

StFXAUT Reserve Fund Policy and Investment Guidelines

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Revised: 31 Mar 2021

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1. The Association shall maintain a Reserve Fund. This fund will be held in an account separate from the operating budget and have its own financial statement.
2. The Executive of the Association is responsible for this Fund. Decisions made with respect to transfers into and out of the Fund require Executive approval on the advice of the Treasurer. The Executive is responsible for the Reserve Fund Investment Guidelines (Appendix A) and delegates to the Reserve Fund Committee the management of the fund subject to these guidelines.
3. The goal of the Association is to maintain the Reserve Fund at a level of at least twice the annual operating budget of the Association. If this goal is not met, the Treasurer will budget for an annual operating surplus sufficient to achieve the goal within five (5) years.
4. The Treasurer will include a report to the membership on the Reserve Fund at the AGM. The report 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.
5. Money held in the Reserve Fund may only be spent for the following purposes:
 - a. To provide benefits and cover expenses relating to a strike or lockout. These expenditures must be authorized by the Executive.
 - 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. These expenditures must be authorized by the Executive.
 - c. To provide funds to meet major non-recurring (extraordinary) expenses related to normal union business that cannot be financed within the annual operating budget. Such expenditures must be approved by the Executive prior to and reported to the membership at a general meeting. In the event a single expenditure exceeds 10% of the value of the Reserve Fund, it must be first approved by the membership at a general or special meeting.

6. The Executive, 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 3.) is maintained.
7. If, during the fiscal year, the Operating Account experiences cash flow deficits, the Executive may authorize temporary transfers from the Reserve Fund which must be rectified by the end of the fiscal year.
8. Reserve Fund Committee Membership and Responsibilities:
 - a. The Reserve Fund Committee shall be made up of the Treasurer and three members approved by the Executive and appointed for two-year terms. The sitting members will include the past Treasurer unless that person is unable or unwilling to serve. The Treasurer shall chair the Reserve Fund Committee and ensure its membership is at full complement. The Reserve Fund Committee may seek professional management advice or engage the services of an investment manager.
 - 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, which states that investors must adhere to investment policies, standards and procedures that a reasonable and prudent person would apply in respect of a portfolio of investments 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 low to moderate risk investments;
 - iii. Reducing unnecessary management and administration fees; and
 - iv. Showing preference for socially responsible investments.
 - d. The Reserve Fund Committee will prepare an annual report to the Treasurer for presentation to the Executive and the Annual General Meeting. The report will detail the state and performance of investments (by category) at the end of the fiscal year. The details of how the fund is invested will be made available to members on request.

Appendix A – StFXAUT Reserve Fund Investment Guidelines

1. Investment Philosophy

- a. The principles underlying the management of the Reserve Fund are:
 - i. To secure the safety of the principal of the fund in real terms,
 - ii. To make the best real net return consistent with a low to moderate level of risk over the long term, and
 - iii. To maintain a minimal level of liquidity.

2. Portfolio Diversification and Asset Quality Standards

- a. Equities (common shares)
 - i. Equities will either be shares of large, broadly held companies, or broadly based mutual funds or index funds (or units).
 - ii. No single company's stock will exceed 5% of the value of the fund.
 - iii. US and foreign equities may not exceed 60% of total equities.
 - iv. Mutual funds or index funds with low management fees will be preferred.
- b. Fixed Income (bonds, preferred shares, term deposits, GICs)
 - i. Bonds with BBB grade or higher under the Morningstar rating system, with a maximum of 10% of the total bond portion at BBB grade.
 - ii. Term deposits and GICs of chartered banks and major trust companies.
 - iii. Pooled or mutual funds or exchange traded funds limited to those invested in the above categories.
- c. Cash (cash, treasury bills of federal or provincial governments, short-term obligation of chartered banks, credit unions, and major trust companies, money market mutual funds).

3. Asset Mix Based on Market Value Percentages of Total Fund

	Minimum	Maximum	Target
Equities	40%	75%	65%
Fixed Income	15%	50%	30%
Cash	0%	10%	5%