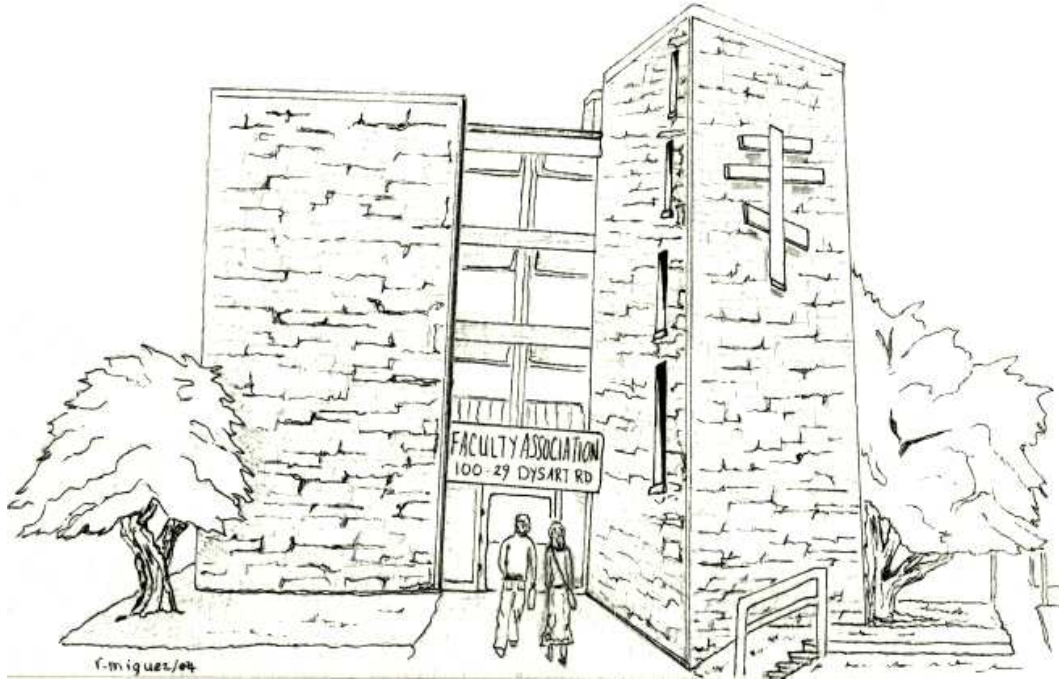


University of Manitoba FACULTY ASSOCIATION



UMFA RESERVE FUND POLICY

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UMFA RESERVE FUND POLICY

1. The Association shall formally establish a Reserve Fund. This fund will not be shown in the budget, but will be held in a separate account having its own financial statement. It will be externally audited every year.
2. The goal of the Association is to maintain the Reserve Fund at twice the annual operating budget, as passed at the Annual General Meeting. If this goal is not met, the Treasurer will budget for an annual operating surplus sufficient to achieve the goal within five (5) years.
3. The budget shall include a statement of the current amount in the Reserve Fund and the anticipated interest earnings over the fiscal year. The budget will include a line for anticipated net transfers between the Reserve Fund and the Operating account.
4. Monies from the Reserve Fund may only be spent 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 Representatives;
 - b. To provide money to meet major non-recurring expenditures [other than those in part (a)] that cannot be financed through changes in the regular budget lines. Such expenditures must be authorized by the membership at a General Meeting.
5. Any expenditure of the capital of the Reserve Fund, except during a strike or lockout, requires the approval of the Board and General Membership, voted after at least one week's written notice of motion. Any change to the rules governing the Reserve Fund also requires this approval and notice of motion.
6. The Executive (acting with the approval of the Board, and after seeking the advice of the Reserve Fund Committee), may authorize permanent transfers from the Reserve Fund to the Operating Account throughout the fiscal year provided the above goal has been met and such transfers do not exceed the income earned by the Reserve Fund to date in the current fiscal year. If, during the fiscal year, the Operating Account experiences cash flow deficits in excess of income the Executive may authorize temporary transfers from the Reserve Fund; i.e. the Reserve Fund will provide an interest-free overdraft for the Operating Account which must be rectified by the end of the fiscal year.

7. Membership:

The Reserve Fund Committee shall be made up of the Treasurer and four to six Members-at-Large. The Members-at-Large will be approved by the Board of Representatives and will be appointed for a two-year term. The Members-at-Large will include the Past-Treasurer unless he/she is unable or unwilling to serve, and where possible should include an UMFA representative to the CAUT Defence Fund. Members-at-Large may be re-appointed at the end of their term. The Treasurer shall chair the Reserve Fund Committee and ensure that its membership is at full complement.

Meetings:

The Reserve Fund Committee shall meet at least 3 times a year.

UMFA Reserve Fund Policy:

Established: AGM April 1986

Revised: AGM April 1993

AGM April 1995

AGM May 1998

AGM May 2003

Investment Guidelines attached as Appendix "A".

APPENDIX A - UMFA RESERVE FUND: INVESTMENT GUIDELINES

1. Investment Rules:

The Reserve Fund Committee shall direct investment of the Reserve Fund according to the "prudent investor" standard set out in the Federal Insurance Companies Act:

The directors of a company...shall adhere to investment and lending policies, standards, and procedures that a reasonable and prudent person would apply in respect of a portfolio of investments and loans to avoid undue risk of loss and obtain a reasonable return.

2. The Committee will manage the Reserve Fund with a view to:

- meeting liquidity requirements on the Reserve Fund
- achieving stability by investing only in low volatility, moderate- to low-risk instruments
- reducing unnecessary management and administration fees
- showing preference for Canadian and ethical investments

3. The fund shall be held in (1) Fixed-term investments (Bonds, T-Bills); (2) Equities; (3) Cash; adhering to the following guidelines:

(a) Fixed investments:

- at least 25% of the fund should be in fixed term investments maturing within 1 year and no term investments should be maturing beyond 5 years
- maturity dates should be staggered within the year
- bonds must be A-rated or better; Money Market instruments must be R1-rated or better

(b) Equities:

- must not exceed 35% of the historical value of Reserve Fund investments
- must be held through mutual or index funds (index participation units)
- funds should have been in existence for over 5 years, have a stable history and a conservative- or moderate-risk investment strategy

(c) Cash:

- should be kept to a minimum

The Fund shall be managed with the goal of meeting the percentage requirements of this paragraph at fiscal year end. In the event that the Fund has been depleted due to expenditures under Article 5 of the Reserve Fund Policy, the Fund shall be managed with the goal of meeting the percentage requirements of this paragraph no later than the end of the third fiscal year following such an expenditure.

4. The Reserve Fund Committee will review the short-term and long-term investment strategies of the Fund from time to time, but not less than once each fiscal year. In particular, the Committee will monitor the market value of the investment portfolio and make adjustments as required by the “prudent investor” standard outlined in Clause 1.
5. The Reserve Fund Committee will prepare an annual report to the Treasurer for presentation to the Board and Annual Meeting; the report will detail the state and performance of investments (by category) of the fund at the end of the fiscal year (March 31) and the performance of the fund by category, over the previous year. The details of how the fund is 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 Fund, and the steps being taken to rectify any discrepancies with the guidelines of Paragraph 3.

OVERRIDE:

These rules override the membership and investment rules of previous resolutions governing the Reserve Fund. Specifically, they replace the motion adopted at the 1995 Annual General Meeting of April 25, 1995:

That the Association Reserve Fund Policy, approved by the annual general meeting of April 1986 be amended to read: (4) Reserve Fund assets shall, unless approved by the Board of Representatives, be held in government guaranteed securities with terms of maturity of less than ten years.

Investment and membership guidelines:

Adopted by Reserve Fund:	February 27, 1998
Endorsed by Executive Council:	April 20, 1998
Endorsed by Board of Representatives:	April 21, 1998
Approved at AGM:	May 19, 1998
Revised by Reserve Fund Committee:	November 29, 2002
Endorsed by Executive Council:	December 9, 2002
Endorsed by Board of Representatives:	January 30, 2003
Approved at AGM:	May 15, 2003