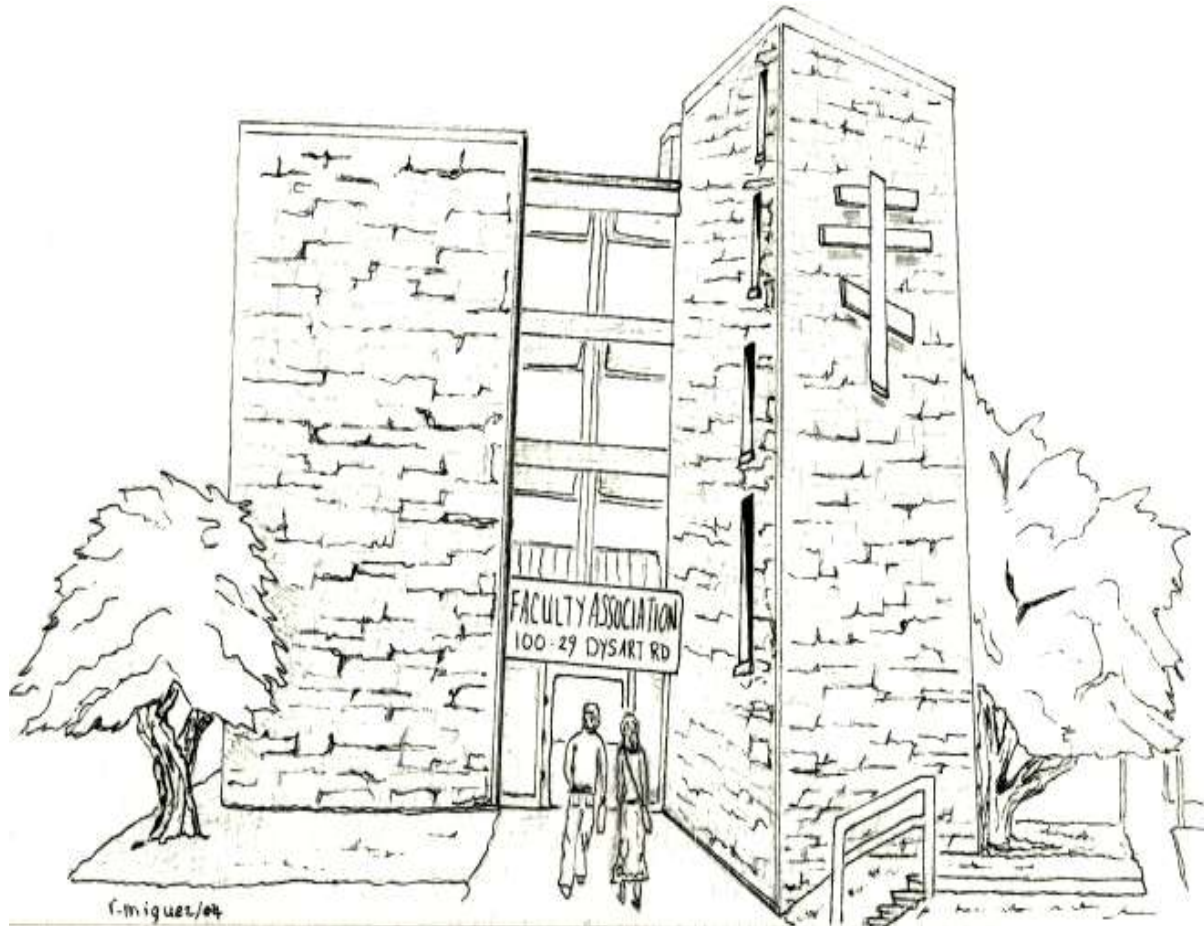


# University of Manitoba FACULTY ASSOCIATION

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## UMFA RESERVE FUND POLICY

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# UMFA RESERVE FUND POLICY

1. The Association shall formally establish a Reserve Fund. This fund will not be shown in the budget, but will be held in a separate account having its own financial statement. It will be externally audited every year.
2. The goal of the Association is to attain a Reserve Fund at three-times the annual operating budget. To meet this goal, over the next ten (10) years the Treasurer will budget for an annual operating surplus sufficient to achieve the goal.
3. The budget shall include a statement of the current amount in the Reserve Fund and the estimated investment income over the fiscal year. The budget will include a line for anticipated net transfers between the Reserve Fund and the Operating account.
4. Monies from the Reserve Fund may only be spent for the following purposes:
  - a. To provide benefits to members in the event of a strike or lockout, and to meet the daily expenses of the Association office in such an event. These expenditures must be authorized by the Board of Representatives;
  - b. To cover expenses of the Association directly related to bargaining and job action preparation that are not otherwise budgeted for in the operating budget of the Association. These expenditures must be authorized by the Board of Representatives; and
  - c. To provide money to meet major non-recurring expenditures [other than those in part (a) or (b) above] that cannot be financed through changes in the regular budget lines. Such expenditures must be authorized by the membership at a General Meeting.
5. Any change to the rules governing the Reserve Fund requires the approval by the Membership at a General Meeting, voted after at least one week's written notice of motion.
6. The Executive (acting with the approval of the Board, and after seeking the advice of the Reserve Fund Committee), may authorize permanent transfers from the Reserve Fund to the Operating Account throughout the fiscal year provided the above goal (see 2. above) has been met. If, during the fiscal year, the Operating Account experiences cash flow deficits, the Executive may authorize temporary transfers from the Reserve Fund; i.e. the Reserve Fund will provide an interest-free overdraft for the Operating Account which must be rectified by the end of the fiscal year.

7. Reserve Fund Committee Membership and Responsibilities:

a. The Reserve Fund Committee shall be made up of the Treasurer and four to six Regular Members and may also include up to two Retired Members. The Regular Members will be approved by the Board of Representatives and will be appointed for a two-year term. The Retired Members will be appointed for a two-year term in a non-voting capacity by the Board of Representatives. The Regular Members will include the Past-Treasurer unless he/she is unable or unwilling to serve or is a Retired Member, and where possible should include an UMFA representative to the CAUT Defence Fund. Regular Members and Retired Members may be re-appointed at the end of their term. The Treasurer shall chair the Reserve Fund Committee and ensure that its membership is at full complement.

b. The Reserve Fund Committee shall manage the investments of the Reserve Fund according to the “prudent person” standard set out in the Federal Insurance Companies Act:

*The directors of an insurance holding company shall establish and the insurance holding company shall adhere to investment and lending policies, standards, and procedures that a reasonable and prudent person would apply to avoid undue risk of loss and obtain a reasonable return.*

c. The Reserve Fund Committee will manage the Reserve Fund according to the Investment Guidelines shown in Appendix A, with a view to:

- i. meeting liquidity requirements of the Reserve Fund;
- ii. achieving stability by investing only in moderate to low risk investments;
- iii. reducing unnecessary management and administration fees; and
- iv. showing preference for Canadian and socially responsible investments.

d. The Reserve Fund Committee will review its investment management services every 5 to 7 years, effective May 2013. The process for review of investment advisors shall involve requesting proposals from select investment management firms.

e. The Reserve Fund Committee will prepare an annual report to the Treasurer for presentation to the Board and Annual Meeting; the report will detail the state and performance of investments (by category) of the fund at the end of the fiscal year (March 31) and the performance of the fund by category, over the previous year. The details of how the fund is invested will be made available to members on request. The report shall include a description of the steps being taken to meet the

goal for the size of the Fund, and the steps being taken to rectify any discrepancies with the guidelines in Appendix A.

- f. The Reserve Fund Committee will review the short-term and long-term investment strategies of the Fund from time to time, but not less than once each fiscal year. In particular, the Committee will monitor the market value of the investment portfolio and make adjustments as required by the “prudent person” standard outlined in Clause 7b.

8. The Reserve Fund Committee shall meet at least 3 times a year.

<u>UMFA Reserve Fund Policy:</u>	
Established:	AGM April 1986
Revised:	AGM April 1993
	AGM April 1995
	AGM May 1998
	AGM May 2003
	AGM May 2013
	AGM May 2014
	AGM May 2019

*Investment Guidelines attached as Appendix “A”.*

## APPENDIX A - UMFA RESERVE FUND: INVESTMENT GUIDELINES

### A. Investment Philosophy

1. Investment of the portfolio must be managed so as not to expose the portfolio to undue risk of loss or impairment while maintaining the purchasing power of the capital.
2. The portfolio is to be constructed so as to maximize yields consistent with a conservative, low risk profile portfolio.
3. Within the policy guidelines described below, the investment manager (the “Manager”) may exercise full investment discretion and shall:
  - i. comply with all applicable laws, rules and regulations, including the CFA Institute’s Code of Ethics and Standards of Professional Conduct governing its professional activities;
  - ii. not knowingly participate or assist in any violation of such laws, rules or regulations;
  - iii. exercise the care and skill expected of a prudent investment manager;
  - iv. at all times act on a basis which is fair and reasonable; and
  - v. exercise its power and duties in good faith and in accordance with its best judgment.
4. The Manager will not engage in short sales or in the purchase of securities on margin. In addition, the Manager may not purchase or sell derivatives, options or futures contracts.
5. All voting rights acquired through the ownership of securities will be the responsibility of the Manager. The Manager will exercise voting rights with the intent of fulfilling the investment policies and objectives of the Reserve Fund. The Manager is expected to act in good faith and to exercise the voting rights in a prudent manner that will maximize returns to the Reserve Fund and act against any proposal which will increase the risk level or reduce the investment value of the relevant security. The Manager will maintain a voting record which will be available for review upon request.
6. When making selections, the Manager will invest in companies which take a socially responsible approach in their business practises.

## B. Investment Objectives

1. **Capital**  
Protect the purchasing power of the capital by ensuring that growth exceeds inflation (as measured by The Canadian Consumer Price Index) plus 3%, calculated on a rolling five year average. This objective is to be achieved through the development and implementation of investment strategies within a conservative, low risk portfolio.
2. **Revenue and liquidity**  
Reinvest the income on an ongoing basis. The Manager shall ensure, in consultation with the Reserve Fund Committee, that in the event of job action or potential job action the liquidity requirements of UMFA are met. The Reserve Fund Committee will advise the Manager of any actual or possible upcoming job action.

## C. Portfolio Diversification and Asset Quality Standards

The fund shall be held in (1) Cash and Cash equivalents; (2) Fixed Income Securities; and (3) Equities; and adhere to the following guidelines:

1. **Cash and Cash Equivalents:**
  - 1.1 Cash and cash equivalents are short term securities of less than one year term.
  - 1.2 Cash and cash equivalents may be invested in:
    - a) Securities of or fully guaranteed by the Government of Canada;
    - b) Securities of or fully guaranteed by any province of Canada;
    - c) Term deposits, Guaranteed Investment Certificates, and Bankers Acceptance of Federal Schedule 1 chartered banks or provincial credit unions;
    - d) Pooled or mutual funds or exchange traded funds (ETFs) limited to those invested in the above categories.
  - 1.3 All Cash Equivalents will be rated Investment Grade by a recognized rating agency.
2. **Fixed Income Securities:**
  - 2.1 Fixed income securities may be invested in:
    - a) Securities of or fully guaranteed by the Government of Canada;
    - b) Securities of or fully guaranteed by any province or territory of Canada or municipal government in Canada;
    - c) Canadian corporations;

- d) Pooled or mutual funds or exchange traded funds (ETFs) limited to those invested in the above categories.
  - 2.2 Other than for securities defined in 2.1(a) and (b), the amount invested in any single issuer will be not more than 5% of the total portfolio at market value.
  - 2.3 All debt securities will be Investment Grade rated by a recognized rating agency.
- 3. Equities:
  - 3.1 Securities may be invested in common or preferred shares, publicly traded on recognized stock exchanges upon which market prices are readily available.
  - 3.2 At the time of purchase:
    - a) Not more than 7% of the total equities at market value shall be invested in the common stock or preferred shares of any single corporation.
    - b) Not more than 15% of the total equities at market value shall be invested in foreign equities.
  - 3.3 No portion of the total portfolio will be invested in small capitalization stocks, currently defined as those with market capitalization (including closely held shares) of less than C\$200 million.
  - 3.4 Pooled or mutual funds or exchange traded funds (ETFs) limited to those invested in the above categories.
  - 3.5 Except during periods of liquidation or accumulation, each equity investment should normally constitute at least 1% of the total equities.

The Manager will ensure an appropriate diversification within each asset class.

These guidelines must be approved by the Membership at a General Membership meeting but may, in emergent situations, be modified by the Board of Representatives subject to approval at the next General Meeting of the Membership. Such modification shall take effect at the time of Board of Representatives approval.

#### D. Asset Mix Policy and Range of Discretion

- 1. Subject to the statements of Investment Philosophy (section A), Investment Objectives (section B), Portfolio Diversification and Asset Quality Standards (section C), the Manager shall have the following range of investment discretion, based on market values:

	Minimum	Maximum	Target
Cash and Cash equivalents	0%	15%	0%
Fixed Income Securities	50%	70%	60%
Equities	30%	50%	40%

2. The Fund shall be managed with the goal of meeting the percentage requirements of this paragraph at fiscal year-end. In the event that the Fund has been depleted due to expenditures under the Reserve Fund Policy, the Fund shall be managed with the goal of meeting the percentage requirements of this paragraph no later than the end of the second fiscal year following such an expenditure.

#### E. Reporting

1. Trade confirmations and monthly activity statements will be provided by the custodian.
2. The Manager will provide on a quarterly basis, a comprehensive investment summary outlining current portfolio positions, income generated by the portfolio, fees and expenses paid and investment performance (both before and after fees) compared to the relevant benchmarks.
3. The Manager will provide a quarterly newsletter highlighting significant economic and financial events, market performance and market outlook.
4. Annually, the Manager will provide a Compliance Report.
5. The Manager will make a formal presentation to the Reserve Fund Committee at least annually to review the portfolio's performance and to update the investment strategy for the coming year.

#### F. Conflict of Interest

1. The Investment Managers and all members of the Reserve Fund Committee, both voting and non-voting, must disclose any direct or indirect association or material interest or involvement in aspects related to his or her role with regard to the Reserve Fund that would result in any potential, actual or perceived conflict of interest.
2. A conflict of interest arises when one of the parties in F)1) receives a direct or indirect benefit on account of any transaction made on behalf of the Reserve Fund



or benefit from any actual or proposed contracts with the issuer of any securities which are or will be included in the portfolio. The best interest of the Reserve Fund is the primary consideration in resolving all such conflicts.

Investment and Membership Guidelines:	
Adopted by Reserve Fund:	February 27, 1998
Endorsed by Executive Council:	April 20, 1998
Endorsed by Board of Representatives:	April 21, 1998
Approved at AGM:	May 19, 1998
Revised by Reserve Fund Committee:	November 29, 2002
Endorsed by Executive Council:	December 9, 2002
Endorsed by Board of Representatives:	January 30, 2003
Approved at AGM:	May 15, 2003
Approved at AGM:	May 15, 2014
Approved at AGM:	May 30, 2018