

**TERMS OF REFERENCE**

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*ToRID & Cte Name:* **TOR08: Investment Committee**

*Issued by:* Vice-President, Finance and Administration

*Effective:* 2023-03-28

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**1. PURPOSE**

The purpose of the Investment Committee is to establish and maintain a Statement of Investment Principles that will set short and long-term objectives and will list the specific investment vehicles which can be used.

The Investment Committee will also select the Investment Manager(s) and, on a quarterly basis, review and evaluate, both quantitatively and qualitatively, the Investment Manager's performance including an evaluation of return rates relative to established benchmarks and the monitoring of the degree of risk assumed in the pursuit of investment objectives.

The Investment Committee may also review the Investment Manager's performance at any time if there are significant changes in the returns from the portfolio.

The Investment Committee will also review at least annually the Statement of Investment Principles including a reassessment of return expectations, risk tolerance and time horizons.

**2. DEFINITIONS**

*Short-term investments:* Investments with a term of one year or less.

*Long-term investments:* Investments with a term greater than one year, including restricted or endowed funds.

*Restricted funds:* Monies received for specific purposes and are separate from the College's regular operating funds.

*Endowed funds:* Donations where the donor stipulates preservation of capital and disbursement of interest earned.

**3. MEMBERSHIP AND TERMS OF OFFICE**

The Investment Committee shall be comprised of the following members:

- Vice-President, Finance and Administration (Chair)
- Manager, Financial Services
- Executive Director, Fanshawe College Foundation
- Up to two community members experienced in financial planning appointed by the President. Each community member must not have a conflict of interest.
- One other administrator appointed by the President

## COLLEGE COMMITTEES

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- Two members of the Board of Directors of the Fanshawe College Foundation
- Two members of the Board of Governors of Fanshawe College

External Investment Manager(s) shall be resource member(s) to the Investment Committee.

### 4. MEETINGS AND CONDUCT OF BUSINESS

- 4.1 The quorum for holding a meeting of the Investment Committee and conducting its business shall be 50% of its members (excluding resource members).
- 4.2 The Investment Committee will meet quarterly, or as otherwise determined by the Chair.
- 4.3 Business of the Investment Committee shall be conducted by consensus.
- 4.4 Minutes of meetings shall be kept by a recording secretary appointed by the Chair.
- 4.5 Agendas and supporting materials should be provided to committee members at least five calendar days in advance of a meeting.
- 4.6 The Investment Committee shall provide an annual monitoring report to the President, the Fanshawe College Foundation Board, and the Fanshawe College Board of Governors.

### 5. RESPONSIBILITIES

- 5.1 The investment of restricted and surplus funds is the responsibility of the Vice-President, Finance and Administration in consultation with the members appointed by the Board of Governors.

### 6. REFERENCES

None.

### 7. ADDENDA

Appendix A: STATEMENT OF INVESTMENT PRINCIPLES

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*ToRID & Title:* TOR08: INVESTMENT COMMITTEE

*Addendum:* **Appendix A: STATEMENT OF INVESTMENT PRINCIPLES**

*Issued by:* Vice-President, Finance and Administration

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## 1. PURPOSE

The purpose of this document is to establish guidelines governing the College's short and long-term investments.

## 2. OBJECTIVES

The overall objective of the portfolio is to maximize investment income at a minimal and acceptable risk to capital. The emphasis for investments is security first, liquidity second and overall return or yield third. The portfolio shall be managed in such a way as to provide maximum long-term consistency and stability of return, with current income accounting for the majority of the portfolio returns. In addition, the portfolio shall seek to earn total returns outperforming the rate of inflation by a prescribed rate over the long-term. Over the short-term, the portfolio shall be sufficiently flexible to accommodate any specific income withdrawals that may be required.

Funds will be invested in one of two asset allocations: a Conservative allocation that emphasizes lower risk and a Balanced allocation that emphasizes long-term growth. The Investment Committee, in their discretion, will determine the asset allocation based on the specific risk tolerance, funding requirements, cash flow needs and long-term objectives of the specific fund(s). While long-term market value declines are unacceptable, the College recognizes that periodic short-term declines are unavoidable.

In addition, the investments shall adhere to the requirements as set out by The Ministry of Training, Colleges and Universities, the Minister of Finance's Financial Administration Act as amended from time to time, and for restricted or endowed funds, consistent with the requirements according to the Trustee Act as amended from time to time.

## 3. OWNERSHIP OF INVESTMENTS

All investments, including those managed by an Investment Manager(s), shall continue to be owned and held in the name of Fanshawe College of Applied Arts and Technology. The College accepts full responsibility for assigning appropriate investment management to these funds.

## 4. INVESTOR PROFILE

The portfolio is best suited for an investor seeking income and preservation of capital.

## 5. TIME HORIZON

Short-term investments are defined as investments with a term of one year or less. Long-term investments are defined as investments with a term greater than one year. Endowed funds are expected to be invested permanently with only income generated withdrawn.

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## 6. TOLERANCE FOR FLUCTUATIONS

The Portfolio shall be invested in such a manner as to balance the need to meet current cash outflows with the need to preserve capital for future obligations. The portfolio has a long-term orientation and thus can be exposed to a degree of risk. The portfolio should be conservatively invested to reduce the exposure to undue volatility and market risk.

## 7. MONITORING THE PORTFOLIO

The primary rate of return objective is to achieve an annualized rate of return on the portfolio, over moving four-year periods, that exceeds the return of the investment benchmarks specified below by 1%.

The secondary rate of return objective is to achieve a minimum annualized rate of return on the portfolio equal to 4% in excess of the percentage change in the total Consumer Price Index over moving four-year periods in order to support stable expenditures over time. This will ensure the continued disbursement of expenditures and that the principal balances continue to experience real growth not eroded by inflation.

In determining the rates of return, market value based returns will be calculated after inclusion of interest, dividends, realized gains and losses, unrealized gains and losses and transaction costs but will not include investment management fees.

Any significant under performance of the benchmarks over any eight consecutive quarters will automatically lead to a review of the Investment Manager(s). For long-term fixed income investments, the benchmark is the FTSE TMX Canada Bond Universe (Formally DEX Canada Universe). For equity investments, the benchmarks include the TSX (Toronto Stock Exchange), S&P500 (Standard & Poor's 500) and the MSCI (Morgan Stanley Capital Index) EAFE (Europe, Australasia and the Far East) indices. The performance is reported and monitored quarterly.

A review of investment manager(s) can be initiated by the President at any time.

Within the context of the above requirements, the preservation of capital and maximization of long-term growth are desirable.

## 8. ASSET MIX GUIDELINES

The portfolio shall be invested in money market securities, longer date fixed income securities, and both foreign and Canadian equities in accordance with one of the following two asset allocations:

**COLLEGE COMMITTEES**

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**Conservative allocation:**

Investment Type	Long-term Target	Asset Allocation Guidelines	
	Asset Mix	Minimum	Maximum
Cash and Money Market securities	0%	0%	10%
Long-term Fixed Income instruments	60%	50%	70%
Canadian equities	23%	13%	33%
Foreign equities	17%	7%	27%

**Balanced allocation:**

Investment Type	Long-term Target	Asset Allocation Guidelines	
	Asset Mix	Minimum	Maximum
Cash and Money Market securities	0%	0%	10%
Long-term Fixed Income instruments	40%	30%	50%
Canadian equities	33%	23%	43%
Foreign equities	27%	17%	37%

Rebalancing shall be completed at least quarterly. Should an asset class deviate by more than 10% from the long-term target, the Investment Manager(s) will invoke an adjusting transaction to bring the asset mix back to the target mix as close as possible.

**9. IMPLEMENTATION**

No investment decisions shall be made without first considering the impact upon current income generated by the portfolio within the context of the above stated objectives. This investment policy strictly prohibits the College from engaging in any investment activity that would be considered speculative according to the generally accepted principles of conservative investment management.

**10. DIVERSIFICATION GUIDELINES**

The cumulative investment in any bond category shall be within the ranges listed below:

<b>Fixed Income Instruments</b>	<b>Range</b>
Government	45% - 90%
Corporate	10% - 55%

**11. ELIGIBLE INVESTMENTS**

Investments may be made in:

- Government obligations (i.e. Treasury Bills Notes, Strip Coupons, Debentures and/or Bonds) issued directly or indirectly by the Federal government or an agency (Canadian and U.S.) or any of the provinces with an appropriate credit rating (see Quality Guidelines below).
- Canadian Chartered Bank Securities, being Bearer Discount Notes, Deposit Receipts, Term Notes, Certificates of Deposit, Bankers Acceptances, bonds and strip coupons with an appropriate credit rating.
- Securities of foreign banks or the Canadian affiliates of foreign banks provided that the obligations are guaranteed or carry separate appropriate ratings.
- Commercial paper, bonds, debentures and strip coupons issued of Canadian companies with an appropriate credit rating.
- Maple bonds (corporate or government debt issued by foreign entities in Canadian dollars).
- Common and preferred shares issued by Canadian corporations.
- Income Trust units.
- Foreign equities.

**12. QUALITY GUIDELINES**

The purchase of any debt securities will not have a lower than BBB rating for bonds and R1 or higher for commercial paper.

Investments in preferred shares shall be limited to those carrying a credit rating of P2 or higher.

Ratings shall be used from an accredited ratings agency, including but not limited to: Dominion Bond Rating Services, Standard and Poor's Credit Rating Service, and Moody's Investor Services.

The securities of any one issuer, with the exception of government or government-guaranteed issues, shall comprise no more than 10% of the portfolio value within its asset class.

Long-term Fixed Income instruments may include up to 10% debt denominated in U.S. funds.

**13. APPLICATION**

The Statement of Investment Principles shall be implemented by the College's chosen Investment Manager(s), and will be monitored by the Investment Committee.

The investment portfolio shall be managed on a discretionary basis by the Investment Manager(s) subject to all guidelines established in this document.

Payments for investment purposes must be authorized by two signing officers as outlined in the College's banking agreement approved by the Board of Governors.

**14. SUPERVISOR**

The monitoring of the investment portfolio shall be administered by the Manager, Financial Services, under the supervision of the Vice-President, Finance and Administration.

**15. TAXATION**

Given the tax exempt status of the College, the Investment Manager(s) shall make investment decisions without regard to tax implications.

**16. ACCOUNTING**

Investments will be classified and accounted for as 'Fair Value' assets per CICA Handbook Section PS 3450, Financial Instruments. Accordingly, assets will be measured and recorded at fair value. Changes in fair value will generate gain and loss adjustments, which will be reported on the College's consolidated financial statements in endowment balances or as remeasurement gains and losses.

**17. REPORTING**

Quarterly investment reports shall be prepared for and distributed by the Investment Manager(s) to the Investment Committee within a target of 14 calendar days after each quarter end.

Quarterly reports shall contain the following information:

- Complete inventories of all portfolio investments and percent breakdown by each investment type. Average term to maturity of the portfolio may be included. Credit rating will be included, if available.
- A list of all transactions, whether matured or not, including opening balances, maturities, dispositions, purchases and accrued interest.
- An assessment of performance against the appropriate benchmarks over the same period.
- A written statement of compliance with the relevant portions of the Statement of Investment Principles.

**18. POLICY REVIEW**

The Statement of Investment Principles shall be reviewed annually by the Investment Committee to ensure they remain consistent with the overall objectives of the College and prudent and conservative investment practices. This statement may be reviewed and updated more frequently if necessary.

The Investment Committee shall provide a monitoring report to the President annually.

**19. FEES**

The Investment Manager(s) shall be entitled to remuneration. The determination of this fee, the timing and the method of payment, shall be the subject of negotiation and agreement prior to finalizing any relationship.

The Investment Committee shall be informed of, understand and agree to any other costs associated with the management of the investment portfolio.

**20. RENEWAL OF SERVICE AGREEMENT**

The service agreement shall not exceed a five-year term, with the possibility of up to two one-year extensions at the discretion of the Investment Committee.

**21. CONFLICT OF INTEREST/CONFIDENTIALITY OF INFORMATION**

In the event that a conflict of interest, real or perceived, should arise in the operation of the investment process, either on the part of the Investment Manager(s) or on the part of the Investment Committee or any of its members, such conflict shall be disclosed immediately. All investment activities must be conducted in accordance with the Chartered Financial Analyst Code of Ethics. All investment information shall be considered confidential.

Specifically, a fiduciary may not:

- Purchase trust assets from the trust.
- Sell his or her own assets to the trust.
- Accept fees or payments for service to the Investment Committee.
- Use information gained through his or her office for profit.
- Use the College's property in his or her own trade or business.
- Do anything indirectly which he or she is prohibited from doing directly.

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