

Concordia University Faculty Association

Investment Policy

Purpose

The purpose of this policy is to set out the terms under which CUFA's investment fund is managed.

Background

The Concordia University Faculty Association (CUFA) is the bargaining unit for Concordia University faculty and librarians. CUFA's purpose is to promote the collegial and professional interests of its members, faculty and librarians of Concordia University, and its main function is to negotiate and administer the collective agreement between itself and the university administration.

CUFA's operations are financed on a current basis out of dues assessed on its members on a projected breakeven basis. As a result of conservative financial management, CUFA has an accumulated surplus which is invested in a portfolio of financial assets (*investment fund*). Initially, the Association purchased only fixed income securities such as GICs and bonds. More recently, a decision was taken to purchase selected equities and, as a result, the Association has shared in the rising market of the 1990s as well as in the subsequent decline.

As of December 2017, the market value of the fund was approximately \$4.7 million.

Objective of the Fund

CUFA maintains the investment fund for two purposes:

- 1) to cover occasional short-term excesses of expense over revenue
- 2) to cover unforeseen large expenses

Currently (2016-2017), annual expenses are of the order of \$900,000 so the fund represents approximately five years' normal expenses. Over the last few years, CUFA has rarely incurred an excess of expenses over dues revenue and when it did it was never more than \$50,000. The fund is 97 times this deficit; consequently, the adequacy or the liquidity of the fund for this purpose is not an issue.

Unforeseen expenses are, by definition, harder to predict. Extraordinary legal or other professional occasionally arise, but it is very unlikely that these would exceed \$100,000 per year. A major dispute with the employer is very unlikely, but if it occurred, it could have major financial implications. To some extent these costs are insured. CUFA subscribes to the CAUT Defence Fund so that financial help can be expected in the case of a strike or lockout. On the other hand, this assistance would come with a delay of eight days. A reserve of the order of \$300,000 to cover strike pay, to maintain operations of the office (including exceptional expenses of relocation and communications) and to cover members' contribution to Health, Dental and Vision Care Plans would be necessary. Some warning of such a situation could be expected, so liquidity is not likely to be an issue.

Responsibilities

- The responsibility for the management of the fund rests with the treasurer of CUFA, acting on the advice of the *Investment Committee*.
- The Investment Committee consists of the treasurer, the president and one representative of the remaining members of the executive.
- The investment committee shall approve the choice of investment counsellor whose advice shall be sought by the treasurer and the investment committee.

Management objectives of the investment fund

The principles underlying the management of the investment fund are

- 1) to secure the safety of the principal of the fund in real terms
- 2) to make the best real net return consistent with a moderate level of risk over the long term
- 3) to maintain a minimal level of liquidity

Investments made in accordance with this policy will be considered as moderate risk.

Model portfolio as market value percentages of the total fund

Equities (common shares)

Target 50%; range 40% - 60%

- Equities will either be shares of large, broadly held companies, or broadly based mutual funds or index funds (or units)
- No single company's stock will exceed 5% of the market value of the fund
- US and foreign equities may not exceed 50% of total equities
- Mutual funds or index funds with low management fees will be preferred

Fixed Income (bonds, preferred shares, term deposits, GICs)

Target 45%; range 35% - 55%

- Bonds will be BBB grade or higher in aggregate (when packaged in pools/funds)
- Term deposits and GICs of chartered banks and major trust companies

Cash (cash, treasury bills of federal or provincial governments, or US Treasury, short-term obligation of chartered banks and major trust companies, money market mutual funds)

Target 5%; range 0 – 10%

Any investment not specifically permitted by this policy shall be prohibited.

Operating funds and receivables from the university and other creditors are not considered by this policy

Reports

The Investment Committee will make bi-annual reports to Council on the holdings and performance of the Investment Fund.

Ethical Considerations

The impact of ESG factors on financial performance tends to emerge gradually over time. ESG factors can have direct impacts on a company's profitability and also indirect impacts to a company's long-term performance, for example by influencing customer loyalty or its corporate brand. We believe that the analysis of ESG considerations is incorporated in the methodology of investment managers. However, given the proven negative effects of smoking, we will require that our investments exclude any direct ownership of tobacco stocks. Furthermore, shares in companies that manufacturers arms will be excluded from portfolios.

[December 2017]