

Initial Approval: June 25, 2025

Reviewed with No Changes

Effective Date: June 25, 2025

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Objective: To achieve a reasonable rate of return that supports CPSM's long-term growth and sustainability as well as ensures proper liquidity requirements are met for short-term needs.

General Policies:

1. A professional investment advisor shall be engaged to provide advice as well as help ensure that the investment objectives and parameters laid out in this policy are adhered to when making an investment decision.
2. Performance of the investments shall be reviewed and reported to the Finance, Audit, and Risk Management Committee (FARMC) at each meeting. In addition, the investment advisor shall make a presentation to FARMC at least annually to provide details on investment performance as well as planning for future investment actions.
3. All parties involved in dealing with CPSM investments must disclose any conflict of interest.

Fund Accounts and Investment Objectives:

A. Operating Account

Annual revenues of CPSM derived from member license fees, administrative charges, and other income are placed in an operating account which funds the operating expenditures and other short-term obligations of the organization.

Objectives and Parameters:

a) Risk tolerance

The primary objective for investment of operating funds is capital preservation. Maintenance of funds that are needed to settle the short-term financial obligations of CPSM is crucial. Accordingly, the risk tolerance in investing the operating funds shall be Low.

b) Liquidity

Availability of operating funds is likewise crucial and therefore liquidity shall be deemed High.

c) Asset Allocations and Performance Benchmarks

To achieve the above-stated objectives, the operating account shall observe the following asset allocation:

Asset Class	Min	Max	Benchmark
Cash and Short-Term Securities	75%	100%	30 Day Canada T-Bill
Fixed Income	0%	25%	FTSE Canda Universe Bond Index

Limitations:

- i. Short-term securities are limited to chequing deposit account, high-yield savings deposit account, and money market accounts. Furthermore, the balance in the chequing account shall be constrained to the immediate disbursement needs as determined on a weekly basis.
- ii. Fixed income shall be limited to short-term Guaranteed Investment Certificates (GIC).

B. Reserves Account

Appropriations are made from the accumulated surplus to create certain reserves pursuant to the Restricted Accounts in the Accumulated Surplus section of the Financial Management Policy of the Council. These appropriations are considered restricted reserves. Therefore, any remainder in the accumulated surplus is deemed unrestricted reserve.

Objectives and Parameters:

a) Risk tolerance

The primary objective for investment of reserve funds is modest capital appreciation over time. Expected return is maximized but without prejudice to the stability of the investment. As such, the risk tolerance in investing the reserve funds shall be upgraded from Secured (i.e. no risk) to Low Risk¹.

b) Liquidity

The nature of each reserve dictates the individual reserve's liquidity requirement, and the following guide on liquidity requirements and investment time horizon applies:

Liquidity Requirement	Time Horizon
High	Up to 1 year investment term
Moderate	Up to 3 years
Low	Up to 7 years

¹No Risk means zero equity investment is allowed. **Low Risk** means equities are allowed up to 30% of the portfolio. **Moderate Risk** means equities are greater than 30% and up to 60%. **High Risk** means equities are more than 60%. Equity investment for purposes of this policy refers to direct investment in equity.

Reserves

- i. **Inquiry Reserve** serves as provision for the cost of hearing and prosecuting Inquiry cases. Arising funding needs are expected to be imminent—therefore, liquidity requirement should be High.
- ii. **Operating Reserve** is contingency for unanticipated operating deficit—liquidity requirement should be High.
- iii. **IT Reserve** is meant to cover capital investments in information technology, mainly the periodic update of the member database system. The substantial fund is built up over 5 years to coincide with the expected time when the system will require significant upgrade. Once the upgrade is done and the fund is exhausted, the reserve build-up starts again. Liquidity could range between Moderate to High—Moderate during the early stages of the cycle and High towards the end when the need for upgrade of the system becomes close.
- iv. **Wind-up Reserve** is precautionary appropriation in the event CPSM ceases to operate. Such probability is deemed very low—liquidity requirement should likewise be Low.
- v. The above detailed reserves comprise the restricted accounts in the accumulated surplus. Any remainder in the accumulated surplus is considered unrestricted reserve and available for appropriation. Pending appropriation, the liquidity requirement of unrestricted reserve should be High.

c) *Asset Allocations and Performance Benchmarks*

Where the liquidity requirement is deemed High for the individual reserve, the investment of such reserve fund shall observe the same parameters as the Operating Account above.

Otherwise, if liquidity requirement is allowed to be either Moderate or Low for a reserve or reserves, the following collective asset allocation is suggested:

Asset Class	Min	Target	Max	Benchmark
Cash and Short-Term Securities	15%	25%	40%	30 Day Canada T-Bill
Fixed Income – Non-PPN	10%	25%	35%	FTSE Canada Universe Bond Index
Sub-total (Non-equity)	25%	50%	75%	
Fixed Income – PPN (equities)	20%	30%	50%	FTSE Canada Short Term Bond Index
Canadian Equities	0%	10%	30%	S&P/TSX Capped Composite Index
U.S. Equities	0%	5%	10%	Dow Jones Select Dividend Index
International Equities	0%	5%	10%	MSCI EAFE Index
Sub-total (Equities)²	25%	50%	75%	

² The Canadian, U.S. and International equities combined should not exceed 30% of the total investment portfolio.

Limitations:

- i. Cash and short-term securities shall observe the same investment parameters for the Operating Account above.
- ii. Fixed income shall include, but is not limited to, GIC's, bonds, and structured finance products such as Principal Protected Note (PPN).
- iii. Equity investments shall be limited to high-quality, large capitalization corporations to achieve long-term capital appreciation. The main strategy is to invest primarily in income producing equity securities and income trust units, focusing on equity securities that have attractive dividend and income yields with the need for capital appreciation potential.
- iv. Further to PPN, the reference asset of the note shall be limited to stock market index, and the stock market index shall also be constrained to the same parameters applied to equity investments.
- v. Environmental, social, and corporate governance (ESG) factors shall be considered in determining the investment approach under this policy. As such, CPSM will seek to minimize investing in certain areas that appear to contradict with the organization's mandate. Such areas may include, but are not limited to, the following: tobacco, alcohol, cannabis, gambling, weapons manufacturing, etc.