



RESERVE FUNDS POLICY

Version 1.0 – Approved by the APUO Executive Committee – 8/03/2018

Version 1.0 – Approved by the APUO Board of Directors – 8/29/2018

The purpose of this statement is to establish guidelines for the prudent investment of the Association's financial assets. These guidelines are meant to provide stability in the management of the portfolio.

1. The Association shall formally establish two Reserve Funds: an Operating Reserve Fund (ORF) and a Strike-Lockout Fund (SLF). Both funds shall be shown in all financial reports (where applicable). The financial report shall include a line for net transfers between the normal operating account and the Reserve Funds.
2. The Association shall maintain the Operating Reserve Fund at a level between fifty percent (50%) and one hundred percent (100%) of annual expenses. If this goal is not met, the Treasurer shall budget for an annual operating surplus sufficient to achieve the goal within five (5) years. If the Treasurer determines that such a goal is unfeasible, the Treasurer may recommend a temporary or permanent increase in the Operating portion of membership dues to the Executive Committee, the Board of Directors and to the membership at a General Assembly. If the goal is surpassed for two (2) consecutive years, the Treasurer may recommend a temporary or permanent decrease in dues collected for operations of the Association.
3. The Association shall maintain the Strike-Lockout Fund at a level between seven hundred and fifty dollars (\$750) and two thousand, five hundred dollars (\$2,500) per dues paying members as of March 1 of previous budget year. If this goal is not met, the Treasurer shall budget for an annual operating surplus sufficient to achieve the goal within five (5) years. If the Treasurer determines that such a goal is unfeasible, the Treasurer may recommend a temporary or permanent increase in the Strike-Lockout dues portion of membership dues to the Executive Committee, the Board of Directors and to the membership at a General Assembly. If the goal is surpassed for two (2) consecutive years, the Treasurer may recommend a temporary or permanent decrease in dues collected for the Strike-Lockout fund.
4. Monies for the Operating Reserve Fund may only be spent for the following purposes:
 - a) To provide money to meet major non-recurring expenditures such as litigation or major purchases that cannot be financed through changes in the regular budget lines. Such expenditures must be authorized by the Board of Directors; and
 - b) Upon approval from the Board of Directors, monies from the Operating Reserves Fund may be transferred to the Strike-Lockout Fund.
5. Monies for the Strike-Lockout Fund may only be spend 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 Directors.
 - 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 Directors.

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6. Any change in the rules governing the Reserve Funds requires the approval by the Board of Directors.
7. The Executive Committee shall hire an investment management services company to manage the funds according to the Investment Guidelines shown in Appendix A, with a view to:
 - i. meeting liquidity requirements of the Reserve Funds;
 - 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 and environmentally responsible investments.
8. The Executive Committee will review its investment management services every 5 to 7 years. The process for review of investment advisors shall involve requesting proposals from select investment management firms.
9. The Treasurer will prepare an annual report to the Executive Committee and the Board of Directors; the report will detail the state and performance of investments (by category) of the funds at the end of the fiscal year (June 30) and the performance of the fund by category, over the previous year. The details of how the funds are 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 funds, and the steps being taken to rectify any discrepancies with the guidelines in Appendix A.
10. The Treasurer will review the short-term and long-term investment strategies of the Reserve Funds from time to time, but not less than once each fiscal year. In particular, the Treasurer will monitor the market value of the investment portfolio and make adjustments as required by the “prudent person” standard outlined in the opening statement of Appendix A.

APPENDIX A - APUO RESERVES FUNDS: INVESTMENT GUIDELINES

The Treasurer and Executive Committee shall manage the investments of the funds 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”.

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. Professional standards of care and judgement shall be exercised in all investment decisions. The Manager will abide by the Code of Ethics and Standards of Professional Conduct of the Chartered Financial Analysts® Institute.
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 Funds. 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 follow ethical investing principles by investing in companies which take a socially and environmentally 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 Treasurer, that in the event of job action or potential job action the liquidity requirements of APUO are met. The Treasurer 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. The Manager will ensure an appropriate diversification within each asset class.

D. Reporting

1. Trade confirmations and monthly activity statements will be provided by the Manager.
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 Treasurer at least annually to review the portfolio's performance and to update the investment strategy for the coming year.

E. Conflict of Interest

1. The Manager and the Treasurer 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 Funds that would result in any potential, actual or perceived conflict of interest.
2. A conflict of interest arises when one of the parties in 1) receives a direct or indirect benefit due to any transaction made on behalf of the Reserve Funds or benefit from any actual or proposed contracts with the issuer of any securities that are or will be included in the portfolio. The best interest of the Reserve Fund is the primary consideration in resolving all such conflicts.