

Investment Policy

Last revised: December 2010

1.0 Purpose

1.1 The purpose of the investment policy is to set directions and parameters for the investment and management of the funds of the Vancouver Community College Faculty Association (the VCCFA).

1.2 Such VCCFA funds shall be reserved in the Operating Reserve Fund or in the Defence Fund.

1.3 The nature and purpose of the investments in the Operating Reserve Fund shall be in safe, secure mechanisms where preservation of capital is the sole objective.

1.4 The nature and purpose of the investments in the Defence Fund shall be in accordance with Bylaw 8.02 and as elaborated by this Investment Policy.

1.5 Subject to the approval of the membership at a General Meeting, this investment policy may be amended or modified.

2.0 Responsibility for the Defence Fund

2.1 The Union Executive, through the Treasurer, shall have the ultimate responsibility and authority to make investment decisions regarding the Defence Fund.

2.2 The Treasurer and other table officers will meet from time to time and at least once a year to review the investment performance of the Defence Fund and will advise the Executive of any recommendations it may wish to make.

2.3 The Treasurer and other table officers may from time to time seek information from the professional Investment Manager/Advisor of the Defence Fund (see 9.1) in order to monitor the performance of the fund and to advise the Executive.

3.0 Objectives of the Defence Fund

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

3.2 The goal, where possible, is to achieve a rate of return, net of professional Investment Manager fees and expenses, which exceeds the annual change in the Consumer Price Index for Canada, plus 3%.

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

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

4.0 Eligible Categories of Investment for the Defence Fund

4.1 Investments may be made in: managed products comprised of Cash, Fixed Income, Structured Notes, Preferred and Common Equity; Fixed Income investments may also be comprised of direct investments in Canadian Government bonds, provincial government bonds and corporate bonds.

4.2 The bond portfolio will contain no more than 10% allocated to bonds with a DBRS (Dominion Bond Rating Services) of less than "A".

4.3 The duration of the bond portfolio shall be shorter than the duration of the Bond Index at all times.

4.4 Investment in securities of foreign securities (foreign content) is limited to 20% of portfolio values at all times. An investment in a foreign security is primarily for the purpose of providing exposure otherwise difficult to achieve in domestic securities. All foreign securities are subject to the same social screening criteria as domestic securities.

4.5 Managed alternative strategies may be used for strategic diversification and will be limited to 10% of total assets.

5.0 Excluded Categories of Investment for the Defence Fund

Investments may not in any way be made that violate the following exclusionary screens:

5.1 Military: Companies will be considered ineligible if they derive 5% or greater of their revenues from weapons-related contracting or consulting.

5.2 Tobacco: 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.

5.2.1 Related activities include the manufacture of rolling papers, filters and packaging.

5.2.2 Companies involved in the distribution and sale of tobacco and tobacco-related products remain eligible for Fund investment.

5.3 Alcohol: Companies will be considered ineligible if they derive 5% or greater of their revenues from the production and/or sale of alcohol products.

5.4 Pornography: Companies will be considered ineligible if they derive 5% or greater of their revenues from the production and/or sale of pornography.

5.5 Gambling: Companies will be considered ineligible if they derive 5% or greater of their revenues from gambling proceeds.

5.6 Qualitative Screens: The Defence 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 experiencing 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.

5.7 Products: The Defence Fund investment portfolio will not include companies that manufacture products that cause (or allegedly cause) permanent, serious or life-threatening illnesses or injuries.

5.8 Business Practices: The Defence Fund investment portfolio will not include companies that have paid fines as a result of questionable business practices such as price fixing, antitrust violations, consumer fraud, or questionable marketing or production practices.

5.9 International Human Rights: The Defence Fund 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.

5.10 Environment: The Defence 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.

5.11 Employee Relations: The Defence 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 health and safety records, or have records of violations, convictions or fines for unfair labour practices, or have a record of a significant number of work stoppages, or have not provided to their employees a level of benefits that is comparable to their industry counterparts.

5.12 Diversity: A company is excluded from the Defence Fund investment portfolio if the following conditions apply: it has no employment equity policy 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 benefit plans, or it has recently been involved in major controversies involving its hiring and promotion activities.

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

5.13 Community: A company is excluded from the Defence Fund investment portfolio if the following conditions apply: it has been involved in a controversy in a community which has negatively impacted a significant number of members of the community, or it has been involved in plant closures or a breach of agreement with the community which has significantly strained its relationship with the community, or it has recently been involved in a controversy which has negatively affected aboriginal people and communities.

6.0 Tolerance of Risk and Diversification

6.1 The investment objectives of the Defence Fund have been approved by the Vancouver Community College Faculty Association. The purpose and objectives of the Fund have been reviewed with due consideration to the tolerance of risk the Association is willing to assume and with regard to the following considerations.

6.1.1 The Faculty Association has when necessary 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.

6.1.2 VCC's management's resolve to lock out VCCFA members has been demonstrated in the past and the future likelihood of a lockout cannot be predicted.

6.1.3 VCCFA members resolve to respect the legitimate picket line of another union has been demonstrated and the future likelihood of a picket line cannot be predicted.

6.1.4 From time to time transfers from the Fund to support the work of the union as per Budget Policy 3.4.2 may be necessary.

6.2 In the event of a work stoppage or other need as per 6.1 it is likely that a substantial amount of the Defense Fund may be used. Therefore, during budgeting and times of collective bargaining the liquidity of a significant portion of the fund must be considered.

6.3 Considering the purpose and objectives of the Fund, a moderate degree of risk in terms of the 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. The VCCFA considers risk to be a resource to be deployed prudently to achieve the investment objectives of the Fund.

6.4 Risk of price fluctuations within the asset classes and the uncertainty of future economic and investment conditions dictate prudent diversification through investment in asset classes whose expected return correlations provide overall risk reduction for the Fund.

7.0 Asset Allocation Guidelines

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

	Minimum	Target	Maximum
Cash	0%	n/a	100%
Fixed Income	0%	60%	100%
Equities	0%	40%	50%

8.0 Valuation of Investments

8.1 Investments in publicly traded securities shall be valued no less frequently than monthly at their market value.

8.2 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.

8.3 If a market valuation of the investment is not readily available, then a fair value shall be determined by the professional Manager. For each such non-traded investment, an estimate of fair value shall be supplied to the Treasurer not less frequently than quarterly. In all cases the methodology should be consistently applied over time.

9.0 Investment Manager/Advisor

9.1 Competent professional external investment managers/or advisors shall be appointed by the VCCFA upon the recommendation of the Executive. The Executive must be satisfied as to the suitability of the Managers/Advisors to act as agents for the Fund. The VCCFA shall recommend changes to the management of the Fund should it be determined that such changes are in the best interests of the Fund and the Association.

9.2 The Manager/Advisor to the Fund should have a suitable investment approach, demonstrate financial stability, have capacity to undertake this account, and have a performance record of at least three years with relevant experience and expertise.

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

10.0 Conflicts of Interest

10.1 A conflict of interest, whether actual or perceived, is defined for the purpose of this policy as any event in which a participating employee, a VCCFA Executive member, the Treasurer, 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.

10.2 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 VCCFA 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.

10.3 No part of the Defense Fund may be loaned to any participating employee, a VCCFA member, the Treasurer, or any party related directly related to any of the foregoing.

10.4 The Treasurer and the VCCFA Executive shall undertake to ensure that conflict of interest policy is followed by any Manager/Advisor to the Fund.

11.0 Monitoring

11.1 The VCC Faculty Association Executive 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.

11.2 The Treasurer and Executive shall monitor the performance of all Fund Managers/Advisors. This monitoring shall include at least annual meetings with the Managers/Advisors and ongoing evaluation of performance relative to standards appropriate to the Managers/Advisors' mandate.

12.0 Loans and Borrowing

12.1 Neither the VCCFA 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.

12.2 The Executive may not borrow on behalf of the Fund except to a temporary and limited extent for the timely payment of Fund administrative costs or to avoid penalties for early redemption of investments.

13.0 Voting Rights

13.1 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 interests of the Fund and its beneficiaries.

13.2 The VCCFA Executive may direct the voting decision of the Manager, if it should determine that the decision is in the best interests of the Fund and its beneficiaries. Should the Executive decide to direct the Manager it will inform the Manager in a timely manner.

13.3 It is acknowledged that the above mentioned voting rights may not be realizable in that the Fund is invested in pooled funds.

14.0 Investment Policy Review

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

Historical note:

A bylaw change was approved in December 2010 related to the FA's Investment Policy

On behalf of the VCCFA Executive and pursuant to By-law 5.05(f)iv “Alterations to the Bylaws,” the Treasurer, John Demuelemeester, moves that:

Bylaw 7.02 Use of Funds (a) The Treasurer shall be authorized to invest the membership funds in safe, secured investments such as bonds, bank term deposits, and the like; with the approval of the Executive.

Be Replaced with the Following:

Bylaw 7.02 Use of Funds (a) With the approval of the Executive and in accordance with both VCCFA Budgeting Policy and Investment Policy, the Treasurer shall be authorized to invest membership funds in a manner that provides primarily for the preservation of capital and secondarily for capital growth and cash flow generation.