

Policy History
<b>Policy No.</b> FM2
<b>Approving Jurisdiction:</b> Board of Governors
<b>Administrative Responsibility:</b> Vice President Finance and Administration
<b>Effective Date:</b> March 2, 2022

## Investment Policy

### A. CONTEXT AND PURPOSE

1. The Board of Governors (“Board”) of Kwantlen Polytechnic University (“the University”) has the responsibility, pursuant to paragraph 27(2)(o) of the University Act, “to administer funds, grants, fees, endowments and other assets.”
2. The Board has assigned responsibility to the Finance Committee for the short and long-term financial health of the University as described in the following excerpt from the Terms of Reference, “the Committee’s mandate regarding the short and long-term financial health of the University includes but is not limited to overseeing: The development of University policies governing financial, budgetary, investment, borrowing and risk management matters.”
3. The purpose of this document is to set out the University’s policy for the investment of the University’s endowment and non-endowment funds (“Funds”), to describe the governance structure established for the investment of the Funds, and to set out the requirements for their ongoing and successful investment management.

### B. SCOPE AND LIMITS

This Policy, and the related Investment Procedures, apply to the investment of all Funds under the control of the University including:

1. Short term operating funds
2. Endowment funds
3. Non-endowment investment funds
4. Other funds as may be identified from time to time excluding related entities and the pension plan funds.

The Kwantlen Polytechnic University Foundation manages its own funds and is not bound by this Policy.

## **C. STATEMENT OF POLICY PRINCIPLES**

1. The investment of Funds will be made in a manner that reflects the different objectives of those Funds, and will be accounted for accordingly.
2. The primary objectives of each Fund will be managed to balance safety of principal, maximize return on investment and attainment of real increases in spending through capital appreciation, while balancing the liquidity objectives of those Funds.

## **D. POLICY**

1. The University will establish Investment Procedures for its various Funds that meet the needs of the University and its constituents.
2. The University will present quarterly investment performance reports to the Finance Committee.
3. The University will annually review the Investment Procedures with the Finance Committee and seek approval from the Finance Committee before changes are made to the Investment Procedures.
4. The University, on the advice of the Finance Committee, may hire one or more financial managers to advise the University and its Finance Committee on an investment strategy that best meets its investment goals.
5. The Investment Procedures will be established by the University and approved by the Finance Committee with the overall goals of generating investment returns, preserving capital, ensuring liquidity to meet the needs of the University and the purposes of each of its funds, and generating returns.

## **E. SPENDING POLICY**

1. Annually 5% of the established endowment market value will be distributed, provided the current fair market value of the endowment exceeds 90% of established book value in March 31 of the previous year. If the fair market value falls below 90% of the established endowment book value, distributions will be reduced to 4%. If the fair market value falls below 85% of the established endowment book value, distributions will be reduced to 3%. If the fair market value falls below 80% of the established endowment book value, no distribution will be made.
2. The established book value will be defined as the original value of the endowment inclusive of all donations and matching contributions. A new book value will be established for disbursement purposes in cases where the market value exceeds book value by 25% or upon approval of the Finance Committee.

## **F. INVESTMENT PRINCIPLES**

1. The Funds are to be invested in accordance with section 57 of the University Act which states that the University: “must, when investing...make investments that a prudent person would make.”
2. The following principles will be followed in the investment of the Funds:
  - a. The selection of investments in the Funds should be made in the context of the total portfolio, with a reasonable expectation of a fair return or capital appreciation;
  - b. The investment objectives of the Funds can be best achieved by investing in a diverse mix of asset classes, economic sectors and geographic markets with varied investment characteristics which will be further defined in the Investment Procedures; and
  - c. No entity, including the investment manager(s) or a representative of the University may lend, pledge, or otherwise encumber any of the Funds’ assets, except through a Securities Loan or University-related Business Entity Loan Agreement approved by the Vice President Finance and Administration.

## **G. INVESTMENT PROCEDURES**

1. The University will develop Investment Procedures that will govern the management of the investment portfolio. These Procedures will describe the objectives, acceptable risk levels, liquidity levels, diversification, and quality of investments acceptable to the University.
2. The investment management of the Funds will be performed in such a manner that reflects the different objectives of the Funds which comprise the University’s investment portfolio. The Funds will be managed to balance the investment return, risk objectives, and liquidity required of each of those funds.
3. The investment portfolio will be designed so as to maximize the rate of return while taking into account the University’s liquidity needs and risk restraints.

## **H. GOVERNANCE STRUCTURE**

1. The governance structure established for the investment of the Funds is designed to ensure that the investments are managed prudently, appropriately and in compliance with the applicable legislation and this Policy.
2. The Board has ultimate authority and fiduciary responsibility for the administration of the investment of the Funds including: establishing the Policy and asset allocation guidelines; establishing the structure for investment management; the appointment or removal of Investment Managers and other advisors; monitoring performance of the fund and its Managers; and annual reporting on the status and operation of Fund assets. The Board may delegate their responsibility to a Finance Committee and will make investment policy decisions which most significantly impact the Funds’

investment risk and return objectives based on recommendations from the Finance Committee and the Vice President Finance and Administration.

## **I. CONFLICT OF INTEREST**

1. The conflict of interest guidelines for the Funds will be consistent with the overall guidelines for the University. To the extent that certain situations may create a conflict of interest not covered by the University's guidelines, the Vice President Finance and Administration will establish additional guidelines as required.
2. All securities will be purchased through normal public market sources, unless the purchase price approximates the prevailing market price from some other recognized source and is negotiated on an arm's length basis.

## **J. AUTHORITY**

This policy is administered under the authority of the Vice President Finance and Administration.

## **K. INTERPRETATION**

Questions of interpretation or application of this policy will be referred to the Vice President Finance and Administration and the Chair of the Board Finance Committee.

## **L. DEFINITIONS**

Refer to the related procedure document for definitions which will enhance the reader's interpretation of this policy.

## **M. RELATED POLICIES AND LEGISLATION**

University Act, section 57

Board Governance Policy 3.5 Financial Condition and Activities

Board Governance Policy 3.6 Asset Protection

## **N. RELATED PROCEDURES**

FM2 Investment Procedure