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<b>Title</b>	<b>Investment Policy</b>
<b>Policy Area</b>	<b>Operations - Finance</b>
<b>Policy Number</b> <i>(to be assigned by Information Services)</i>	<b>E.1.2</b>
<b>See also</b> <i>(related policies)</i>	

<b>Effective Date of Policy:</b>	October 27, 2010
<b>Approval Date:</b>	October 26, 2010
<b>Applies to:</b>	Okanagan College; Investment Management companies used by Okanagan College
<b>Approving Body:</b>	Board of Governors
<b>Supersedes</b>	Okanagan College Investment Policy, January 31, 2007; June 25, 2008
<b>Authority</b>	<i>College and Institute Act</i>

The following are responsible for the administration of this policy,

<b>Primary Office</b>	<b>Contact</b>
Employee and Corporate Services	Vice President

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### a) Policy Statement

#### Purpose

The purpose of this policy is to establish a written procedure for the investment of the College's non-endowment funds. This policy will establish appropriate risk and return objectives in light of the fund's risk tolerance. These objectives, as well as asset allocation guidelines, suitable investments, and responsibilities of the Investment Manager, are outlined below.

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## b) Policy Details

### Definition and Function

In recognition of its fiduciary responsibilities, the Board of Governors of Okanagan College has adopted the following Statement of Investment Policy. These guidelines relate to the investment of non endowment College funds.

Investments will be limited to those firms and/or securities which adhere to the standards of these guidelines and which meet prudent investment standards.

The board of governors will tender the management of its investments every 5 years.

## c) Procedures

### I. Description of Okanagan College Non-endowment Funds:

**Short Term Investments** - Short term investments consist of expendable funds which are combined for investment purposes, until the funds are required for expenditure within a one year time horizon.

**Long Term Investments** - Long term investments consist of funds which are combined for investment purposes until the funds are required for expenditures, usually within a 3 to 5 year period. For purposes of this policy, long term investments will include funds available for investments longer than a one year time horizon.

### II. General Investment Guidelines

The intention of Okanagan College is to facilitate flexibility in the investment approach as determined by the Investment Manager's outlook for interest rates and equity market returns. Return on investment will be measured by the total return concept including interest and dividend income and capital gains (or losses).

As the funds invested are public funds, the primary objective is the preservation of capital.

The secondary objective of the College, once the primary objective has been secured is to maximize total return on investment – both income and capital appreciation.

The third objective is to pursue Okanagan College's objective of strategically sustainable investment by investing a minimum of 30% of assets in positively screened sustainable investment funds (positively screened ethical funds)

### III. Spending Policy

It is the intention that all realized income from these funds be distributed quarterly to the College as a source of regular operating revenue.

#### **IV Short Term Investments**

Short term investments will be invested in the Municipal Finance Authority of British Columbia pooled investment program.

#### **IV Long Term Investments**

##### **1. Investment Asset Allocation**

Asset Allocation will be developed by the Investment Manager in consultation with the College Board Finance, Audit and Risk Review Committee within the guidelines outlined in this policy. Performance will be measured by mutually agreed upon appropriate benchmarks.

The Investment Manager will meet quarterly with the Vice President of Employee and Corporate Services and annually with the Finance, Audit and Risk Review Committee.

##### **2. Investment Policies, Guidelines, and Restrictions:**

The investment policies, guidelines and restrictions presented in this policy statement serve as a framework to help the College and its Investment Manager achieve the investment objectives at a level of risk deemed acceptable.

##### **Diversification**

The College's portfolio will be diversified both by asset class and within asset classes. Within each asset class, securities will be diversified among economic sector, industry, quality, and size. The purpose of diversification is to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the performance of the total fund. As a result, the risk level associated with the portfolio investment is reduced.

##### **1. Equity Securities**

Equity holdings shall generally be restricted to high quality, readily marketable securities of corporations that are actively traded on the major stock exchanges, including NASDAQ. International equity investments of similar quality and marketability will be permitted up to 30% of the total equity portfolio.

The Investment Manager is prohibited from selling securities short, buying securities on margin, borrowing money or pledging assets, or trading uncovered options, commodities or currencies without the advance written approval of the College. The Investment Manager is also restricted from investing in private placements and restricted stock unless otherwise permitted in writing by the College. It is expected that no assets will be invested in securities whose issuers are or are reasonably expected to become insolvent, or who otherwise have filed a petition under any provincial or federal bankruptcy or similar statute.

Within the above guidelines and restrictions, the Investment Manager has complete discretion over the timing and selection of equity securities.

## **2. Fixed Income Securities**

The purpose of fixed income investments, both domestic and international, is to provide diversification, and a predictable and dependable source of current income. Investments in fixed income securities should be managed actively to pursue opportunities presented by changes in interest rates, credit ratings, and maturity premiums. The Investment Manager may select from appropriately liquid preferred stocks, corporate debt securities, and obligations of the Government of Canada and provincial and municipal governments. These investments will be subject to the following limitations:

No issues may be purchased with more than 30 years to maturity.

Investments of a single issuer may exceed 5% of the total market value of the College's portfolio only when the security is investment grade or better or where the investment is with the Government of Canada and provincial and municipal governments.

No more than 15% of the corporate debt securities in the fixed income portfolio may be rated below-investment grade.

Within the fixed income component, the Investment Manager is prohibited from investing in private placements, and fixed income or interest rate futures, without the prior written approval of the College.

Within the above guidelines and restrictions, the Investment Manager has complete discretion over the timing and selection of fixed income securities.

## **3. Cash and Equivalents**

The Investment Manager may invest in the highest quality commercial paper, repurchase agreements, Treasury Bills, certificates of deposit, and money market funds to provide income, liquidity for expense payments, and preservation of the College portfolio's principal value subject to the following limitations

Commercial paper assets must be rated at least A1 or P-1 (by Moody's or Scotia Capital Market Universe Index). Investments in the obligations of a single issuer may exceed 5% of the total market value of the College's portfolio only when the security is investment grade or better or where the investment is with the Government of Canada and provincial and municipal governments.

Un-invested cash reserves shall be kept to a minimum; short term, cash equivalent securities are usually not considered an appropriate investment vehicle for long term investments. However, such vehicles are appropriate as depository for income distributions from longer-term endowment investments, or as needed for temporary placement of funds directed for future investment to the longer-term capital markets.

Within the above guidelines and restrictions, the Manager has complete discretion over the timing and selection of cash equivalent securities.

#### **4. Other Securities**

Real Estate - Investments may also include equity real estate, held in the form of professionally managed, income producing commercial and residential property subject to written approval by the College Finance and Audit Committee.

#### Derivatives and Derivative Securities –

The use of derivative securities by the Investment Manager may be allowed with the written approval of the Okanagan College Board Finance, Audit and Risk Review Committee under the following conditions;

The Manager has exhibited expertise and experience in utilizing such products, the manager demonstrates that use of such products is strategically integral to their security selection, risk management, or investment processes, and the manager demonstrates acceptable internal controls regarding these investments.

#### **5. Restrictions:**

- Only the College's Board of Governors is authorized to waive or modify any of the restrictions in these guidelines in appropriate circumstances.
- Any such waiver or modification will be made only after a thorough review by the Okanagan College Board Finance, Audit and Risk Review Committee and the Investment Manager of the investment strategy involved.
- Documentation supporting all requests for waivers and modifications will be maintained as part of the permanent records of the Okanagan College Board Finance, Audit and Risk Review Committee.
- All investments of the College's portfolios must comply with the policy of the Board of Governors regarding the social policies of corporations. Proxies shall be voted in accordance with the above policy.

#### **V. Communications:**

The Investment Manager shall meet quarterly, with the Vice President of Employee and Corporate Services, and with the Finance, Audit and Risk Review Committee of the College Board annually.