

INTERNATIONAL RENEWABLE ENERGY AGENCY

Eighth meeting of the Council

Abu Dhabi, 3 – 4 November 2014

Proposal on a revised Investment Policy of the Staff Provident Fund**Report of the Provident Fund Management Board**

1. In its decision A/3/DC/8, the Assembly decided to adopt the Investment Policy of the Staff Provident Fund of the International Renewable Energy Agency contained in document A/3/20.
2. The Provident Fund Management Board (PFMB) is in the process of making suitable arrangements for investments with appropriate providers of such services based on the approved investment policy. The PFMB has noted that the current limit set in the Investment Policy for equity or equity-linked products for both short term and for long term funds presently set at 10% and 20% respectively, limits choice of investment portfolios.
3. In order to increase the options in the selection of investments portfolio, it is proposed to revise the Investment Policy by increasing the limit in equity or equity-linked products for short term funds from the current 10% to 20% and for long term funds from the current 20% to 30%.
4. The PFMB will continue to ensure that the underlying objectives of investment policy are observed and a special emphasis is placed on the preservation of capital to ensure that the full Principal balance amount is paid to staff upon end of their tenure with the Agency.
5. The Principles for the Staff Provident Fund maintain that the investment policy and any future changes to this policy shall be submitted to the Assembly for approval. Accordingly, the PFMB recommends that the Assembly approve the amendments to the text of the Investment Policy for the Staff Provident Fund as set out in the Annex to this note with the proposed changes highlighted in bold to Paragraph IV (e) - asset allocation. After having considered these draft amendments, the Council may wish to request the Secretariat to include any amendments in a consolidated text of the Investment Policy for Members' consideration at the fifth session of the Assembly.

Draft amendments to the Investment Policy of the Staff Provident Fund

IV. Investment options selection

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e. **Asset allocation and portfolio diversification.** Decisions on asset allocation will be made by PFMB. Asset allocation decisions must be made on the investment objectives of the Fund, and are fundamental to the long-term investment strategy.

Asset classes permitted are as follows:

- Money markets: cash, highly liquid, short-term, but offer lower returns. These consist of bank deposits (call and fixed), negotiable certificates of deposits, and repurchase agreements.
- Marketable debt securities: fixed income, longer term, typically highly secure though this depends on the ratings chosen, but offer better return than cash. These consist of banker’s acceptances, commercial papers, treasury bills, government and corporate bonds, and mutual funds.
- Capital-guaranteed structured investments: range of liquidities, low risk on capital, higher risk on interest element.
- Equity or equity-linked products.

No investments in derivative or leveraged products are allowed. Interest types allowed are fixed rate, variable rate, and zeros.

The asset allocation range for each asset class will be:

Short-term funds (less than one year)	
Money Markets	Up to 100%
Marketable debt securities	Up to 75%
Capital-guaranteed structured investments	Up to 75%
Equity or equity-linked products	Up to 10% 20%

Long-term funds (one year up to five years)	
Money Markets	Up to 20%
Marketable debt securities	Up to 100%
Capital-guaranteed structured Investments	Up to 100%
Equity or equity-linked products	Up to 20% 30%