shall be held in a diverse portfolio of Fixed Income, and Canadian and International equities. Targets are set out below (evaluated by market value):

Asset Class	Target	Minimum	Maximum
Cash and Canadian Short Term Fixed Income (<1 year)	15 %	\$100,000	100 %
Fixed Income – Canadian Bonds	50%	0%	\$100,000 less than 65%
Equities (Canadian and International)	35 %	0 %	45 %
International Equities	Maximum of 40% of Equity Holdings		

5. **Asset Rebalancing Guidelines** – Rebalancing can be performed in either of the following ways provided the liquidity requirements (clause 3) are also met:
- Transferring funds between asset classes, or
  - Redirecting cash inflows or outflows between asset classes.

Rebalancing when the asset allocation is still within allowable minimum/maximums require the written authorization of the Treasurer.

The Fund Manager will review the asset allocation annually with the Treasurer. If any of the asset classes have drifted substantially from the target allocation the Treasurer may authorize the portfolio to be rebalanced back to target.

6. **Relative Performance by Asset Class Benchmarks** –

- **CASH AND SHORT TERM DEPOSITS** – Canadian 90 Day T-Bill
- **BONDS** – FTSE TMX Canada Universe Bond Index
- **CANADIAN EQUITIES** – S&P/TSX Composite Index
- **INTERNATIONAL EQUITIES** – MCSI EAFE

### Investment Restrictions

1. The following restrictions shall apply to Bonds:
  - a. Excluding federal and provincial government bonds, no more than 20% of the bond portfolio may be invested with a single issuer or their related companies without approval from the Board of Directors.
  - b. Any short-term debt securities that are not fully insured by the Canadian Deposit Insurance Corporation must be rated by at least one of the agencies below as:
    - i. By Dominion Bond Rating Services as R-1(high)
    - ii. By Moody’s Investors Service as p-1
    - iii. By Standard and Poor’s as A-1 (high)

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- c. Only rated bonds can be purchased. All bonds purchased must be rated by at least one of the agencies below as:
  - i. By Dominion Bond Rating Services as BBB(high) or higher
  - ii. By Moody's Investors Service as Baa1 or higher
  - iii. By Standard and Poor's as BBB+ or higher
2. The following restrictions shall apply to Equities:
  - a. Preferred investments are in ETFs to achieve proper diversification.
  - b. Emerging Market investments are limited to no more than 5% of the Reserve Fund and must be made as a component of a global fund.
  - c. No investments may be made in non-publicly listed equities.
3. The following investment activities are prohibited:
  - a. Purchasing securities on margin or executing short sales.
  - b. Purchasing derivatives.
  - c. Engaging in investments that have the potential to amplify or distort the risk of loss beyond a level conducive to the objectives of the fund.
4. In the event that there is a lack of clarity as to whether an investment opportunity is eligible or ineligible, the fund manager must err on the side of caution and obtain prior written permission from the Treasurer.

### Distribution of Assets

1. Distribution of assets (withdrawals) to address year-end operational defects shall be conducted in accordance with the budget approval process at the Annual General Meeting.
2. Distribution of assets to address unbudgeted and/or emergency expenditures shall:
  - a. Be pre-approved by the Executive Committee.
  - b. Be reported to the membership annually.

### Transactions

1. All transactions must be receipted and reported to the Board of Directors at the next meeting.

### Reporting and Performance Evaluation

At a minimum, monthly reports will be submitted by the fund manager to the Treasurer and Executive Director. The reports should set out all investment transactions for the month, fees incurred, the portfolio holdings by category at the end of the month, year-to-date performance and all other relevant data on the status of the fund.

The Treasurer with the Executive Committee shall review the performance of the investment manager against this Policy annually.

### **Dismissal of Fund Manager**

Reasons for considering the termination of the services of an investment manager include, but are not limited to, the following factors:

- a) Performance results below the benchmarks in this Policy or failure to adhere to this Policy.
- b) Changes to the Fund Manager's staffing, organizational structure or investment approach which might adversely affect CIPP's Reserve Fund.
- c) Changes to the Reserve Fund such that the Fund Manager's services are no longer required.

### **Conflicts of Interest**

In the execution of their duties, the Treasurer, Fund Manager, or anyone with signing authority shall disclose any material conflict of interest relating to them, or any material ownership of securities, which could impair their ability to render unbiased advice or to make unbiased investment decisions.

### **References**

1. CIPP By-Laws, 1953 – 2014, November 2016
2. CIPP Financial Policy, April 2016

### **Authorization**

Approval Authority: Board of Directors

Approval Date: Tuesday October 17<sup>th</sup>, 2017

Effective Date: Upon approval at the 2017 AGM