

# BRIEFING NOTE

**TO:** Board of Directors

**FROM:** Governance Committee

**DATE:** December 4, 2023

**SUBJECT:** Investment Policy 2-06

☒ For Decision

☐ For Information

☐ Monitoring Report

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**Purpose:**

To review proposed amendments to the Investment Policy.

**Background:**

At its August 22, 2023 meeting, the Governance Committee carried out a scheduled review of the Investment Policy. On review, the Committee was of the view that the policy should be amended to make it clear that the board prioritizes preservation of capital and maintenance of liquidity over reasonable growth of investments.

The Committee met again in October 2023 to review proposed amendments that aligned with the direction given to staff.

**For Consideration:**

Proposed updates to the Investment Policy, based on the recommendation given by the Governance Committee, are attached for review.

**Public Interest Consideration:**

The Governance Committee considers the proposed amendment to be in the public interest by ensuring that the College prioritizes long-term financial stability and liquidity in its investment strategy.

**Diversity, Equity and Inclusion Considerations:**

The Governance Committee did not identify any concerns from a diversity, equity and inclusion perspective.

**Action:**

The Governance Committee recommends that the Board approve the proposed updates to the Investment Policy.

## POLICY TYPE: OPERATIONAL BOUNDARIES

## 2-06 Investment Policy

**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 primary objectives and risk tolerances include are:

1. Preservation and protection of principle.
2. Maintenance of appropriate liquidity.

~~Reasonable growth of the value of the investments.~~

The Board's secondary objective is to achieve 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 facilitate 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.