



# INVESTMENT POLICY, GUIDELINES AND RESTRICTIONS

## General and Surplus Funds

### Investment Policy

#### General

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 with moderate risk. 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 the Secretariat, core operations, Sections and Committees.

In accordance with IAA Statutes and Internal Regulations, responsibility for reviewing the investment policy, oversight of its implementation and making proposals to the Council 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 – annual revenue received during, and to be drawn down, throughout the current fiscal year and managed by the Director of Operations and Finance) 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.

### Investment Guidelines

#### Investment Decisions

Responsibility for execution of this 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. Day to day decisions such as buying or selling individual securities below \$200,000 must be authorized by the Director of Operations and Finance and the Executive Director. Investment transactions of \$200,000 or more must receive signed approval by any 2 of the following: IAA President, President Elect, Immediate Past President and Executive Director.

**General Investment Objectives**

The Operating Funds will be held in cash or invested in guaranteed fixed income investments of less than 1 year in duration. 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. The operating funds will be listed under “current assets” on the balance sheet.

The Surplus Funds will be invested in a combination of Canadian dollar short term investments, fixed income investments and equities, to minimize exchange costs and be consistent with the longer-term nature of the obligations. The target will be to hold \$250,000 of the Surplus Funds in short term investments, more or less \$50,000. If the balance in the account moves outside of this range the asset manager will rebalance the funds as instructed by any two of the following: IAA President, President Elect, Immediate Past President and Executive Director. These funds will be identified as the longterm “investments” on the balance sheet of the IAA financial statements.

<b>Surplus Funds Asset Allocation Parameters and Benchmarks</b>			
<b>Operating Range</b>	<b>Asset Class</b>	<b>Long Term Benchmark</b>	<b>Performance Benchmark</b>
5% - 20%	Short Term	10%	
30% - 40%	Canadian Equities	35%	S&P/TSX 60
50% - 60%	Canadian Fixed Income	55%	FTSE/TMX Canada Short Term Overall Bond Index

**Surplus Funds Investment Restrictions**

**Equity Restrictions**

All equity investments will be held in the iShares S&P (Standards & Poor’s) TSX (Toronto Stock Exchange) 60 Index EFT (XIU)

### **Fixed Income Restrictions**

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 a short-term security is subsequently downgraded below R1mid after purchase the security should be sold at the earliest opportunity.

All other fixed income investments will be placed in an investment grade bond index fund with an average maturity duration of a maximum 5 years.

### **Securities Lending**

No securities lending will be allowed.

## **Monitoring and Reporting Requirements**

### **Valuation of Securities**

The asset manager is responsible for the valuation of all securities. In the situation of any security without a daily market value, the asset manager shall use generally accepted accounting principles in the valuation of such securities. The asset manager must report the value and performance of the securities held to the Secretariat on a regular basis.

### **Reporting and Administration**

Each year the Audit and Finance Committee will provide the IAA Executive Committee with a summary of the investment portfolio, its performance, and a copy of the entire portfolio, 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 the investments held with the policy and the guidelines set out herein.

The Audit and Finance Committee will also report at least annually in summary format to the 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.

### **Transition**

The current investments will be allocated according to this revised policy as soon as appropriate.