



Investment Policy, Guidelines and Restrictions

General and Surplus Funds

Investment Policy

General

In order to carry out its mission of representing the actuarial profession internationally, and promoting professionalism, education and research, the IAA collects dues from its member associations. The dues are required to meet current and future obligations. To the extent dues exceed current obligations, the excess cumulative assets are held and invested in accordance with this investment policy document.

The objective of this investment policy is to preserve capital while obtaining a reasonable rate of return. Both fixed income and equity investments are considered appropriate, within the limits set out herein. This policy is intended to apply to the IAA as a whole entity, comprising Secretariat, core operations, sections and committees.

In accordance with IAA Statutes and Internal Regulations, responsibility for investment policy lies with the Audit & Finance Committee. The Audit & Finance Committee reports to Council annually, as specified below.

Accumulated assets will be held to meet short term obligations (Operating Funds – to be used in current and next fiscal year) and the remainder, if any, are long term funds (Surplus Funds – which form part of the members' equity). IAA considers it essential to maintain surplus funds to mitigate risks such as falling revenue due to member association withdrawal, and rising expenses such as colloquium expenses or litigation. To facilitate the collection of contributions and minimize exchange costs for expenses in other currencies, the Secretariat will maintain an appropriate balance of the Operating Funds in U.S. dollar and Euro accounts, in addition to the domestic Canadian dollar accounts.

Investment Guidelines

Investment Decisions

Responsibility for execution of investment policy in accordance with these guidelines and restrictions lies with the Executive Director and Secretariat staff, in consultation with the investment advisors/custodians, with oversight from the Audit and Finance Committee and the IAA Treasurer. Day to day decisions such as buying or selling individual securities must be authorized by the Director of Finance and the Executive Director.

General Investment Objectives

The Operating Funds will be held in cash or invested in fixed income investments of less than 1 year in duration. A treasury account will be used to maximize return on the operating funds held in Canadian dollars. The Surplus funds, as reported in IAA audited financial statements, will be invested in a combination of fixed income investments and Canadian equities consistent with the longer-term nature of the obligations. These funds will be identified as the long-term “investments” on the balance sheet of the IAA financial statements. The operating funds will be listed under the “current assets”.

Surplus Funds Asset Allocation Parameters

Operating Range	Asset Class	Long-Term Benchmark
0%-50%	Canadian Equities	30%
20%-100%	Canadian Fixed Income	60%
0%-50%	Cash	10%

Surplus Funds Benchmarks

Benchmark Index	Benchmark Index
Canadian Equities	S&P TSE 60 Total Return Index (TRI)
Canadian Fixed Income	SCM Universe TRI
Cash	SCM 91 Day T-Bills TRI

Investment Restrictions

Equity Restrictions

All equity investments will be in S&P (Standards & Poor's) TSE (Toronto Stock Exchange) 60 (XIU)¹.

Fixed Income Restrictions

1. The minimum bond credit quality is 'A' as rated by a recognized rating agency. If a fixed income security is subsequently downgraded below 'A' (such as Standards & Poor's, Moody's) the security should be sold as soon as practical.
2. Allowable sector ranges are as follows:

Sector	Range
Government of Canada	25%-90%
Provincial and Municipal	10%-60%
Corporate	0%-40%

3. No private placements are allowed.
4. No mortgages or mortgage backed securities are allowed.
5. No individual bond holding should be greater than 5% of the portfolio with the exception of Government of Canada or provincial bonds satisfying 1. above.
6. All short term investments (less than 1 year) must have a credit rating of R1mid or higher as rated by a Canadian or international rating agency. If short-term security is subsequently downgraded below R1 mid (high quality credit rating for short term fixed income investments) after purchase the security should be sold as soon as practical.
7. No investments will be allowed where the issuer has a significant connection to the actuarial profession e.g. insurance companies, consultants that have an actuarial practice or other similar entities.

¹ ticker symbol for the 60 largest stocks

Securities Lending

No securities lending will be allowed.

Monitoring and Reporting Requirements

Valuation of Securities

The custodian is responsible for the valuation of all securities. In the situation of any security without a daily market value, the custodian shall use generally accepted accounting principles in the valuation of such securities. The custodian will report the value of securities held to the Secretariat.

Reporting and Administration

Each year the Audit and Finance Committee will provide the IAA Executive Committee with a summary of the investment portfolio and its performance, in a format to be mutually agreed. On request of an Officer a copy of the entire portfolio will be provided, which will show all the securities held, the cost and market value of each security, rate of return of the portfolio and any transactions executed during the year.

The Audit and Finance Committee will also report to Council at least annually on compliance of investments held with the policy and guidelines set out herein.

The Audit and Finance Committee will also report periodically in summary format to Sections.

The IAA Audit and Finance Committee must review this document at least annually. To the extent changes are required, the Executive Committee and Section Treasurers should be notified.