

Local 389 Investment Policy Statement



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Approver	Brian Warman
Responsibility	Secretary Treasurer
Policy Review	Every 5 Years

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Section 1 – Overview & Background

1.01 Purpose

The purpose of this Investment Policy Statement is to provide an appropriate set of objectives, procedures and structure by which Local 389 and its agents will invest funds of the membership.

It is recognized that Local members involved with the fiduciary aspects of the investments of Local member funds may be limited in their investment or financial expertise. For this reason, Investment Manager(s) have been retained for the day-to-day management of the portfolio.

1.02 Objectives

Local 389's assets are divided into two distinct Funds, collectively the Total Fund/CUPE 389 Investment Fund:

- Defence Fund
- Benevolent Fund

The purpose and objectives of the two funds vary.

1.02.1 The Defence Fund may be called upon from time to time during labour disruptions as a supplement for its members. As such the Fund objective includes growth and income generation to keep pace with inflation and rising costs.

1.02.2 The purpose of the Benevolent Fund is to provide an accountable and ongoing source of funding to support appeals, programs, donations and initiatives for the local.

The Fund objectives include income generation and growth in income to keep pace with rising costs. The target for income is to generate at least 4% cash income per annum. Capital growth is a secondary objective.

This Statement provides the framework for the investment of the Total Fund. The purpose of this Statement is to ensure that the Total Fund is invested in a prudent and effective manner. The Statement also seeks to establish ongoing communication with the Investment Manager(s) and other agents engaged to manage and invest the assets of the portfolio.

This Statement may be changed or modified at any time by action of Local 389; any such change shall be promptly communicated in writing to the appointed Investment Manager(s).

Section 2 – Governance

2.01 Authorization Process

2.01.1 The supreme authority of Local 389 is the local membership who elects the Executive Board at a general meeting. The President of Local 389 shall function as the Chief Executive Officer and carry out the directives of the Executive Board and shall sign all official documents of Local 389. The Secretary-Treasurer shall sign all financial documents of Local 389. Alternative signing authorities may be designated by the Executive Board. The Local 389 Trustees and accountants shall act only in an advisory capacity.

2.02 Local 389 Secretary Treasurer

2.02.1 The Local 389 Secretary Treasurer accepts the duty and responsibility to discharge their fiduciary duties with the care, skill, prudence and diligence that a prudent person acting in a like capacity would do. This would include, but not limited to:

- a) formulating and maintaining a structured investment policy;
- b) selection of an investment manager/administrator (external and internal);
- c) monitor, review, and report performance levels to the executive board on a regular basis; and
- d) producing a report to the general membership that shall be made after the annual general meeting each year.

2.03 Investment Manager(s)

2.03.1 External Investment Manager(s) shall be responsible for:

- a) investing the assets allocated to them in accordance with this Statement;
- b) complying with the terms of an investment manager agreement;
- c) reporting to Local 389 on a quarterly basis and in writing in respect of their performance for the quarter, the investment holdings, valuations and transactions, the intended strategy for the following quarter and compliance with this Statement;
- d) providing to Local 389 on an annual basis, or whenever changes occur, their policies and procedures relating to voting rights on securities, soft dollars, professional standards, conflicts of interest and internal controls;

- e) advising a designated delegate of Local 389 on an ongoing basis of any changes in the organization, personnel or investment process or any other fact that may reasonably be expected to influence future investment performance;
- f) attending meetings of Local 389, as required; and
- g) being available for meetings or discussions with designated staff members of Local 389 on a reasonable basis.

2.03.2 The Investment Manager(s) are expected to comply, at all times and in all respects, with the Code of Ethics and Standards of Professional Conduct as promulgated by the CFA Institute. The Investment Manager(s) will manage the assets with the care, diligence and skill that an investment manager of ordinary prudence would use in dealing with assets of private institutions. The Investment Manager(s) will also use all relevant knowledge and skill that they possess or ought to possess as prudent investment managers.

2.04 Consultant

2.04.1 Consultants may be retained as required to assist with the following activities:

- a) assist in the preparation and review of this Statement;
- b) on an annual basis or more frequently if required assess and evaluate, both quantitatively and qualitatively, the Investment Manager performance and risk;
- c) assist with the selection of investment managers, as required; and
- d) provide such other information and analysis as the Committee may request.

2.05 Custodian

2.05.1 The Custodian for Local 389 shall be responsible to:

- a) perform the duties required of the Custodian pursuant to agreements entered into from time to time with Local 389;
- b) report holdings in a timely manner;
- c) process the security transactions that result from the buy and sell orders placed by the Investment Manager(s); and
- d) provide Local 389 with monthly portfolio reports of all assets of the Total Fund and monthly reports of all transactions during the period.

2.06 Standard of Care

The agents of Local 389 as identified above shall exercise the care, diligence and skill in the administration, investment, and management of the Funds that a person of ordinary prudence would exercise in dealing with the property of another person. The agents shall

use all relevant knowledge and skill that they possess or, by reason of their profession, business, or calling, ought to possess.

2.07 Conflicts of Interest

Officers and agents of Local 389 involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions in that regard. Said officers and agents shall disclose any material interests in financial institutions with which they conduct business that might be construed as a potential conflict of interest. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Said officers and agents shall refrain from undertaking personal investment transactions with the same individual with which the investment process is conducted on behalf of Local 389. Local 389 and its agents comply with their responsibilities under the Personal Information Protection and Electronic Documents Act (PIPEDA) as administered through the Office of the Privacy Commissioner of Canada.

Section 3 – Portfolio Expectations

3.01 Portfolio Return Expectations

The Investment Manager(s) appointed by Local 389 to invest the assets of the Total Fund are expected to achieve a satisfactory long-term rate of return by outperforming the respective benchmarks by 0.75% over rolling four-year periods, through a diversified portfolio, consistent with acceptable risks and prudent management.

Risk is controlled by investing in a well-diversified portfolio, including both Canadian and global equities, fixed income and potentially other investments.

Time horizon relates to the anticipated period for which the Total Fund will be invested. Provided adequate liquidity is maintained for the Funds, the manager may reasonably assume an investment time horizon of five years.

3.02 Expected Volatility

The volatility of the Total Fund is directly related to its asset mix, specifically, the balance between Canadian equities, global equities, fixed income and potentially and other investments.

3.03 Risks

It is understood that the risks to the Total Fund and the assets of the Total Fund include, but are not restricted to, the following:

- a) market value fluctuation: equity investments, and to a lesser degree fixed income investments, are subject to market value fluctuations;
- b) interest rate risk: the current market value of debt instruments will generally fall if interest rates rise, and rise if interest rates fall;
- c) issuer default risk: debt instruments, including those issued by governments or government agencies, are subject to the risk that the issuer may default on income payments or on the return of the principal;
- d) specific company risk: equity investments are also subject to the risk that the security may decline in value or become worthless as a result of developments unique to that specific company;
- e) currency fluctuations: the returns generated on securities issued in or publicly traded in a currency other than Canadian dollars may be adversely affected in Canadian dollar terms by fluctuations in the rates at which such currencies can be converted back to Canadian

dollars;

- f) inflation risk: equity and fixed income securities are impacted to varying degrees by the level of price inflation, but security values in both asset classes are negatively affected during periods of rising inflation.

Section 4 – Structure of Total Fund Investments

4.01 Asset Mix [CUPE 389 Investment Fund]

4.01.1 Defence Fund Asset Mix

Taking into consideration the investment and risk philosophy of the Fund, the following asset mix has been established:

Assets	Minimum %	Benchmark %	Maximum %
Canadian Equity	10	25	40
Global Equity	30	55	80
Fixed Income	0	20	40
Real Assets	0	0	20
Cash and money market	0	0	20

4.01.2 Benevolent Fund Asset Mix

Taking into consideration the investment and risk philosophy of the Fund, the following asset mix has been established:

Assets	Minimum %	Benchmark %	Maximum %
Canadian Equity	10	20	40
Global Equity	30	40	80
Fixed Income	0	40	80
Real Assets	0	0	20
Cash and money market	0	0	20

4.02 Permissible Investments

In order to meet the objectives of the Total Fund the investment manager(s) are instructed to manage the assets in accordance with the above asset mix. Permitted asset classes include;

- Equities;
- Fixed income (including private lending through a well diversified portfolio of loans and in a pooled fund);
- Real assets (including real estate, infrastructure and renewable resources eg agriculture); and

d) Cash and money market.

4.03 Monitoring of the Asset Mixes

In order to ensure that the Fund operates within the minimum and maximum guidelines stated in this Statement, Local 389 shall monitor the asset mix on an annual basis. Rebalancing the investment mandates can take place over a reasonably short period of time after an imbalance has been identified. Rebalancing may be effected by redirecting the net cash flows to and from the Fund, or by the Investment Manager(s) transferring cash or securities between funds.

Section 5 – Monitoring and Evaluation

5.01 Performance Measurement [CUPE 389 Investment Fund]

For purposes of evaluating the performance of the Funds and the Investment Managers, rates of returns are measured over various periods with a focus on moving four-year periods.

Return objectives relative to benchmarks and other objectives are net of fees and include realized and unrealized capital gains or losses plus income from all sources. Total returns will also be evaluated net of fees.

5.01.1 Defence Fund Benchmark

Investment weightings and results of the Fund are to be measured against a long-term Benchmark Portfolio comprising:

Asset class	Benchmark	%
Canadian equities	S&P/TSX Composite Index	25.0
Global equities	MSCI World Index (C\$)	55.0
Fixed income	FTSE TMX Universe Bond Index	20.0
Cash and money market	91-Day T-Bill Index	0.0

5.01.2 Benevolent Fund Benchmark

Investment weightings and results of the Fund are to be measured against a long-term Benchmark Portfolio comprising:

Asset class	Benchmark	%
Canadian equities	S&P/TSX Composite Index	20.0
Global equities	MSCI World Index (C\$)	40.0
Fixed income	FTSE TMX Universe Bond Index	40.0
Cash and money market	91-Day T-Bill Index	0.0

5.02 Fund Reviews

From time to time, and at least on an annual basis, the Secretary-Treasurer will meet to review the portfolio and any questions or comments will be presented to the Investment Manager(s) for explanation or clarification as they deem necessary.

Meeting topics will include:

- a) A review of the Total Fund's Investment Policy Statement;
- b) Organizational update covering key business changes to both the firm and the team;
- c) Performance update for the Fund and their underlying funds;
- d) The Funds' asset mix compositions market outlook.

5.03 Compliance Reporting by Investment Manager(s)

The Investment Manager(s) are required to complete and deliver a signed compliance report to Local 389 each quarter. The compliance report will indicate whether or not the Investment Manager(s) were in compliance with this Statement during the quarter.

The Total Fund invests in pooled funds that have separate investment policies. Should a conflict exist between the provisions of this Statement and the provisions of the pooled fund's investment policies, the Investment Manager(s) are required to notify Local 389, detailing the nature of the conflict as part of the Investment Manager's quarterly reporting package. In the event, that a pooled fund is not compliant with its own investment policies, the Investment Manager(s) are required to immediately notify Local 389, detailing the nature of the compliance breach in writing. The Investment Manager(s) and Local 389 will work cooperatively to establish and implement a plan of orderly action to resolve any issues arising from any of the foregoing conflicts.

5.04 Selection and Dismissal of an Investment Manager

From time to time Local 389 shall appoint, by a competitive process, one or more investment managers to carry out the day to day management of the investments in accordance with this Policy. In order for an investment management firm to be considered for appointment, they will be assessed against the following criteria:

- a) the firm must have the relevant experience and expertise within its professional managers;
- b) should be financially sound;
- c) have experienced low turnover of key personnel;
- d) have clearly articulated process which is repeatable and consistently adhered to;
- e) show a sound approach to risk management which is consistent with the process employed;
- f) demonstrate an acceptable level of performance over a variety of time periods and market conditions;
- g) have strong ESG credentials;
- h) have the capacity to undertake the account;

- i) reasonable and consistent fees.

Reasons for considering the termination of the services of an Investment Manager include, but are not limited to, the following factors:

- a) Performance results which are below the stated performance objectives;
- b) Changes in the overall structure of the Total Fund's assets such that the Investment Manager's services are no longer required;
- c) Changes in personnel, firm structure or investment philosophy which might adversely affect the potential return and/or risk level of the portfolio; and/or,
- d) Failure to adhere to this Statement.

Section 6 – Miscellaneous

5.05 Liquidity [CUPE 389 Investment Fund]

When liquidation becomes necessary, Local 389 will notify the Investment Manager(s) as far in advance as is practical.

The Defence Fund may be called upon from time to time during labour disruptions as a supplement for its members. This liquidity requirement is considered within the asset mix set out above.

The Benevolent Fund does not have specific liquidity requirements beyond their purpose and objectives.

6.01 Voting Rights

Local 389 typically delegates voting rights acquired through the investments held by the Total Fund to the Investment Manager(s). The Investment Manager(s) are expected to exercise all voting rights related to investments held by the Total Fund in order to protect the interest of the Total Fund. Written reports of proxy votes cast are to be provided to Local 389 annually.

6.02 Lending of Securities and Cash

The Fund may enter into securities lending agreements, for the purposes of generating incremental income, provided the loaned investments are secured by cash or highly liquid investments have a market value of at least 102% of the loan, and that this 102% level of security is maintained at least daily.

The Fund may not lend cash, other than through making investments allowed by Section 6 in this statement.

6.03 Derivatives

Derivatives, options and futures may be used, but only for the purpose of hedging fund investments against interest rate and currency exchange rate fluctuations, replicating equity and fixed-income indices, reducing transaction costs or facilitating the management process, and not for speculative investment purposes.

6.04 Valuation of Infrequently Traded Assets

Should Local 389 invest in any instruments for which no market value is readily available, an appraisal of the value of that instrument shall be obtained from an independent appraiser who is qualified to appraise the value of the asset. Such appraisal shall be obtained not less frequently than once every third year.

6.05 Related Party Transactions

Local 389 may not enter into a transaction with a related party unless:

6.05.1 the transaction is both required for operation and or administration of Local 389 and if:

- a) the terms and conditions of the transaction are not less favourable than market terms and conditions;
- b) it does not involve the making of loans to, or investments in, the related party;

6.05.2 the transaction involves an investment:

- a) in an investment fund or segregated fund that is open to investors other than the administrator and its affiliates;
- b) in securities issued or fully guaranteed by the Government of Canada or a provincial government, or an agency of either one;
- c) in an index fund;
- d) in an unallocated general fund of a person authorized to carry on a life insurance business in Canada; or
- e) that involves the purchase of a contract or agreement linked to the performance of a widely recognized index; or,

6.05.3 the combined value of all transactions with the same related party is nominal or the transaction(s) is immaterial to Local 389.

For the purposes of this section, only the market value of the combined assets of the Total Fund shall be used as the criteria to determine whether a transaction is nominal or immaterial to the Total Fund. Transactions less than 0.5% of the combined market value of the assets of the Total Fund are considered nominal. Two or more transactions with the same related party will be considered as a single transaction.

6.06 Responsible Investing and Environment, Social and Governance

Local 389 supports the Principle of Responsible Investing and expects its Investment Manager(s) to consider the importance of environmental, social and governance issues when investing.

6.07 Policy Review

This Policy may be reviewed and revised at any time, but at least once every five calendar years it must be formally reviewed. Should the Investment Manager(s) wish to review this policy at any time, it is their responsibility to contact the client with specific instructions.

Local 389 Investment Policy Approval

Approved By:	Brian Warman Yvette Mercier	Secretary Treasurer President
Signature:		
Date:	November 28th, 2022	
Signature:		
Date:	November 28th, 2022	

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