



SHORT-TERM CASH INVESTMENT POLICY

Financial Policy & Procedures

1.0 PURPOSE

The purpose of the policy is to establish guidelines which will facilitate effective management of Mount Saint Vincent University's cash balances. In the course of operations, the University accumulates cash balances which fluctuate in size during the fiscal year. Although the funds are committed for specific purposes, the use of the committed funds is not always immediate and thus significant cash balances can accumulate. (This does not include Endowment Funds which are covered by a separate Investment Policy overseen by the Investment Committee of the Board of Governors). In recent years, the Province has undertaken a practice of pre-paying a portion of the University's Operating grant in March of one fiscal year for the next fiscal year, with the amount of the prepayment growing each year. It is desirable that the University both protect and optimize the value of these funds; therefore the excess funds not immediately required for operations should be invested at the maximum yield available with appropriate security, liquidity and diversification constraints.

Regular cash flow and cash balance forecasts will be generated by Financial Services to determine the cash requirements of the University in both the immediate and longer term. These forecasts will serve as a guide in determining the levels and time periods of excess cash balances. The excess cash balances will be invested to enhance yield within the constraints of the University's Investment Objectives while ensuring sufficient cash resources are maintained to meet upcoming obligations.

2.0 INVESTMENT OBJECTIVES

The investment of excess cash balances must satisfy the following investment objectives:

- Maturity terms are selected which ensure that sufficient cash resources are available to meet obligations as they become due;
- Security of the invested funds must be a prime consideration in selection of any investment;
- A high level of liquidity must be maintained in the portfolio of investments to enable the sourcing of funds at minimal risk level of capital loss, or to provide the ability to adjust the portfolio in changing market conditions. This will be achieved by limiting investments to readily marketable securities;
- Investment yield, while an important factor, will be subordinate to security and liquidity considerations;
- Given that the University has limited staff resources, the investment strategy must be manageable without a requirement for day to day management.

3.0 PERMITTED INVESTMENTS

- (a) Cash on hand and demand deposits;
- (b) Treasury bills issued by the federal and provincial governments and their agencies;
- (c) Obligations of trust companies and Canadian and foreign banks chartered to operate in Canada, including bankers' acceptances and bearer deposit notes;
- (d) Guaranteed Investment Certificates;
- (e) Federal/ Provincial Bonds;
- (f) Municipal Bonds;
- (g) Commercial paper and term deposits, and
- (h) Bank issued Asset Backed Commercial Paper.

4.0 MINIMUM QUALITY STANDARDS

(a) Quality Standards

- (i) The minimum quality standard for individual short-term investments is "R-1 mid" or equivalent and for bonds, a debt rating of "A" or higher as rated by a recognized bond rating agency, at the time of purchase.
- (ii) All investments shall be reasonably liquid with no term to maturity greater than 2 years and a minimum of 30% of the portfolio invested in securities with terms of maturity of less than 1 year.

(b) Rating Agencies

For the purposes of this Policy, the following rating agencies shall be considered to be "recognized bond rating agencies":

- (i) Dominion Bond Rating Services;
- (ii) Standard and Poor's; and
- (iii) Moody's Investors Services.

5.0 DIVERSIFICATION

Single Position Restriction

The cumulative investment of any one money market investment will not exceed 35% of the total portfolio except for the following:

- Canadian Chartered Banks – deposit accounts – each shall not exceed 50% of the total portfolio;
- Government of Canada T-Bills, Notes & Bonds – unlimited;
- Crown Corporations & Agencies, Government of Canada guaranteed Notes – unlimited.

Cumulative Bond Total by Asset Class

The cumulative investment in any bond as a percentage of the asset class should not exceed the limits outlined below:

Issue Type	Maximum Per Type	Maximum Per Issue
Federal/ Provincial	100%	100%
Municipal	75%	25%

Minimum Cash Balances

The diversification requirements will only apply on overall cash balances in excess of \$6M as a minimum cash balance is required in the University bank account to meet payroll and other ongoing obligations.

Rebalancing

It is the intention of this policy to rebalance the portfolio on a quarterly basis through changes in cash balances or by redirecting funds between investments.

6.0 PROHIBITED INVESTMENTS

- (a) Equity investments;
- (b) Pooled investment funds;
- (c) Non-bank issued Asset-Backed Commercial Paper;
- (d) Any investment not specifically permitted by the Policy.

7.0 RESPONSIBILITIES AND APPROVALS

The Board of Governors is responsible for assets invested by the University. Responsibility for investment management of short-term investments has been delegated to the Financial Services Department, under the direction of the Director, Finance and Administration.

The Financial Services Department will:

- (i) Invest the excess cash funds in accordance with this Policy
- (ii) Provide reports regarding past performance and compliance with the Policy;
- (iii) Manage cash flow to meet liquidity needs;
- (iv) Liaise with the Investment Managers/Agent and Custodian.

All investing activities are to be approved according to the following guidelines:

Term	Approval Required
Term to Maturity of less than one year	Any two of the following: <ul style="list-style-type: none"> • Vice-President (Administration) • Director, Finance and Administration • Manager, Financial Planning & Control • President • Vice-President (Academic)
Term to Maturity exceeding one year	Vice-President (Administration) plus any one of the following <ul style="list-style-type: none"> • Director, Finance and Administration • President • Vice-President (Academic)

8.0 RECORDS & ACCOUNTING

Records of investing activities, including matured and outstanding investments will be held and maintained by the Budget Analyst. The Director, Finance and Administration is responsible for ensuring that the investing transactions are accounted for and disclosed in accordance with the generally accepted accounting principles and the University's accounting policies and practices.

9.0 PERFORMANCE MEASUREMENT

The primary objective for the Fund is to earn a rate of return, net of fees, that exceeds the rate of return earned on 91 day Treasury Bills. The annual report will include appropriate benchmarks.

10.0 REPORTING

A report on the Short-term Investment of Excess Cash shall be submitted annually by Financial Services to the Finance Committee providing performance data with appropriate benchmark comparisons and information on compliance with the Policy.

11.0 INVESTMENT POLICY REVIEW

This Policy may be reviewed and revised at any time but it must be formally reviewed at least every two years and to the extent changes are necessary, recommendations will be made to the Finance Committee for ultimate approval by the Board of Governors.

Approved by the Board of Governors February 28, 2013

Approved by the Finance Committee: June 8, 2015

Approved by the Board of Governors June 25, 2015