

BRIEFING NOTE

**TO:** Board of Directors

**FROM:** Fazal Khan, Registrar

**DATE:** December 5, 2022

**SUBJECT:** Investment Policy (2-06) Monitoring Report

☐ For Decision ☐ For Information ☒ Monitoring Report

**Purpose:**

To provide the Board with a monitoring report on the Investment Policy, in accordance with the monitoring report schedule approved by the Board.

**CEO Interpretation and Evidence:**

The Investment Policy (2-06, previously 2-09) was approved by the board in October 2018.

The monitoring report covers the period from June 2022 to December 2022. The next Investment Policy Monitoring Report is due in May 2023.

Policy Requirement	Interpretation and Evidence
Investment Funds Management	The Registrar, CEO has managed the COO investments with the services of an Investment Advisor (BMO Nesbitt Burns) to provide expertise in the investment approach and investment portfolio.
Investment Parameters	The Registrar, CEO has met the Board's expectations of: reasonable liquidity (by maintaining a liquidity ratio over 2.0 and ensuring that investment maturity dates are split throughout the year), continued revenue (by adapting operations to virtual/hybrid functions in a post-pandemic climate), and ensured preservation of capital through a conservative investment strategy. The Registrar, CEO has invested funds that will achieve a reasonable return on investment, between 3.10 and 4.75% against the current market. The Registrar, CEO operates with a diverse investment portfolio through multiple GICs within the CDIC insurance limit and a high interest savings account that maintains minimum 6 months of operational funds. In addition, the Registrar, CEO has not borrowed any funds in the 2022 fiscal year.
Evaluation of Results	With the assistance of the Deputy Registrar and the Accounting Specialist, the Registrar, CEO regularly monitors the investments to ensure compliance with the Investment Policy and the recommended investment approach. The external Investment Advisor provides additional monitoring and provides an investment performance overview at the time of maturity.

Reporting	The Registrar, CEO provided audited financial statements to the board in May 2022. These reports include investment results for the previous fiscal year which have been reviewed and independently verified by the Auditor.
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**Recommendations/Action Required:**

The Board is asked to provide comments and feedback on the following questions:

1. Was the Registrar, CEO's interpretation of the Investment Policy reasonable?
2. Did the Registrar, CEO comply with this policy, as reasonably interpreted?

## POLICY TYPE: OPERATIONAL BOUNDARIES

### 2-06 Investment Policy

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#### **PURPOSE**

To outline the Board's operational boundaries and risk tolerances for the Registrar, CEO regarding the management of COO investments. The Board's role with respect to this policy is one of oversight, as it has delegated responsibility for investing to the Registrar, CEO.

#### **BACKGROUND**

The objective of this Investment Policy is to ensure the prudent management and stewardship of the financial resources of the College. This includes the reasonable safeguarding of the College's invested assets and reasonable expectations for growth. The capital reserves, held within COO's investments, exist to ensure COO's long-term operating stability and to provide a source of internal funds for organizational priorities such as capital improvements and strategic initiatives.

#### **Investment Objectives and Risk Tolerances Summarized**

The Board's objectives and risk tolerances include:

1. Preservation and protection of principal.
2. Maintenance of appropriate liquidity.
3. Reasonable growth of the value of the investments.

#### **POLICY**

##### **1. Investment Funds Management**

Accordingly, the Registrar, CEO will not:

- a. Manage the COO investments without the services of a financial advisor to provide expertise in the investment approach and investment portfolio.
- b. Develop and update the investment approach without addressing the responsibilities of various parties, the allowable and prohibited investments, risk controls and monitoring and evaluation procedures, in accordance with Paragraph 2 of this policy.

##### **2. Investment Parameters**

In determining what are allowable and prohibited investments, the Registrar, CEO will not:

- a. Operate without meeting the Board's expectations of reasonable liquidity, achieving regular income, and ensuring preservation and appreciation of capital (except where the Board has approved the use of invested capital to cover deficit budgets and/or capital investments).
- b. Increase the organization's risk profile by operating without diversifying the investment portfolio.
- c. Unreasonably delay investing funds that are not required to ease cash flow or operational transactions.
- d. Invest capital in funds that do not have a demonstrated track record of achieving a reasonable return on investment.
- e. Invest or hold operating capital in insecure instruments, including uninsured chequing accounts and bonds of less than AA rating, or in non-interest-bearing accounts except where necessary to facility ease in operational transactions.
- f. Fail to assess the effect of inflation and deflation on the investment.

- g. Fail to assess the social responsibility of the investment being considered, including whether the investment is consistent with the COO's organizational values.
- h. Borrow solely for investment purposes.

### **3. Evaluation of Results**

Further, the Registrar, CEO will not operate without:

- a. Monitoring the financial advisor and the investments to ensure compliance with this Investment Policy and the investment approach.
- b. Assessing the adequacy of the performance of the financial advisor.

### **4. Reporting**

Further, the Registrar, CEO will not operate without:

- a. Reporting semi-annually to the Board on investment results and compliance with this Investment Policy.