

POLICY DFA – Investments

In order to deal with the fluctuation in grants, the Board requires reserves. The Board believes these reserves should be invested in a prudent manner in low-risk investments.

PURPOSE

The purpose of this policy is to provide an effective framework for the investment and management of Board funds that ensures the security of principal and optimizes investment returns.

ACRONYMS

ATB- Alberta Treasury Branch
BMO-Bank of Montreal
BNS- Bank of Nova Scotia
CDIC-Canadian Deposit Insurance Corporation
CIBC-Canadian Imperial Bank of Commerce
CIPF-Canadian Investor Protection Fund
DBRS-Dominion Bond Rating Service
GIC-Guaranteed Investment Certificate
RBC-Royal Bank of Canada
TD-Toronto Dominion

SCOPE

The policy applies to the investment of centrally managed funds. School funds are excluded.

GUIDELINES & PROCEDURES

1. Authority to Manage All Aspects of Investments
 - a) The Superintendent delegates the authority to make investments in compliance with the Board's investment policies to the Secretary Treasurer;
 - b) All investment activity requires the written approval by any two of the following:
 - i) Secretary Treasurer;
 - ii) Accountant;
 - iii) Superintendent.
2. Investment Objectives
 - a) Preservation of principal (low-risk investments);
 - b) Ensuring liquidity and availability of cash to meet payment obligations;

- c) Competitive rate of return on investments given the constraints in (a) to (b). Interest rates on investments should be significantly higher than interest earned on our general bank account (not less than 0.2% at time of investment).
3. Authorized Investments
 - a) The Board will invest only in low-risk GICs issued by a Canadian bank, Canadian Trust Company, Canadian credit union or the ATB.
4. Investment Quality Restrictions
 - a) All investments must meet the minimum credit rating of BBB High (long-term) and R-2 High (short-term) as rated by the DBRS or comparable ratings from other agencies. (See Exhibit 1). Credit unions not rated by DBRS and ATB have the same credit rating of their province;
 - b) All investments outside of the 5 major Canadian banks, must be within the insured limits of one of the following:
 - a. CDIC;
 - b. CIPF;
 - c. a provincial government;
 - d. a provincial credit union association.
5. Limitations of Investment by any Single Issuer
 - a) Current bank (excluding operating account) and ATB: not greater than 33% of investment portfolio;
 - b) Other major banks (4) and Alberta and British Columbia credit unions: \$2,000,000;
 - c) Ontario credit unions: \$250,000;
 - d) All other credit unions: \$1,000,000;
 - e) All other banks and financial institutions having only CDIC Insurance: \$100,000;
6. Investment Strategies – Short Term
 - a) At least 33% of the investment portfolio will be short term (maturing within one year.)
7. Investment Strategies – Long Term
 - a) A maximum of 67% if the investment portfolio will be long term (maturing in more than one year and less than five years.).
8. Authorized Investment Dealers and Financial Institutions
 - a) The Secretary Treasurer will place investments only with authorized investment dealers and financial institutions and will maintain a current listing. The School Division's bank will also be included.
9. Selection of Investment Dealers and Financial Institutions
 - a) Selection of investment dealers and financial institutions will be done by "Request for Proposals" in consultation with the Audit Committee.
 - b) The Secretary Treasurer will review proposals received and rate the quality of the organization by assessing size, reputation, references from other school divisions,

- quality of service provided, range of investment products available and competitiveness of these products.
- c) The Secretary Treasurer will summarize the proposals received and provide his/her recommendations to the Audit Committee. The Audit Committee will make the final selection of the investment dealers/financial institutions and make a recommendation to the Board for approval.
 - d) In addition to our current bank, the school division will place investments with a minimum of two and maximum of four investment dealers/financial institutions.
 - e) Investment dealers/financial institutions performance will be monitored and reported on annually to the Audit Committee by the Secretary Treasurer. The Secretary Treasurer will provide recommendations to the Audit Committee for the termination or addition of investment managers annually.

10. Investment Placement Process

- a) The Secretary Treasurer may place an investment with an approved investment manager in response to an excellent investment opportunity offered.
- b) The Secretary Treasurer places the investment through a competitive process:
 - i) Our bank and approved investment dealers are sent an email by the Secretary Treasurer requesting quotes on a specific day and time. At least two days' notice is provided.
 - ii) The financial institutions provide written quotes by email to the Secretary Treasurer prior to the quote deadline.
 - iii) The Secretary Treasurer evaluates interest rates, risk and portfolio constraints and recommends investments to proceed with.
 - iv) The Secretary Treasurer then reviews with the Superintendent and both sign for approval of Investment on the "Investment Placement Approval Form". The Superintendent or designate may delegate his/her signing authority on a one-time basis to the accountant via email.
 - v) The Secretary Treasurer then advises the investment managers by email of the investment placements.
- c) Investment manager confirms placement by email.
- d) The Secretary Treasurer arranges wire transfer of funds to the financial institution. The Accounts Payable Clerk and Accountant prepare the wire transfer.
- e) All documents supporting the investment purchase are filed by the Accounts Payable Clerk.

11. Monitoring and Reporting

- a) The Secretary Treasurer continuously monitors investments and the performance of investment managers as well as trends in interest rates.
- b) The Secretary Treasurer prepares a monthly investment report and provides it to the Superintendent and the Audit Committee is responsible to review the report. The monthly report will be shared quarterly with the board as information.

- c) The Secretary Treasurer provides an annual investment report to the Board and Superintendent in conjunction with preparation of the August 31 financial statements. The report provides comments on the overall interest rate earned, investment manager performance, economic trends and recommendations for the future.

REFERENCES

Cross References:

[Policy DFA](#) – Exhibit 1 – Credit Ratings

[Policy BCE](#) – Board Committee – Exhibit 1 – Committee Terms of Reference

Legal References:

[Education Act](#) Section 54

[Investment Regulation](#)

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