

## FINANCE- STATEMENT OF INVESTMENT

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### **NAME: Statement of Investment Policy**

### **PURPOSE/PHILOSOPHY**

The purpose of this Statement of Investment Policy (“Investment Policy”) is to provide a clear understanding of the investment policies used to guide Great Plains College’s Invested Funds. The Investment Policy is to serve as a blueprint for the structure and supervision of the organization’s assets and to assist Great Plains College in fulfilling its responsibilities as a steward of the investments.

### **RELATIONSHIP WITH COLLECTIVE AGREEMENTS**

Not applicable.

### **DEFINITIONS**

**Endowment** – A permanently restricted net asset, the principal of which is protected and the income from which may be spent and is controlled by either the donor’s restrictions or Great Plains College.

**Quasi-endowment** – A fund available for the general purposes of Great Plains College, but may be temporarily restricted (and un-restricted) by the College for specific uses.

**Trusts** – A gift to Great Plains College where the principal is projected to be disbursed over a period of time.

**Underwater endowment** – An endowment where the market value is less than its accrued principal

### **DELEGATION OF RESPONSIBILITIES**

The Board of Directors of Great Plains College will oversee the Portfolio’s assets on an ongoing basis.

- The College will define and review the Investment Policy and monitor the Portfolio’s assets on an ongoing basis to ensure that long-term objectives are being achieved.
- The College will review this policy on an annual basis, bearing in mind that changing circumstances may require modification to the Investment Policy.
- The President may recommend Investment Policy changes to the Board of Directors for approval.
- The Board of Directors may delegate specific duties and responsibilities to the President in an effort to fulfill its ongoing duties.
- The Board of Directors shall engage outside service providers such as consultants, investment managers, and other service providers to implement and execute the Investment Policy.

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INVESTMENT PORTFOLIO CONDITIONS**

The investment portfolio consists of endowment funds, quasi-endowment funds and trusts. For investment purposes, the College will treat all funds as one entity (the "investment portfolio"). The investment portfolio's primary purpose is to provide support to Great Plains College's student scholarships and awards, facility and capital investments and program expenses.

The investment portfolio is invested with a long-term time horizon.

The spending procedure of individual endowments is to distribute up to 3.5% of assets annually based on a rolling four-year average market value net of inflation. The endowment spending may be made from interest, dividends, capital appreciation and realized gains or from prior year's accumulation of same. If some permanently restricted endowments are underwater, spending shall be suspended until the endowments have a market value greater than the accrued principal.

Great Plains College makes its annual *appropriation* for each fiscal year at the end of the previous fiscal year. The Board authorizes this appropriation at the first Board meeting for the new fiscal year.

Any gifts made to the endowment that are not legally restricted in writing at the time of the gifts are considered quasi-endowment and, therefore, unrestricted in use of principal earnings and appreciation.

For any permanent funds whose spending allocation is restricted by the donor at the time of the gift, the net appreciation and earning in excess of the book value amount shall be classified as temporarily restricted. All other earnings and net appreciation on permanently and temporarily restricted funds will be classified as quasi-endowment and, as such, is unrestricted.

**INVESTMENT PRODECURES**

The Endowments are intended to serve as a long-term source of funds for the College.

The investment portfolio's primary investment objective is to grow the assets on a real (inflation adjusted) basis in excess of the spending procedure in order to avoid loss of purchasing power by the investments.

The investment portfolio will be diversified across asset classes and investments to aid in reducing the volatility of the endowment's market value and to minimize the risk of permanent loss of capital.

**Investment Return Objective**

The College has established, as an objective, a real (inflation-adjusted) annualized rate of return over the long-term of at least 1% - 2%. This objective is required to protect the Endowments' purchasing power and accounts for the spending policy and other

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Endowment expenses. The College understands that the Program's total return during any single measurement period may deviate from the long-term return objective.

The College, with input from the investment manager, has established benchmarks to evaluate the Program's performance on an ongoing basis. These benchmarks may change occasionally to reflect evolving market conditions or changes in the Program's portfolio composition. *(Included in Appendix A is a listing of the current benchmarks.)*

### **Investment Style Diversification**

The College expects to maintain appropriate diversification among equity, fixed income, and money market allocations. The purpose is to moderate the overall investment risk of the portfolio.

The style diversification guidelines may change periodically based upon evolving capital market conditions.

## **INVESTMENT MANAGER SELECTION AND EVALUATION**

The College intends to use external investment managers to manage the assets of Great Plains College.

The College shall select through a Request for Proposals process an Investment Manager. The performance of the Investment Manager will be reviewed on an annual basis. Investment manager services will be tendered every 4 years.

The College has established evaluation criteria to select external investment managers for the portfolio. The criteria are intended to serve as guidelines and may change periodically to reflect the evolving needs of the portfolio. *(Included in Appendix B is a listing of the current investment manager evaluation criteria.)*

## **INVESTMENT MONITORING PROCESS**

The College will review the endowment investments semi-annually and modify allocations as deemed appropriate to meet its investment's objectives and where necessary to preserve capital. Quarterly reports will be distributed to the College to facilitate this monitoring process.

It is expected that the Investment Manager be willing to meet annually with the College to discuss the performance of the portfolio as well as to review expected market conditions going forward and suggest possible investment adjustments for the portfolio

## **ETHICAL INVESTMENT**

Great Plains College wishes to make investments within its portfolio in ways that are consistent with the mission and values of the organization.

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Great Plains College believes that the organization's choice of where to invest should reflect the ethical values it espouses. Great Plains College will not knowingly invest in companies whose activities include practices which directly pose a risk of serious harm to individuals or groups, or whose activities are inconsistent with the mission and values of Great Plains College, the donor or the Government of Saskatchewan.

In order to give effect to its commitment to this policy the College will:

- Review on an annual basis whether any investment is contrary to the Great Plains College value system;
- Issue guidance for investment managers responsible for the Great Plains College investments; and
- Monitor the operation and effectiveness of the policy on an annual basis.

## **CONFLICT OF INTEREST**

A Board of Director shall be considered to have a conflict of interest if he or she or any member of his or her family has a direct or indirect interest which might impair or appear to impair his or her independent, unbiased judgment in the discharge of responsibilities of Great Plains College. No Board of Director shall vote on any matter under consideration at a Board meeting in which he or she has a conflict of interest. The minutes of such meetings shall reflect that a disclosure was made and that the individual having the conflict abstained from voting. Annually, all officers and board members shall disclose any affiliation they have with any sponsor of an investment owned by Great Plains College.

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Appendix A – Asset Allocation

It has been determined by the College that the primary objective of the endowment is to grow the assets on a real (inflation adjusted) basis in excess of the spending procedure in order to avoid the loss of purchasing power of the scholarships that are being paid out. Closely tied to this objective is to ensure that we minimize the occurrences in which we need to cease redemptions due to the negative impact that redemption would have on the capital invested. To accomplish these objectives the college is willing to accept a low to medium degree of risk to the capital in the short and medium term in an effort to earn a better rate of return than the risk free rate (ie a five year laddered GIC portfolio).

Historically equities have provided a positive real rate of return when accounting for inflation; however they have done so with considerably more volatility than that of fixed income. A target asset allocation is required to provide a guideline as to the percentage of each asset class that should be held based on the return objectives set out in this policy. This target asset allocation should be allowed to deviate throughout a given period that will allow for some flexibility. The target asset allocation for the investment will be:

Canadian equities – 17%

Foreign equities (including US) – 23%

Fixed Income (cash and bonds) – 60%

It is recommended that the portfolio gets rebalanced back to its stated target asset allocation every six months or at any point where the asset allocations of equities to bonds exceeds a 10% deviation from the stated target set out above.

As stated above the secondary objective of this portfolio is to provide annual income in the form of scholarships. In order to best accomplish this, it is the mandate of this portfolio to ensure that there is enough money in cash like alternatives to provide for the next three years of required disbursements as set out in the schedule determined by the college in advance.

A benchmark will be used by calculating the appropriate weighting of the S&P/TSX index, the MSCI world Index and a Canadian Fixed Income weighted index and reducing this number by the fees incurred by the portfolio to determine the relative performance of the investment manager.

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Appendix B –Investment Manager Evaluation Criteria

The following criteria are used to evaluate the Investment Manager for Great Plains College. The College may choose to override these criteria upon agreement.

- a) An estimated annualized return on the investment of 5% net of inflation
- b) Investment strategies of 1 year, five years, ten years, and potentially in perpetuity
- c) Assessment of acceptable levels of risk for the investments being suggested
- d) Ability to work within the draft Great Plains College Statement of Investment Policy. Contact Director of Development for a copy.
- e) Expected fees and/or commissions
- f) History of work with other charitable organizations on the creation and management of endowments or trusts
- g) History of support for Great Plains College and other education related initiatives within the Great Plains College region
- h) Desire and capacity to contribute to Great Plains College programming, Alumni and student services