

<b>Policy Title:</b>	Ministry Endowed Investment Policy Statement (IPS)
<b>Policy ID:</b>	#4-419B (formerly #4-419D)
<b>Manual Classification:</b>	Section 4 – Corporate Services
<b>Approved by:</b>	Board of Governors
<b>Revision Date(s):</b>	January 25, 2012; February 26, 2014; June 28, 2017, October 7, 2021
<b>Effective Date:</b>	October 7, 2021
<b>Next Policy Review Date:</b>	October 2022
<b>Contacts for Policy Interpretation:</b>	Vice President, Corporate Finance

## **1.0 – Policy Overview**

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The Ministry of Colleges and Universities (MCU) 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 Ministry 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.

## **2.0 – Purpose**

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To establish guidelines governing the College's Ministry funds received under the Other Endowed Bursary Fund.

## **3.0 – Investment Objectives**

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The overall objectives are to generate a total investment return that protects the capital component and provides an annual bursary disbursement.

The return objectives are as follows:

- Preserve capital
- Generation of 'income' to provide an annual bursary disbursement

#### **4.0 – Performance Objectives**

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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. Over the short-term the portfolio should be sufficiently flexible to accommodate any specific income withdrawals that may be required.

In addition, the Ministry funds 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 11 below for the list of eligible investments.

#### **5.0 – Time Horizon**

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The funds are expected to be invested permanently with only income generated withdrawn.

#### **6.0 – Liquidity / Income**

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

#### **7.0 – Asset Allocation Guidelines for Ministry Funds**

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

ASSET ALLOCATION	LOWER	TARGET	UPPER
CASH AND EQUIVALENTS	0%	3%	10%
FIXED INCOME	90%	97%	100%

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.

#### **8.0 – Implementation**

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Investments 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.

## **9.0 – Other Options**

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

## **10.0 – Standard of Care**

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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.

## **11.0 – Investment Management Guidelines Ministry Funds**

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### **Quality Guidelines**

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

## **12.0 – Application**

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This investment policy will be implemented by the College’s chosen Investment Manager and monitored by the Board of Governors through the Finance and Audit Committee.

Investments in the fixed income portion of the portfolio will be recommended to one of

the Investment Transaction 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.

### **13.0 – Reporting**

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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 semi-annual period.
- A written statement of compliance indicating the Quality Guidelines identified in the Investment Management section of this Investment Policy Statement have been met.

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

- Portfolio valuation including asset allocation, a fixed income summary, weighted average term to maturity and each security, quantity, market price, market value, and accrued interest
- A transaction report including a list of disposition and purchases.

### **14.0 – Policy Review**

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This policy shall be reviewed annually by 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, Corporate Finance will present, at least annually, an Investment Performance Report for the fiscal year to the Board of Governors through the Finance and Audit Committee for review and approval.

### **15.0 – History of Amendments/Reviews**

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Investment Policy Statements established\*, approved by BOG March 24, 2010

Regular review, approved by BOG Jan 25, 2012

Regular review (Finance and Property Committee), Resolution of BOG Feb 26, 2014

Regular review (Administration and RBC) March 2016, received by BOG for information – no changes

Regular review (format updated), approved by BOG June 28, 2017  
Regular review/housekeeping amendments (format updated, renumbered to #4-419B)  
October 2021

\*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*