



Category:	Finance
Approved By:	Senior Administrative Team (SAT)
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Policy Sponsor:	Vice President Corporate Services and Chief Financial Officer
Policy Administrator:	Director Financial Services

Investment Policy

Purpose

The purpose of this policy is to establish a clear investment accountability framework for the college enabling the investment of funds to be made in the most effective and efficient manner. In keeping with the stewardship philosophy, the college will adopt specific policies and guidelines which will favor investment options targeted at the long-term growth of the investment fund and the ability to generate a high level of income.

Scope / Limits

This policy applies to all investments made by Lethbridge College. This policy is limited by Alberta and Canadian laws governing investments and other laws of general application.

Definitions

Investment counseling: is a firm to manage and select investments to ensure the long term preservation and solvency of certain college assets.

Investment custodian: is an independent firm who will hold the college's investment securities and cash pool of the investment portfolio(s).

Policy Statements

1. The investment objectives and policies established by the Lethbridge College Board of Governors will, at all times, fall within the limitations of any and all applicable provincial and federal legislation covering charitable organizations.
2. The college has Endowment funds of which the primary objective of this group of funds will be investing the principal to preserve the capital pool against erosion and inflation, measured by a minimum of the Province of Alberta annual inflation rate, while generating sufficient income to meet the needs to which such funds have been entrusted for. (Appendix A)
3. The college shall retain the services of an investment counselling firm to manage and select investments. The investment counselling firm will manage the college investments so as to

achieve relatively consistent rates of return and to preserve capital irrespective of major short-term market fluctuations.

4. The college shall retain the services of an independent "Custodian" that will hold the college investment securities and cash pool of the investment portfolio (s). The asset mix must also provide the resources to compliment the ongoing commitments of the college by providing the stability and predictability of the return on investment. The Custodian will administer the liquidation or redemption of investments and pay all management and transaction fees as instructed by the investment counselling firm within the college investment portfolios.
5. The college investment portfolio must have a diversified asset mix to meet the funding requirements and minimize the volatility of a significant reduction in asset value. (see guidelines)
6. It is the intent to maintain the capital balance of the Lethbridge College Endowment and Scholarships Fund portfolio at a minimum of the total of Endowment Principal Contribution plus any accumulated Deferred Contributions as determined in the accounts of the college at the end of each fiscal year.

A: Policy Supports

[Investment Guidelines \(Appendix A\)](#)

[Guidelines for Accessing Investment Income Earned on Endowments and Annual Scholarships \(Appendix B\)](#)

B: Legislated References

Post-Secondary Learning Act
Statutes of Alberta

C: Other References

D: Related Policies

Banking
Conflict of Interest 5.13
Donations and Fundraising
Board of Governors:
 EL-6 – Investments



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Appendix A	

Investment Guidelines

The following guidelines are designed to assist in asset mix and security selection decisions that meet the Board of Governors' objectives of investing the college's short-term and endowment funds in a diversified list of quality securities.

1. Eligible Investments

Asset classes eligible for investments

- i. Cash and demand deposits, or money market securities issued by governments or corporations;
- ii. Bonds, debentures, notes or other debt instruments of governments or corporations;
- iii. Guaranteed Investment Contracts or equivalent financial instruments of insurance companies, trust companies, banks or other eligible issuers, or funds which invest primarily in such instruments;
- iv. Publicly traded Canadian and non-Canadian common stocks, preferred stock, or convertible debentures;
- v. Private placements, whether debt or equity, of Canadian agencies or corporations;
- vi. Mortgages/Mortgage-Backed Securities
- vii. Pooled Funds of the investment counselling firm, if advantageous.

2. Asset Class Allocation

The college believes it should have a diversified investment portfolio of bonds, domestic and foreign equity, money market securities and mortgages. The investment counselling firm may vary the asset mix in order to enhance potential return or to partially protect against risk of decline under the following limits for each asset class:

- i. Lethbridge College - General Investment Portfolio:

	Benchmark	Minimum	Maximum
Canadian Equities	10%	0%	40%
U.S Equities	10%	0%	40%
International Equities	10%	0%	20%
Emerging Economics	5%	0%	7%
Total Equities	35%	0%	50%
Bonds/Mortgages/Preferred Shares*	60%	40%	80%
Cash & Short-term	5%	1%	80%
Total Fixed Income	65%	50%	100%

ii. Lethbridge College - Endowment and Scholarship Investment Portfolio

	Benchmark	Minimum	Maximum
Canadian Equities	5%	0%	35%
U.S Equities	5%	0%	35%
International Equities	5%	0%	15%
Emerging Economics	5%	0%	7%
Total Equities	20%	0%	35%
Bonds/Mortgages/Preferred Shares*	75%	55%	95%
Cash & Short-term	5%	1%	95%
Total Fixed Income	80%	65%	100%

*Preferred Shares will be 20% of this total.

3. Constraints by Asset Class

The following is the guideline for the minimum/maximum investments permitted within each asset classification as well as the minimum quality rating.

Equities

i. Canadian Equities

- Maximum in single industry group: benchmark industry group weight plus 15%
- Minimum number of industry groups: 6
- Maximum in single company: benchmark security weight plus 10%
- Maximum of 15% in companies with capitalization of less than \$500 Million
- Specified restrictions: None

ii. US Equities

- Minimum number of sectors: 6
- Maximum of 10% in a single company (at time of purchase)
- Maximum exposure to ADR securities: 30%
- Specified restrictions: None

iii. International Equities

- Maximum of 10% in a single company
- Minimum number of companies: 50
- Minimum number of sectors: 6
- Minimum number of countries: 6
- Comprised of investments in the MSCI Europe, Australia and Far East index (MSCI EAFE)

iv. Emerging Market Equities

- Maximum of 10% in a single company
- Minimum number of companies: 50
- Minimum number of sectors: 7
- Minimum number of countries: 15
- Comprised of investments in the MSCI Emerging Markets Index

Fixed Income

Bond Quality

- Minimum credit rating, as defined by a recognized bond rating service such as DBRS or equivalent, at the time of purchase for any single fixed income security: "BBB (low)"
- Maximum exposure to securities with a credit rating less than "A (low)": 30%
- Minimum average credit rating of all holdings at time of purchase: "A (low)"
- Maximum in a single issuer, except Government guaranteed: 10%
- Maximum in a single industry: 30%
- Maximum exposure to Mortgage Backed Securities (MBS): 20%

Private Placements

- Minimum credit rating, as defined by a recognized bond rating service such as DBRS or equivalent, at the time of purchase for any single fixed income security: "BBB (low)"
- 20% Maximum
- 4% Maximum in single issuer

Preferred Shares

- Included within the Pooled Funds noted above.
- Comprised of Canadian Preferred Shares and Canadian Equities
- Minimum credit rating for any single security: Pfd-3
- Maximum exposure to preferred shares with credit rating "Pfd-3": 20%
- The Blended Benchmark for the total Pooled Funds will be:
 - S&P TSX Composite Index 45%
 - BMO NB 50 Preferred Shares Index 15%
 - FTSE TMX Canada Short Term Bond Index: 20%
 - FTSE TMX Canada Mid Term Bond Index: 20%

Duration

- Maximum deviation in duration from benchmark index: +/- 1 year

Pooled Funds

- Within the confines of the asset mix ranges included in the Pooled Fund portfolio of the investment counselling firm which include a mix of Cash Equivalents, Canadian Fixed Income, Canadian Preferred Shares, Canadian Equities, US Equities, International and Emerging Market Equities.

Short Term Cash or Equivalent

Cash and Equivalent

- Money market securities must be rated a minimum of R-1 or equivalent
- Maximum term to maturity of a single investment: 1 year
- Minimum number of securities: 15

4. Reporting Process

The investment counselling firm will report to the Vice President, Corporate Services and Chief Financial Officer (CFO) providing, at least, the following information:

- a written quarterly investment review which will include a general economic and capital markets overview
- a summary of the previous quarter's investment activity
- a list of securities held, classified by major asset category and showing book value, market values and interest earned
- an outline of planned investment strategies and performance summary

5. Review Process

The Vice President Corporate Services and CFO will be responsible to ensure the investment approach continues to be appropriate to the college's needs and responsive to the changing economic and investment conditions. A monitoring report will be forwarded annually to the Board from the President and CEO regarding the compliance of EL-6 "Investments". The Vice President Corporate Services and CFO will also be responsible for monitoring the ongoing performance and success of the investment counseling firm.



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Appendix B	

Investment: Guidelines for Accessing Investment Income Earned on Endowments and Annual Scholarships

Issue:

The college currently maintains a number of individual accounts consisting of donated funds for various and sundry purposes. Some of these donations are defined as an endowment whereas others are referred to as annual donations. An endowment is where the principal donation is preserved as per donor wishes and usually the annual income is available for disbursement for specified purposes as defined, usually, by the donor.

Given that the purpose of endowments is to, at the minimum, preserve principal and in its most desirable state to increase the endowment for the benefit of future generations of learners, it is appropriate to invest some portion of the investment income back into the endowment principal. There is a size whereby the fund, if sufficiently large, can generate annual earned investment income which can be sufficient to meet both these conflicting needs. Clearly, for example, a fund with a balance of only \$10,000 would have considerable difficulty increasing in value if some of its earnings are diverted to current consumption.

Any procedures and guidelines established above, or subsequently, are subject to individual donor requests or conditions. All conditions of each endowment must be complied with and any initiatives undertaken by the college for the disbursement of these funds will comply with those conditions.

Type and Nature of Funds Currently Held:

1. Specific College Endowment Funds

The college maintains a set of certain major endowment funds which have been established over the years. These endowments include the following:

- Title
- R.W.Tiffin Agricultural Development
- Kodiak Athletics
- Environmental Fund
- Industrial Technology
- Native Canadian

Lethbridge Automotive Dealers Association
Talbot Education Fund

For this group of endowments, the college will add all investment income to the original donated principal until each individual fund reaches a total minimum balance of \$50,000. Once that threshold is attained, 50% of any annual earned investment income will be available for disbursement on approved projects. The other 50% of annual earned investment income will continue to be added to the principal portion of the contribution.

The specific amount of earned investment income available for disbursement under the conditions of each endowment will be determined as at the completion of a specific fiscal year end. A "Call for Projects" will be initiated by the Executive Leadership Team (ELT) to entertain proposals for approval. Any approved project amounts will be transferred to appropriate accounts for expenditure in the subsequent fiscal year. If no projects are approved for a particular endowment fund or there is unspent investment income remaining on completion of any approved projects, such amounts will subsequently be added to the endowment principal fund.

2. Endowment Scholarships

The college currently has endowed scholarships made up of donations by the community and funds set aside by the Board of Governors. The intent of these funds is to preserve principal and allocate 50% of the annual earned investment income each year to a variety of scholarships and bursaries as specified by the donors. The other 50% of the annual earned investment income will be added back to the principal of the particular endowment fund.

Each year, the 50% of the earned investment income available for scholarship or bursary awards, will be carried in the respective endowment fund's Deferred Contribution Account and will be available for disbursement or award the subsequent year(s). By the end of that fiscal year in which the investment income is earned, the other 50% will be capitalized back into the respective endowment principal account to preserve the original donation amount as well as protect against inflation or possible market fluctuations.

3. Annual Scholarships & Bursaries

The college solicits and receives annual funds to assist in the financial needs of students attending the college. The college is at liberty, in most cases, to allocate all funds, including investment earnings received, in the form of scholarships and or bursaries. Any unallocated amounts, in a particular year, will be held in a Deferred Contribution account within the respective Annual Scholarship & Bursary Fund and could be available for disbursement or award in subsequent years. It should be noted that these funds have grown over time with awards equaling approximately one-half of donations. Note that the college must have received the cash from the donor before any award can be paid out.

4. General

Any procedures and guidelines established above or subsequently, are subject to individual donor requests or conditions. All conditions of each endowment must be complied with and any

initiatives undertaken by the college for the disbursement of these funds, will also comply with those same conditions.