

Investment Committee and Investment Manager

Subject	Investment Committee and Investment Manager		Policy Number	FI-016
Applies To	Executive Committee, Members of the Investment Committee, Investment Manager			
Date Approved	January 26, 2008	Date Last Amended	2022-05-12	
Related Documents	EX-002, FI-014, FI-015, & FI-025			
Constitution & Bylaw References	Constitution: Article 3(i) By-Laws Article 9(b) – 9(f)			
Appendices	None			
Notes	2021-02-18 amendments resulted from further external review of investment policies (by George & Bell). Summary: Clarify duties of the Manager and the Committee 2022-02-10 update: FI-025 RRII Fund Policy adopted. FI-016 updated to reflect social impact assessment of fund (when applicable).			

Purpose

The purpose of this policy is to outline the make-up and duties of the Investment Committee (the “Committee”) and define duties of their investment manager (the “Manager”).

Any Manager or other agent or advisor providing services in connection with the investment of the Surplus Fund, the Defense Fund, and the Reconciliation and Responsible Investment Initiative Investment Fund (the “Funds”) must accept and adhere to this Policy.

Definitions

None.

Authority for Investment Committee

Policies FI-014, FI-015, and FI-025 (the “Policies”) mandate the Executive to oversee and review issues around the Funds. Both policies authorize the Executive to delegate duties around these Funds. The Executive has formed the Investment Committee and delegated duties from these policies to that committee.

Make Up of the Committee

The Chair of the Committee will be the Treasurer of the CEU. The membership will be made up of the President and, at the pleasure of the Executive Board, others appointed by the President.

Mandate of the Committee

The Committee shall monitor the Funds to ensure they are prudently invested and that the requirements of the Policies are met by the Manager. The Committee recommends changes

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to those policies to the Executive to facilitate protection of the invested funds, and reasonable financial returns and social impact (when applicable) on those funds.

The Executive have the overall responsibility for investments of the Funds. Where appropriate, the Executive and Committee will engage professional advisors to meet this responsibility.

A. Duties of the Committee

1. At least once a year, the Committee will review the Policies in consultation with their Manager. They will consider the current economic, financial and social circumstances and make recommendations to the Executive that they believe will result in greater protection and/or return, alongside impact when applicable, for these funds.
2. At least twice a year, the Committee will meet and review:
 - (a) The portfolio make-up and performance of the Managers to ensure they meet the Fund Objectives and Benchmarks outlined in the Policies;
 - (b) Any strategy, policy, organizational, personnel or procedural changes within the Manager that may affect the Funds' investments;
 - (c) The Manager's compliance report to confirm that the investments did not breach the Policies' restrictions on investment; and
 - (d) That the appropriate valuations and reporting has been supplied by the Manager.
3. At least once every three to four years, the Committee will meet and review the asset mix outlined in the Policies to ensure it is still appropriately meeting the Funds' objectives. This review will be done in consultation with, or with input from, their Manager and/or a third-party investment consultant.
4. After each review, the Committee will prepare a written report outlining the results of the review and any suggested actions to the Executive.

B. Duties of the Manager

The Manager of the Funds is responsible for:

I. Investment Committee Updates

1. Investing the assets of the Funds in accordance with this Policy, the Fund Policies and the Manager's respective mandates and investment management agreements.
2. Maintaining all governmental and regulatory licenses, registrations and approvals required by law as may be necessary to perform obligations required under the applicable investment management agreement(s).
3. Maintaining appropriate professional indemnity and liability insurance as required under applicable securities laws.
4. Meeting with the Committee at least semi-annually and providing written reports regarding their past performance, their investment strategy and other issues as requested.
5. Providing quarterly reports that include the following:
 - a. Summary of asset values and their breakdown by asset class;

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- b. Performance for each overall Fund as well as performance of underlying asset classes. Performance of the respective benchmarks should also be included (when applicable), with appropriate attribution analysis;
 - c. Performance (where a sufficient track record is available) should be shown at least on an annualized net of fee basis over periods of three months, one year, three years, five years, ten years, and since inception; and
 - d. Summary of portfolio holdings at quarter end.
6. Providing written, quarterly compliance reports which confirm whether the Funds' investments breached any restrictions outlined in the Policies throughout the quarter, including:
- a. Confirmation whether the investments were within the Permitted Categories of Investment;
 - b. Confirmation that no Restricted Investments were held;
 - c. Confirmation that all assets were within the Asset Allocation Guidelines;
 - d. Reports must include what each criteria / guideline is and whether the Funds' met each guideline. For guidelines with specific targets, the numerical value of the Funds' exposure should be included (i.e. the percentage of the bond portfolio in BBB+ to BBB- at quarter end);
 - e. Any non-compliance during the quarter should be reported; if the Funds are offside at quarter-end, a description of the reason for the continued breach should be included along with the steps being taken by the Manager to bring the portfolio back onside.
 - f. Reports must be signed by a representative of the Manager with an appropriate degree of independence who has responsibility for oversight and risk management of the Funds.
7. Notifying the Committee in writing, of any significant changes in the Manager's strategy or policy, personnel or organization and procedures that have a material effect on the account management of the Funds.
8. Communicating expectations of future returns on asset classes managed and proposed investment strategies for both near and long-term outlooks.
9. Participating in annual reviews of the Policies.

II. Finance Committee Updates - Annual CEU Budget Planning

10. Estimated Return on Surplus Account for Revenue

FI-014 allows for the Surplus Fund to be used for operational expenses, capital acquisitions, or any purpose for the benefit of the CEU membership deemed appropriate by the Executive.

By April 1, the Fund Manager will provide the previous cumulative returns in the Fund (i.e. how much the portfolio grew in dollar terms)

- a. since inception as a total amount;
- b. the rolling average of the previous 3 years; and
- c. the previous 12 months.

11. Investment Income for Legal Defense/Medical Review Committee

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FI-023 allows the CEU to use the Defense Fund estimated annual Investment Income from interest and dividends – only for the operating expense of the Legal Defense Budget or the Medical Review Committee. Currently, these expenses are processed under 5479 Legal Defense/Medical Review Committee.

By April 1, the Fund Manager will provide the Investment Income – Cash interest and cash dividends received from the investments in marketable securities held in the Defense Fund. This includes pooled funds distributions. It does not include capital gains.

In doing so, the Fund Manager will provide

- a. the rolling average of the previous 3 years;
- b. the approximate Investment Income to the end of the current fiscal year; and
- c. the anticipated Investment Income for the upcoming fiscal year.

The information from #10 and #11 will be provided to the CEU Treasurer, the CEU President, and the Chief of Labour Relations and Operations.

The CEU accepts there are limitations in providing estimations/approximations on future fund performances. The Executive Board is responsible for conducting the affairs of the Union – including deciding on the amounts (#10 & #11) used for budgetary purposes.

Decision Making

The Committee does not have decision making powers. Their responsibility is to review the funds and make recommendations to the Executive. The Executive maintains all authority with regard to decisions on the investments and the Policies.

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