



## Investment Policy

---

### **A. Purpose**

The purpose of the investment policy is to set directions and parameters for the investment and management of the Funds (to be referred to as the Fund) of the University of Fraser Valley Faculty and Staff Association (UFV FSA).

### **B. Responsibility for the Fund**

The UFV FSA Executive shall have the ultimate responsibility and authority to make investment decisions regarding the Fund.

The Finance committee will meet from time to time to review the investment performance of the Fund and will advise the Executive of any recommendations it may wish to make. The Finance committee will report to the Executive at least once each year.

The Finance committee may from time to time seek information from the Investment Manager/Advisor of the Fund in order to monitor the performance of the fund and to advise the Executive.

### **C. Objectives of the Fund**

The primary objective of the investment of the Fund is the preservation of capital, with the secondary objectives of growth and cash flow generation.

The goal, where possible, is to achieve a real rate of return of 3% over inflation. With inflation of approximately 2.5%, this would mean a return of 5.5%.

The investment objectives of the Fund will recognize the potential need for disbursement and periodic need for liquidity.

A laddered portfolio structure will be considered as a tool to match maturities of securities with cash flow requirements and prudently enhance investment return.

### **D. Eligible Categories of Investment**

Investments may be made in: managed products comprised of Cash, Fixed Income, Preferred and Common Equity; Fixed Income investments may also be comprised of direct investments in federal government bonds, provincial government bonds, and corporate bonds

## **E. Excluded Categories of Investment**

The Fund may not be invested in any way that violates the following exclusionary screens:

1. **Military:** For the purpose of the Fund investment portfolio, companies will be considered ineligible if they derive 5% or greater of their revenues from weapons related contracting or consulting.
2. **Nuclear Power:** For purposes of the Fund investment portfolio, companies will be considered ineligible if they derive 5% or greater of their revenue from
  - The generation of energy from nuclear fuels or have an interest in a nuclear power plant that is operating or under construction ; or
  - Mine process or enrich uranium, or are otherwise involved in the nuclear power fuel cycle.
3. **Tobacco:** For the purpose of the Fund investment portfolio, companies will be considered ineligible if they derive 5% or greater of their revenues from the production of tobacco products or from activities closely related to the production of tobacco products.

- Related activities include the manufacture of rolling papers, filters and packaging.
- Companies involved in the distribution and sale of tobacco and tobacco related products remain eligible for Fund investment.

#### 4. Qualitative Screens:

The Fund investment portfolio qualitative screens include products, business practices, international human rights, environment, employee relations, diversity and community responsibility. The investment portfolio will exclude companies whose records on balance are negative in these areas. However companies experience problems in one of these areas will not necessarily eliminate the company from eligibility. The analysis of this will consider the “best of sector” approach whereby a company’s record will be considered against its industry counterparts. The qualitative screen seeks to include companies whose record in diversity and employee relations are positive.

- **Products:**

The Fund investment portfolio will not include companies that manufacture products that cause (or allegedly cause) permanent, serious or life-threatening illness or injuries.
- **Business Practices:**

The Fund investment portfolio will not include companies that have paid fines as a result of questionable business such as price fixing, antitrust violations, consumer fraud, or questionable marketing or production practices.
- **International Human Rights:**

The Funds investment portfolio will not include companies:

That operate in countries with repressive regimes, or whose operations in less developed countries reflect poor treatment of employees, degradation of the environment, and poor relations with indigenous peoples, or, whose major suppliers have been responsible for mistreating employees or for using child or prison labour.

- **Environment:**

The Fund investment portfolio, using a best-of-sector approach (measured on balance against others in the same industry) will not include companies that:

Have poor environmental compliance records, or have been recently involved in major controversies with local environmental or community organizations regarding environmental degradation, or manufacture or emit significant amounts of ozone depleting chemicals or cause emissions that contribute significantly to global warming or the formation of acid rain, and have no corresponding strengths in these areas.

- **Employee Relations:**

The Fund, using a best-of-sector approach (measured on balance against others in the same industry) will not include companies that:

Have poor health and safety records, or  
Have records of violations, convictions or fines for unfair labour practices, or  
Have not provided to their employees a level of benefits that is comparable to their industry counterparts.

- **Diversity:**

A company is excluded from the Fund investment portfolio if the following conditions apply:

- it has no employment equity policies or programs in place to encourage the hiring and promotion of disadvantaged groups, or
- there are no women in the senior management ranks and it has 1000 or more employees, or
- it excludes gay, lesbian, bisexual or transgendered persons from its employee benefits plans, or
- it has recently been involved in major controversies involving its hiring and promotion activities

The Fund investment portfolio seeks to include companies that demonstrate a strong commitment and respect to diversity.

## **F. Tolerance of Risk and Diversification**

1. The investment objectives of the Fund have been approved by the UFV FSA Executive. The purpose and objectives of the Fund have been reviewed with due consideration to the tolerance of risk the UFV FSA Executive is willing to assume and with regard to the following considerations.

- a. The UFV FSA has demonstrated its resolve to strike in support of its bargaining objectives and the future likelihood of a strike and the length of a strike cannot be predicted.
  - b. In the event of a work stoppage it is likely that a substantial amount of the Fund may be used to support the strike and the members. Therefore during times of collective bargaining the liquidity of a significant portion of the fund must be considered.
2. Considering the purpose and objectives of the Fund a moderate degree of risk in terms of short-term variability of returns, relative to a broad range of Canadian funds, will be accepted in the Fund's investments in pursuit of long-term returns.
  3. Risk of price fluctuations within the asset classes and the uncertainty of future economic and investment conditions dictate prudent diversification through investment classes whose expected return correlations provide overall risk protection for the Fund.

### **G. Asset Allocation Guidelines**

The asset mix will be adjusted according to capital market expectations in a way that produces the desired mix of target returns while minimizing target risk, subject to the following parameters:

Allocation	Minimum Allocation	<b>Target Allocation</b>	Maximum Allocation
Cash & Equivalents	0%	<b>5%</b>	60%
Fixed Income	40%	<b>45%</b>	90%
Equities	0%	<b>50%</b>	60%

### **H. Valuation of Investments**

1. Investments in publicly traded securities shall be valued no less frequently than monthly at their market value.
2. Investments in pooled funds comprising publicly traded securities shall be valued according to the unit values published at least monthly by the pooled fund manager.
3. If a market valuation of the investment is not readily available, then a fair value estimate shall be determined by the Manager. For each such non-traded investment, an estimate of fair value shall be supplied to the Fund Custodian not less frequently than quarterly. In all cases the methodology should be consistently applied over time.

### **I. Investment Manager/Advisor**

1. Competent professional external investment managers and/or advisors shall be appointed by the Finance committee. The Executive must be satisfied as to the suitability of the Managers/Advisors to act as agents of the Fund. The Finance committee shall make any changes to the management of the Fund should it be determined that such changes are in the best interest of the Fund and the UFV FSA. The Manger/Advisor to the Fund should have a suitable

investment approach, relevant experience in managing labour organization portfolios, and demonstrate financial stability.

2. The above is subject to compliance with investment restrictions required by law.

## **J. Conflicts of Interest**

1. A conflict of interest, whether actual or perceived, is defined for the purpose of this policy as any event in which a participating company or an employee, manager or delegate of the company, UFV FSA Executive, the Custodian or any party directly related to any of the foregoing, may benefit materially from knowledge of, participation in, or by virtue of an investment decision on holding of the Fund.
2. Should an actual or perceived conflict of interest arise, the person affected by the conflict or any person aware of the potential conflict shall immediately disclose the conflict to the UFV FSA Executive. The person affected by the conflict shall abstain from decision making regarding the area of conflict. All records of conflicts shall be recorded in the Minutes of the meetings.
3. No part of the Fund may be loaned to any participating company, employee, manager or delegate of the company, a UFV FSA member, the Custodian or any party related directly to any of the foregoing.
4. The UFV FSA Executive shall undertake to ensure that conflict of interest policy exists and is followed by any Manager/Advisor to the fund.

## **K. Monitoring**

1. The Finance committee shall meet at least once a year to:
  - a. Review the assets and net cash flow of the Fund
  - b. Review the current economic outlook and investment plans of the Manager/Advisor
  - c. Review the current asset mix of the Fund; and
  - d. Review and consider the investment performance statistics of the Fund
2. The Finance committee shall monitor the performance of the Fund Managers/Advisors. This monitoring shall include at least meeting with the Managers/Advisors and ongoing evaluation of performance relative to standards appropriate to the Managers/Advisors' mandate.

## **L. Loans and Borrowing**

1. Neither the UFV FSA Executive nor the fund Manager/Advisor may encumber the Fund or the assets of the Fund in any way except to the extent that temporary overdrafts may occur in the normal course of business.

2. The Board of Directors may not borrow on behalf of the Fund except to a temporary and limited extent for the timely payment of Fund administrative costs.

### **M. Voting Rights**

1. Voting rights acquired through Fund investments will normally be delegated to the fund Manager. In the exercise of these voting rights the Manager will act prudently and in the best interest of the Fund and its beneficiaries.
2. The Board of Directors may direct the voting decision of the Manger, if it should determine that the decision is in the best interest of the Fund and its beneficiaries. Should the Board decide to direct the Manager it will inform the Manager in a timely manner.
3. It is acknowledged that the above mentioned voting rights may not be realizable if the Fund is invested in pooled funds.

### **N. Investment Policy Review**

The Investment policy will be reviewed at least once annually or whenever a significant change or challenge confronts the UFV FSA Executive. This may be occasioned by a significant depletion of the Fund due to work stoppage or economic factors.

*Approved by the Executive April 2011*