



## Investment of Funds Policy

This document is the parent policy for any College procedures or regulations. Questions regarding this policy are to be directed to the identified Policy Administrator.

### Policy Statement:

Recognizing the need to be prudent with public funds, the College invests funds in a manner that will yield the highest returns with moderate risk, and without compromising its daily cash flow requirements.

<b>Sponsor:</b>	Finance
<b>Policy Owner:</b>	President & CEO
<b>Policy Administrator:</b>	Executive Director, Finance Services
<b>Approved By:</b>	Board of Governors
<b>Approval Date:</b>	February 18, 2016
<b>Effective Date:</b>	February 18, 2016

<b>Objective:</b>	N/A
<b>Guidelines:</b>	<p><b>1. Scope of this Policy</b>  This policy relates to the investment of any funds of the College, and any other legal entities that are consolidated with the accounts of the College from time to time.<sup>1</sup></p> <p>This investment policy strictly prohibits any investment activity that would be considered speculative in nature. The purchase of segregated and specific equities, derivatives, futures, royalty income trusts, real estate investment trusts, options, purchasing on margin and short selling of securities is expressly prohibited.</p> <p>Any investment or activity that may possibly expose the College or any of its subsidiary entities to liability beyond the amount invested, is also prohibited. Investment funds shall not be loaned to any Board member or employee of the College.</p> <p><b>2. Funds Covered by this Policy</b>  The funds covered by this policy may include:</p> <ul style="list-style-type: none"> <li>A. endowment funds,</li> <li>B. special purpose or restricted funds, and</li> <li>C. funds referred to as unrestricted funds in accordance with generally accepted accounting principles as outlined by the Canadian Institute of Chartered Accountants.</li> </ul> <p><b>3. Investment Objectives</b>  The investment objective associated with these funds is to seek an optimum investment return, without assuming risks that are inappropriate for a publicly-funded institution. Investment income earned must:</p> <ul style="list-style-type: none"> <li>A. not unnecessarily jeopardize the value of the initial capital invested, and</li> <li>B. result in a stable and predictable income stream.</li> </ul>

The Board's investment strategy is to purchase investments to provide the greatest yield or return while meeting the risks established and cash flow needs of the college. Investments will be purchased for trade and are bought or sold to meet risk, optimum return and liquidity strategy.

**4. Asset Mix**

Funds will be invested primarily in fixed income securities and marketable securities with some exposure to the equities markets. Target, minimum and maximum allocations for each category are summarized below:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Minimum Allocation</b>	<b>Maximum Allocation</b>
Cash & Money Market Securities	10%	5%	100%
Medium/Long Term Fixed Income Securities	60%	0%	100%
Equities	30%	0%	30%
<b>Total</b>	<b>100%</b>		

All asset classes can be held in a pooled fund, as individual investments, or both.

**5. Eligible Investments**

**A. Cash and Money Market Securities**

Investments in this category must have a maturity date less than 365 days from the purchase date, and include:

- i. bonds, debentures, treasury bills, notes, and strip coupons issued by the federal government, a provincial government, or an agency or organization of either level of government;
- ii. unconditionally guaranteed securities from Canadian chartered banks or trust companies including guaranteed income certificates, term deposits, certificates of deposit, deposit receipts, bankers' acceptances, bonds, and strip coupons. Bonds and strip coupons included in this category are also subject to appropriate credit ratings;
- iii. bonds, debentures, commercial paper and strip coupons issued by Canadian corporations and bearing acceptable credit ratings, and
- iv. securities of foreign banks or the Canadian affiliates of foreign banks provided the instruments are guaranteed and include appropriate credit ratings.

**B. Medium/Longer-Term Fixed Income Securities**

This category includes any or all investments identified above, that have maturity or redemption dates in excess of 365 days from the date of purchase.

**C. Equities**

Third party managed equity funds that are managed on a pooled basis consistent with the conservative risk-adverse parameters imposed by this policy, are eligible.

Any fixed income security purchased by the College must have an appropriate credit rating as discussed in Section 6, below.

## 6. Minimum Acceptable Credit Ratings for Securities

Minimum acceptable credit ratings for various categories of eligible investments are summarized below. These ratings represent upper medium to high grade quality securities, and as such are subject to very low risk.

Security	Credit Rating
Government bonds, corporate bonds, and strip coupons	BBB
All commercial paper including guaranteed income certificates, term deposits, treasury bills, certificates of deposit, deposit receipts, pooled funds, and bankers acceptances.	A/R
Preferred Shares	P2 or higher

Ratings to be used may be from any one of the following rating agencies: Canadian Bond Rating Service, Dominion Bond Rating Service, Standard and Poor's Credit Rating Service, and Moody's Investor Services.

A list of all approved government, government agency, and corporate debt issuers will be maintained, and the purchased of fixed income securities shall be limited to names on that list. The credit standing of all bond and commercial paper issuers shall be reviewed and updated each quarter.

No more than 15% of investments will be BBB rating.

## 7. Allocating Investment Income

This investment policy includes the funds of different legal entities. These different types of funds are discussed under Sections 1. and 2. above. Total funds invested with a portfolio manager will be comprised of several different components or pools of funds, at any one time.

This investment policy requires that one rate of return will be applied equally to the endowments.

Revenue and capital gains will be accumulated to the Endowment as described by the Endowment and Special Purpose Fund policy. College management will distribute accumulated interest, dividends and/or other non-capital gains revenue as bursaries, scholarships or awards, as per the wishes of the donor.

Non-Endowment restricted funds or special purpose funds will have interest applied as describe in the Endowment and Special Purpose Fund Policy.

## 8. Portfolio Benchmarks

Portfolio performance will be measured against two benchmark rates of return:

- A. The minimum acceptable rate of return, using the rate of return on bank balances currently provided by the College's cash management and banking agreement.<sup>2</sup>
- B. The weighted average return using predetermined and independent indices for the four asset classes identified.<sup>3</sup> Asset classes, suggested weightings, and generally accepted benchmark indices are provided below:

<b>Asset Class</b>	<b>Target</b>	<b>Range</b>	<b>Benchmark Index</b>
Cash and Short Term Investments	10%	5-30%	30 day Government of Canada T-Bills
Fixed Income Securities	60%	50-60%	FTSE TMX Bond Universe Index
Canadian Equities	15%	5-20%	S&P/TSX Capped Composite Index
US Equities	8%	0-10%	S&P 500 (C\$)
Internal Equities (no emerging greater than 1% of international position)	7%	0-10%	MSCI EAFE (C\$)

- C. In accordance with generally accepted accounting principles, capital gains and/or losses are not realized on equity securities until the investment is disposed of.

### **9. Monitoring and Reporting**

The portfolio will be monitored semi-annually by the Board. The President will provide the following information:

- A. A listing of all securities held including values at cost and current market value for each category of investment:
  - i. cash and money market securities,
  - ii. fixed income securities, and
  - iii. pooled equities.
- B. A summary of investment income earned for each asset category, including income received and accrued. This requirement applies to cash and money market securities, and fixed income securities, but not equity securities.
- C. For each asset category, and the portfolio in total, a comparison of actual rate of return achieved compared to the benchmarks, which are referred to in Section 8.
- D. The average term to maturity of the portfolio by asset class.
- E. A listing of any variation(s) from this investment policy, and a summary of actions taken to correct the variation(s).

### **10. Impaired Investments**

The College generally holds financial instruments with “Available for sale” intent using the “fair value” method for valuation and reporting. Upon economic, political or world events resulting in the decline of investment values with little expectation of recovery, as recommended by the college’s investment advisor, the assets will be written down to their fair value.

When assets have declined in value by 20% or more and have remained at this reduced value for 3 years or more, the assets will be written down to their fair value.

### **11. Delegated Authority and Responsibility**

Under the Delegation of Authority – Financial Resources Policy, the Board has

	<p>delegated to the President the degree of authority with respect to the investment of funds that a prudent investor might delegate in accordance with ordinary investment practice. This includes actual financial results achieved, managing the portfolio manager, and full compliance with the requirements of this policy. The President may further delegate authority to initiate and complete all investment transactions that are in compliance with this investment policy to the Chief Financial Officer. A written summary of all investment transactions completed during a quarter must be provided the President, within five business days of the following month.</p> <p><b>12. Payment and Safekeeping of Securities</b> Purchased securities shall be stored for safekeeping with the portfolio manager, at a financial institution, or with the College, at the discretion of the Chief Financial Officer.</p> <p><b>13. Exceptions to this Policy</b> The Chief Financial Officer may determine that an investment opportunity does not meet the criteria outlined in this policy, although it may be within the spirit of this policy. Under such circumstances, the Chief Financial Officer must consult with the President, and may complete the investment transaction with the written approval of the President.</p> <p><b>14. Conflicts of Interest</b> For the purposes of this policy, a conflict of interest, actual or perceived, is any event in which a member of the Board or an employee of the College or any person directly related to any of the foregoing, may benefit materially from the knowledge of, or participation in, an investment decision.</p> <p>Should a conflict of interest arise, the person in the actual or perceived conflict must disclose the conflict of interest to the Board. Any individual disclosing a conflict of interest must thereafter abstain from decision-making with respect to that area of conflict, and the Board Secretary shall maintain a written record of that conflict.</p>
<b>Definitions:</b>	N/A

<b>Related Northern Lakes College Documents:</b>	Finance – Gift Acceptance Policy Finance – Management of Endowment and Special Purpose Fund Policy Governance – Delegation of Authority – Financial Resources Policy
<b>Related External Information:</b>	
<b>Stakeholders Consulted:</b>	
<b>Next Review Date:</b>	February 18, 2021
<b>Revision History:</b>	December 14, 2000: New September 22, 2009 September 19, 2012 June 19, 2013 May 12, 2014 February 18, 2016 February 24, 2020: New template

- <sup>1</sup> Consolidated entities currently include the Council of Community Education Committees Society of Northern Lakes College.
- <sup>2</sup> The College's 2013 return is the Royal Bank prime lending rate, minus 1.8%.
- <sup>3</sup> The result is a relevant benchmark rate to compare to the actual annual investment rate achieved.