

Investment Policy

Policy Overview

This policy outlines how the Board makes financial investments of surplus funds that ensures the security of principal and optimizes investment returns while taking into account appropriate risk factors.

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Policy and Procedures History

- Policy approved September 24, 2008
- Procedures approved September 24, 2008

1.0 Legislative Context

The Investment Policy aligns and complies with the following:

- 1.1 Trustee Act of Nova Scotia, 2007
- 1.2 Nova Scotia Education Act, 2015

2.0 Principles

- 2.1 Available cash flow is invested to earn the maximum investment income with minimum to low risk to the principal value of the assets invested.
- 2.2 Investments undertaken by the Board shall be made in accordance with the Investment Guidelines outlined in section 3.

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3.0 Investment Guidelines

- 3.1 Investment of funds undertaken by the Board shall be made in accordance with all legal restrictions imposed by statute and the Trustee Act of Nova Scotia and any other applicable legislation.
- 3.2 Investment of funds undertaken by the Board shall be made with the objective of preserving and protecting the principal amount. As such, all investment opportunities shall be evaluated on the basis of risk of loss or diminution of capital. Investments, which are determined to be inconsistent with the objective of preserving and protecting the principal amount, are prohibited.
- 3.3 Investment of funds undertaken by the Board shall be made with the objective of maintaining liquidity necessary to meet fluctuations in the cash flow requirements of the Board. The forecast of cash flow requirements will determine the proper proportion of investments that have terms to maturity, which match the cash flow requirements of the Board.

Funds not required for a specific short-term need can be invested in longer-term securities with the most important consideration being the expectation of future interest rates and a reliable forecast of the timing of the need for these funds.
- 3.4 Investment of funds undertaken by the Board shall be made with the objective of diversification of the investment portfolio in order to minimize the risk of loss and achieve optimal balance of risk and return.
- 3.5 Investments undertaken by the Board shall be made with the objective of obtaining a competitive return on investments and weighing investment alternatives within the constraints of the policy objectives.
- 3.6 In determining the degree of investment risk, greater relevant importance shall be given to the objective of preservation of capital than to the extent to which an investment provides for maintenance of necessary liquidity, diversification of investment portfolio or a competitive return on investment.

4.0 Authorization

- 4.1 The Superintendent is authorized to develop and implement procedures in support of this policy.

5.0 Policy Review

- 5.1 This policy will be reviewed every five (5) years or on an as needed basis.

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1.0 Investment Categories

Appendix A - Definitions

1.0 Investment Categories

1.1 The Director of Financial Services may approve investments in the following asset categories:

- | | |
|--|---|
| <ul style="list-style-type: none"> • Bankers' Acceptances • Bearer Deposit Notes • Canadian Treasury Bills • Commercial Paper • Federal, Provincial, and Municipal Bonds and Debentures | <ul style="list-style-type: none"> • Provincial Treasury Bills • Term Deposits • Guaranteed Investment Certificates • CMHC Mortgage Backed Securities • Municipal Promissory Notes • Corporate Bonds and Debentures |
|--|---|

1.2 Investments will generally be limited to securities with a remaining term to maturity of five years or less with the exception of Federal or Provincial Government bonds. Investments need not be held to maturity and may be bought and sold to enhance the return whenever deemed appropriate.

1.3 The purchase of any securities carrying a Dominion Bond Rating Service (or equivalent accredited rating agency) credit rating below A (low) for bonds and R-1 (low) for corporate and commercial paper is strictly prohibited.

1.4 Investments of appropriate credit quality may be made subject to the following limits.

| <u>Investment</u> | <u>Maximum Percentage of Portfolio</u> |
|-----------------------------|--|
| Canadian Federal Government | 100% |

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|---|------|
| Provincial and Municipal Governments | 100% |
| Financial institutions and their guarantees | 50% |
| Corporations and their guarantees | 50% |
| All other investment categories | 15% |

- 1.5 The Director of Financial Services will engage qualified investment managers to manage the investment portfolio.
- 1.6 A projected cash flow analysis will be prepared prior to undertaking any investments to ensure that at no time over the course of the investment life will a negative cash flow result for the Board. Hence, only surplus funds will be invested.
- 1.7 A letter of instruction will be issued and signed by the Director of Financial Services to the contracted investment manager stating the amount to be invested and timeframe.
- 1.8 These procedures will be implemented and monitored by the Director of Financial Services.

Appendix A

Definitions

Definitions

Short-Term (Investment) – any investment made for less than one year

Longer-Term (Investment) – any investment made for one to five years

Cash Flow – Board bank account balances plus deposits less outstanding commitments (outstanding cheques and payroll to be paid)

Surplus Funds – bank account balances that are not required in the short-term to fund expected and outstanding commitments