



<b>Policy</b>	#6-15
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<b>Administrator Responsible:</b>	Vice President Finance & College Services

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## LONG-TERM INVESTMENTS

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### POLICY STATEMENT

North Island College may invest Eligible Funds in permitted investments as defined in the Investment Program (Appendix A) that has been established to ensure funds are invested in a prudent, effective and diversified manner in compliance with the College and Institute Act.

### PURPOSE STATEMENT

The investment of these funds is intended to provide a source of revenue for the College to be used for operating expenses and, at the discretion of the Board of Governors, for capital projects. The investments shall be managed to:

- protect College funds using an adequate system of controls;
- ensure an appropriate level of diversification to reduce risk to invested capital from economic and market conditions; and
- provide income to support the goals of the College while preserving and growing the real value of invested capital.

### PRINCIPLES

1. The Investment Program will comply with the *College and Institute Act, Section 30*, which references provisions of the *Trustee Act* in respect of the investment of trust property by a trustee. Those provisions restrict investments to those in which a Prudent Investor might invest.
2. Recognizing that purchasing power must be protected from erosion attributable to inflation, the amount of investment income allocated to current operating expenditures must be balanced with reinvestment of gains to meet future needs. Annual investment income from dividends and interest up to 3% of the market value of the investments can be budgeted to fund current operating costs. Withdrawal of current-year realized capital gains requires approval of the Board of Governors.

3. The total value of the investment consists of restricted and unrestricted Eligible Funds (Principal), re-invested investment income and market value adjustments. Use of unrestricted Principal or re-invested investment income requires approval of the Board of Governors. Restricted Principal can be used only for purposes consistent with the restrictions. Any decisions regarding the use of reinvested investment income or Principal must consider the impact on the College's financial reporting.
4. The Vice President, Finance & College Services is responsible for the Investment Program.
5. The Investment Program will be administered by an Investment Manager, who will be appointed by the Board of Governors for a period of up to seven (7) years. The Finance and Audit Committee (the Committee) is responsible for the procurement process and recommendation of the Investment Manager to the Board of Governors.
6. The Committee will review the investment results quarterly and meet with the Investment Manager at least annually, to discuss the portfolio performance and economic and market conditions.
7. Annually, the Committee will report on the financial performance of the portfolio and the Investment Manager to the Board of Governors.
8. The Committee will make recommendations regarding changes to the Investment Policy to the Board of Governors.

**DEFINITIONS:**

**Eligible Funds:** for the purpose of this policy, eligible funds include accumulated excess of revenue over expenditures (normally set aside as 'accumulated surplus from operations'), revenues typically received in advance of the year in which they are earned (including deferred revenues and externally restricted contributions), and accumulated long term liabilities where payment is deferred well into the future.

**Investment Manager:** refers to the organization engaged by the College to manage the investment portfolio in compliance with this policy.

**Principal:** Is the sum of Eligible Funds invested and does not normally include income or market valuation gains. Principal is considered unrestricted unless it has been specifically designated as restricted. Investment income and gains in market valuation can be designated as restricted Principal to cover increases in accumulated long-term liabilities.

**Prudent Investor:** is a standard used to provide guidance to those who have a fiduciary responsibility to manage funds on behalf of a trust or entity. The standard requires the person or group to act as a prudent investor would to achieve a balance between production of income and protection of capital. This is done through the exercise of reasonable care, skill and caution in making investment decisions in the context of the investment portfolio – as part of an overall investment strategy which incorporates risk and return objectives appropriate to the entity. Generally, the duty includes diversifying investments and acting

with prudence in deciding whether and how to delegate authority and in the selection and supervision of advisors and agents.

**GUIDELINES:**

The Vice President, Finance & College Services will:

- Monitor the performance of the Investment Manager and review performance at least quarterly with the Committee;
- Monitor the Investment Program to ensure it aligns with policy; and
- Review recommendations of the Investment Manager for changes to the Investment Program with the Committee.

The Investment Manager will:

- Select investments and manage the portfolio mix in compliance with the Investment Program;
- Provide quarterly portfolio statements of transactions in summary and in detail, including quarterly rates of return for each asset class and the total investment portfolio, and the benchmark index comparisons;
- Meet once a year with the Committee to present an annual review of investment performance and outlook for the coming period; and
- Attend other meetings of the Committee as reasonably requested by the Vice President, Finance & College Services to discuss investment performance.

**LEGISLATIVE AND COLLECTIVE AGREEMENT REFERENCES:**

- *College and Institute Act (BC)*
- *Trust Act (BC)*

## APPENDIX A

### INVESTMENT PROGRAM

The goal of the Investment Program is to generate dividend and interest income equal to 3% of the investment value, in addition to capital appreciation that will preserve and grow the principal.

To the extent possible, funds will be held in pooled investments which provide broad diversification to protect principal and stability of revenue. Pooled funds also have lower administration and accounting costs.

The Investment Program provides direction to Management and the College's professional Investment Manager on the investment of College operating funds. All investment decisions must be consistent with the concept of the Prudent Investor.

#### **Diversification:**

	Lower limit	Target	Upper Limit
Cash & Equivalents	0%	5%	10%
Fixed Income	45%	55%	65%
Equity Holdings	30%	40%	50%
Alternative Strategies			10%

Equity Holdings: will be no more than 1/3 of equity holdings in each of US and International equity holdings.

#### **Re-balancing:**

The funds will be prudently managed at all times within the acceptable ranges, based on market values of the investments. To ensure the portfolio stays within the allowable ranges, rebalancing will occur, if necessary, on a quarterly basis. The 'Target' ranges will be reviewed annually and revised if necessary.