

COLLEGE POLICY: Comprehensive Investment Policy Statement (IPS)

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Manual Classification:	Finance and Facilities
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Administrative Contact for Policy Interpretation:	Vice-President Finance and Administration
Linked to an Operating Procedure:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

The Ministry of Advanced Education and Skills Development (MAESD) require colleges to have an Investment Policy Statement (IPS) approved by the Board of Governors to guide its investment activities. The IPS is prepared in the following format, which is consistent with the Investment Manager's format.

Statement of Objectives and Investment Policy

The Investment Policy Statement expresses investment objectives in a document for Sir Sandford Fleming College's Donor funds and Ministry funds received under the Ontario Student Opportunities Trust Fund Phase 1 and Phase 2 Program, Donor funds and Ministry funds received under the Ontario Trust for Student Support Program and Donor funds received under the Other Endowed Bursary Fund. The Investment Policy Statement provides a framework for managing these Funds, and provides a useful process for decisions, reporting on progress and reviewing objectives.

1. Purpose

To establish guidelines governing the investment of the College's endowed Donor funds and Ministry funds received under the Ontario Student Opportunities Trust Fund Phase 1 and Phase 2 Program, Donor funds and Ministry funds received under the Ontario Trust for Student Support Program and Donor funds received under the Other Endowed Bursary Fund.

2. Investment Objectives

The overall objective is to generate a total investment return that protects the capital component, achieves the annual target award percentage defined in the College Endowment Policy (#4-421), which will be reviewed annually to ensure the target award percentage is consistent with investment returns. At the time of approving this policy, the target award percentage in Policy #4-421 is equal to the Canada Revenue Agency's (CRA) disbursement quota percentage, which is applied to assets not currently used in charitable activities or administration. At the time of approving this policy, the CRA disbursement quota percentage is 3.5%.

The return objectives are as follows:

- Preserve capital
- Generation of 'income' to meet the target award percentage in Policy #4-421.

3. Performance Objectives

The minimum return objective is to meet the target award percentage in College Policy #4-421, which is 3.5% per annum, at the time of approving this policy. This rate of return may not be achieved in each and every year; however, the portfolio is expected to generate this minimum return on investments over rolling 3 to 5 year periods.

The portfolio is to be managed in such a way as to provide long-term consistency and stability of return, with current income accounting for the majority of the portfolio returns. The portfolio will be substantially invested in fixed income securities to provide both current income and long term stability.

Equity investments will be made in large Canadian corporations. Equities will focus on dividend paying stocks of Canadian Corporations with a market capitalization of greater than \$500 million. The goal of investing in these equities is to help fund current disbursements as well as to reduce short term market volatility and achieve longer term growth. The equity investments will be 100% Canadian equities in order to match Canadian dollar income with Canadian dollar liabilities.

In addition, the investments will adhere to the requirements as set out by the Ministry. The Ministry funds may be invested in investments identified as eligible in the Minister's Binding Policy Directive – Banking, Investment and Borrowing, see section 12 below for the list of eligible investments. The Donor fund investments must adhere to the requirements as set out by the Trustees Act.

4. Time Horizon

The funds are expected to be invested permanently with only income generated withdrawn.

5. Liquidity / Income

The College targets that about 3% of the portfolio should be held in cash or cash equivalents.

6. Monitoring the Portfolio

The equity portfolios will be managed on a discretionary basis and will be monitored against the following benchmark:

	TARGET
S&P/TSX Equity Income Total Return Index	100%

Any significant under-performance of the benchmarks (defined as 3% or greater) over any 4 consecutive semi-annual periods will automatically lead to a review of the manager. The performance is reported and monitored semi-annually.

The rate of return for the overall portfolio will be reported versus the benchmark return objective which is equal to the target award percentage in College Policy #4-421. The portfolio is expected to generate this minimum return on investments over rolling 3 to 5 year periods.

The fixed income investment return is not measured in relation to a benchmark as the fixed income investment strategy is to buy and hold bonds with staggered maturities.

7. Asset Mix Guidelines

The portfolio will be invested in money market securities, longer dated fixed income securities and equities in accordance with the following guidelines:

Overall Asset Allocation Guidelines

Asset allocation guidelines will be managed and reported to Administration on a fund by fund basis for the OSOTF Phase 1 Donor and Ministry funds, OSOTF Phase 2 Donor and Ministry funds, OTSS Donor and Ministry funds and Other Endowed Bursary Donor funds. Asset allocation guidelines will be reported to the Board of Governors through the Committee-of-the-Whole on a combined basis.

ASSET ALLOCATION	LOWER	TARGET	UPPER
CASH AND EQUIVALENTS	0%	3%	10%
FIXED INCOME	55%	67%	75%
EQUITY	20%	30%	40%

From time to time market fluctuations, timing of deposits or approval may cause the portfolio to be temporarily inconsistent with the asset allocation set out in this Investment Policy Statement. When this occurs, rebalancing shall be completed within the next six months.

Equity Allocation Guidelines

Asset allocation guidelines will be managed by the Investment Manager on a consolidated basis and reported to Administration on a quarterly basis.

ASSET ALLOCATION	LOWER	TARGET	UPPER
CASH AND EQUIVALENTS	0%	0%	20%
EQUITY	80%	100%	100%

8. Implementation

Investment strategies will be of a long-term buy and hold nature. No investment decisions will be made without first considering the impact upon current income generated by the portfolio within the context of the above stated objectives. Fixed income investments will be made on a staggered maturity basis so as to minimize the effects of large interest rate changes on the on-going cash flow of the portfolio. This investment policy strictly prohibits the College from engaging in any investment activity that would be considered speculative according to the generally accepted principles of conservative investment management.

The investment manager will manage the equity portion of the portfolio on a discretionary basis. The equity investments would meet the guidelines structured in this Policy, the investments will be made in companies with a market capitalization of greater than \$500-million.

9. Other options

The use of derivatives, purchasing on margin, and short selling of securities is expressly prohibited.

10. Standard of care

All investments and investment managers are to comply with the guidelines outlined in this Investment Policy statement and will adhere to the prudent investor guidelines.

11. Investment Management Guidelines for Donor Funds

Quality Guidelines

Donor accounts will follow the following guidelines

1. All individual debt securities will be rated "A" (R-1 for money market securities) or better by a recognized Rating Agency when purchased.
2. If a fixed income holding is downgraded below A by all 3 rating agencies (Dominion Bond Rating Services, Standard and Poor's Credit Rating Service, and Moody's Investor Services) it will be sold within the next six months following the downgrade.

Diversification Guidelines

1. The maximum amount allowable per investment grade non-government fixed income issue will be the greater of 15% of the portfolio or 20% of the fixed income portfolio. The diversification guidelines will be applied on a separate basis for each of the OSOTF Phase 1, OSOTF Phase 2, OTSS and other Endowed Bursary.
2. The maximum amount allowable per equity security will be the greater of 10% of the portfolio or 15% of the equity portfolio.
3. The majority of the equity holdings will be in mid-to-large companies as measured by market capitalization diversified across multiple sectors.

From time to time market fluctuations, timing of deposits or approval may cause the portfolio to be temporarily inconsistent with the asset allocation set out in this Investment Policy Statement. When this occurs, rebalancing shall be completed within the next six months.

Eligible Investments

Investments may be made in:

Government obligations (i.e. Treasury Bills Notes, Strip Coupons, Debentures and/or Bonds) issued directly or indirectly by the Federal government or an agency (Canadian and U.S.) or any of the provinces with an appropriate credit rating (see investment limits below).

Canadian Chartered Bank Securities, being Bearer Discount Notes, Deposit Receipts, Term Notes, Certificates of Deposit, Bankers Acceptances, bonds and strip coupons with an appropriate credit rating.

Securities of foreign banks or the Canadian affiliates of foreign banks provided that the obligations are guaranteed or carry separate appropriate ratings.

Commercial paper, bonds, debentures and strip coupons issued of Canadian companies with an appropriate credit rating.

Loans to investment dealers (call loan) providing that full collateral value plus applicable margin are held at a banking institution.

Stapled securities

Income units being Royalty Trust Units and Real Estate Investment Trusts

Common Equity: Market Capitalization of greater than \$500 million

Investment Limits

The purchase of any securities carrying a credit rating below A for bonds and R1 for commercial paper is strictly prohibited.

Ratings will be used from one or more of the following ratings agencies: Dominion Bond Rating Services, Standard and Poor's Credit Rating Service, and Moody's Investor Services.

The maximum investment in corporate fixed income is 75% of the fixed income portfolio.

12. Investment Management Guidelines Ministry Funds

Quality Guidelines

Ministry Funds are defined as College Funds in the Minister's Binding Policy Directive – Banking, Investments and Borrowing.

A college may only invest Ministry funds not immediately required to operate the college in the following securities, expressed or made payable in Canadian dollars, subject to the ratings identified in Section VI:

- I. Bonds, debentures and promissory notes or other evidence of indebtedness, issued or guaranteed by:
 - a. Canada or a province or territory of Canada, or
 - b. an agency of Canada or a province or territory of Canada.
- II. Bonds, debentures, promissory notes or other evidence of indebtedness, issued or guaranteed by:
 - a. a municipality in Canada;
 - b. a university in Ontario that receives ongoing operating and capital funding from Ontario;
 - c. the board of governors of a college established under the *Ontario Colleges of Applied Arts and Technology Act, 2002*;
 - d. a board of a public hospital within the meaning of the *Public Hospitals Act*;
 - e. a school board in Canada;
 - f. Ontario Infrastructure Projects Corporation; or
 - g. the Municipal Finance Authority of British Columbia.
- III. Bonds, debentures, promissory notes, deposit receipts, deposit notes, certificates of deposit or investment, acceptances, commercial paper or similar instruments, issued, guaranteed or endorsed by:
 - a. a bank listed in Schedule I or II or a branch in Canada of an authorized foreign bank under the *Bank Act (Canada)*;
 - b. a loan corporation or trust corporation registered under the *Loan and Trust Corporation Act*; or
 - c. a credit union to which the *Credit Unions and Caisses Populaires Act, 1994* applies.
- IV. Bonds, debentures, promissory notes or other evidence of indebtedness, issued by a corporation that is incorporated under the laws of Canada or a province of Canada; or
- V. Promissory notes or commercial paper, other than asset-backed securities, issued by a corporation that is incorporated under the laws of Canada or a province of Canada.
- VI. A college is not to invest in a security under subsection IV or V above unless the security has a minimum rating, at the time the investment is made by the college by at least one rating agency of:
 - “R-1 (high)” or “AAA” by Dominion Bond Rating Service Limited;
 - “Prime-1” or “Aaa” by Moody’s Investors Services Inc.;
 - “A-1+” or “AAA” by Standard and Poor’s; or
 - “F1+” or “AAA” by Fitch Ratings.
- VII. If an investment falls below the standard required in section VI, the college is to sell the investment within 90 days after the day the investment falls below the standard.

13. Application

This Investment Policy Statement will be implemented by the College's chosen Investment Manager, and monitored by the Board of Governors through the Committee-of-the-Whole.

Investments in the fixed income portion of the portfolio will be recommended to one of the Investment Transactions Signing Officers as set out in College Policy #4-417 – Signing Authority, for their approval prior to any investment being made.

The fixed income portfolio will be managed on a transaction basis.

Equity investments are made at the discretion of the Investment Manager subject to all guidelines established in this document.

14. Reporting

Semi-annual investment reports shall be prepared for and distributed to the Board of Governors and Administration.

Semi-annual reports for the Board of Governors shall contain the following information:

- A summary of the asset allocation percentage at the end of the period, on a combined basis for the OSOTF Phase 1, OSOTF Phase 2, the OTSS and the Other Bursary Fund
- An assessment of performance versus the benchmark return objective which is equal to the target award percentage in College Policy #4-421 – Endowment Policy, on a consolidated basis for all accounts
- An assessment of performance against the appropriate benchmark over the same period on a consolidated basis for all equity only discretionary accounts
- A written statement of compliance with relevant portions of the IPS as follows:
 - Asset Mix
 - Quality and Diversification Guidelines
 - Eligible Investments
 - Investment Limits
- A written market commentary

Semi-annual reports for the Administration shall contain the following information:

- Portfolio valuation including asset allocation and each security, quantity, market price, market value, fixed income summary, weighted average term to maturity, accrued interest, on a combined basis for each OSOTF Phase 1, OSOTF Phase 2, the OTSS and the Other Bursary Fund
- A summary of the asset allocation percentage at the end of the period, on a separate fund by fund basis for the OSOTF Phase 1, OSOTF Phase 2, the OTSS and the Other Bursary Fund
- Fixed income report on a consolidated basis (Donor accounts) that including a credit rating for each fixed income instrument by the following rating agencies: DBRS, Moody's and S&P
- A transaction report including a list of disposition and purchases on a consolidated basis for all accounts

Annual reports for the Administration shall contain the following information:

- A market capitalization report for all equity holdings on a consolidated basis for all equity only discretionary accounts. This report shall be included with the March reporting each year.

15. Policy Review

This policy shall be reviewed annually by the Administration to ensure that it remains consistent with the overall objectives of the College and prudent and conservative investment practices. This policy may be reviewed and updated more frequently if necessary.

The Vice-President Finance and Administration will present at least annually an Investment Performance Report for the fiscal year to the Board of Governors for review and approval.

History of Amendments/Reviews:

Section(s)	Date	Comments
Investment Policy Statements established*	March 2010	• Board approval of IPS (Resolution BoG March 24-2010 #4)
Regular review; consolidation of Policies 4-419B and 4-419C into a single Policy 4-419A	January 2012	• Board approval of policy (Resolution BoG Jan25-2012 #6)
Review of policy by Finance and Property Committee	February 2014	• Board approval of policy (Resolution BoG Feb26-2014 #5)
Regular review by Administration and RBC	March 23, 2016	• Received by Board for information, no changes
Review of policy; updated format	May-June 2017	• Board approval of policy (Resolution BoG June28-2017 #1)

* OSOTF Phase 1 and Phase 2 IPS dated February 25, 2010 – evolves into Policy #4-419A
 OTSS IPS dated February 22, 2010 – evolves into Policy #4-419B
 Other Endowment Funds IPS dated February 22, 2010 – evolves into Policy #4-419C
 Endowment Funds (Ministry Funds) dated February 25, 2010 – evolves into Policy #4-419D