

**Wednesday, February 15, 2017**

**Public Session**

**10:55 a.m. to 12:00 p.m.**

**North Campus, ERC 3023**

**Toll-Free: 1-877-385-4099 Participant Passcode: 1028954#**

**Members:** Nigel Allen (Chair), Miles Goacher, Adele Imrie, Tim McTiernan, John Speers, Tyler Turecki

**Staff:** Craig Elliott, Cheryl Foy, Douglas Holdway, Sue McGovern, Michael Owen, Deborah Saucier

**Guests:** Leila Fiuuzi & Peter Dawkins (PH&N)

**AGENDA**

No.	Topic	Lead	Allocated Time	Suggested End Time
1	Call to Order	Chair	1	
2	Agenda (M)	Chair	2	
3	Conflict of Interest Declaration	Chair	2	
4	Chair's Remarks	Chair	5	
5	Approval of Minutes of the Meeting of November 16, 2016* (M)	Chair	5	11:10 a.m.
6	Investment Review		20	11:30 a.m.
6.1	Third Quarter Investment Review*	PH&N		
7	Investment Learning – Economic Impact of U.S. Protectionism*	PH&N	10	11:40 a.m.
8	Disbursement Committee Recommendation* (P)(M)	C Elliott	5	11:45a.m.
9	Annual Review of Statement of Investment Policies* (D)	C. Elliott	5	11:50 a.m.
10	Annual Review of Endowment Policy* (D)	C. Elliott	5	11:55a.m.
11	Other Business	Chair	3	
12	Termination (M)		2	12:00 p.m.
	P - Presentation			
	M - Motion			
	U - Update			
	D - Discussion			
	* Documents attached			

Becky Dinwoodie, Secretary

**Public Session Minutes for the Meeting of November 16, 2016  
10:45 a.m. to noon, ERC 3023**

**Attendees:** Nigel Allen (Chair), Miles Goacher, Adele Imrie, Tim McTiernan, John Speers (*via teleconference*), Tyler Turecki

**Staff:** Becky Dinwoodie, Craig Elliott, Cheryl Foy, Sue McGovern, Michael Owen

**Guests:** Leila Fiouzi and Peter Dawkins from PH&N

**1. Call to Order**

The Chair called the meeting to order at 10:47 a.m.

**2. Agenda**

*Upon a motion duly made by A. Imrie and seconded by T. Turecki, the Agenda was approved as presented.*

**3. Conflict of Interest Declaration**

There was none.

**4. Chair's Remarks**

The Chair noted the presentations that P. Dawkins and L. Fiouzi would be making during the session, particularly the presentation on the impact of the U.S. presidential election on the economy.

**5. Approval of Minutes of the Meeting of August 10, 2016**

*Upon a motion duly made by A. Imrie and seconded by T. McTiernan, the Minutes were approved as presented.*

## 6. Investment Review

### 6.1 Second Quarter Investment Review

L. Fiouzi reviewed the second quarter investment report and highlighted the sovereign debt quality. She noted that after the credit crisis, there was a lot of deleveraging taking place and the U.S. lost their triple A credit rating.

### 6.2 Annual Report on ESG

L. Fiouzi presented the RBC Global Asset Management semi-annual report on Corporate Governance and Responsible Investment (CGRI), which includes a summary of its proxy voting. L. Fiouzi reported that 11% of their ballots voted against management. The CGRI also reports on engagements undertaken over the relevant period. She highlighted engagement with a large Canadian mining company. The concern was that the company's Board of Directors was light on people with mining experience; accordingly, the company was asked to appoint directors with mining expertise. She also referred to the actions taken with respect to Potash's sourcing of phosphate from the Western Sahara due to the risk of human rights violations.

## 7. Investment Learning – Potential Impact of U.S. Election on Economy and Financial Markets Election

L. Fiouzi conducted an educational session on the potential economic impact of the recent U.S. presidential election. She reviewed a side by side comparison of the Trump and Clinton political platforms. Trump's proposed plan is to increase spending and reduce taxes. His stance against NAFTA could have a tremendous impact on Canada.

It is estimated that Trump's policies will have a negative impact on the economy in the long-term.

L. Fiouzi discussed some of his proposed policies and their potential consequences, including:

- Reduction of compliance obligations introduced by the Dodd-Frank Wall Street Reform and Consumer Protection Act;
- Plans to repatriate auto manufacturing to the U.S. (increased labour costs, impact of relations with China);
- Reduction of incentives for clean energy/technology;
- Tariff structure for oil and gas
- Stricter immigration policies – much of the U.S. economy is supported by legal and undocumented immigrants

She advised that stock markets prefer the status quo, no matter what it is. When a different party is elected, uncertainty increases and the market reaction will be more uncertain. While there might be a lot of uncertainty in the future, things will eventually settle down. As an institutional and long-term investor, this is good news.

L. Fiouzi provided an overview of the impact of other economic policy shocks, including the Volcker appointment, Asian crisis, fall of the Berlin Wall, Bear Stearns collapse, etc. An examination of the history of the market in periods of turmoil showed that investors should not abandon equities. The market has survived a number of different shocks. It pays most to marginally adjust in the short-term and stay with investments for the long-term.

#### **8. Other Business**

There was none.

#### **9. Termination**

*Upon a motion duly made by T. McTiernan and seconded by T. Turecki, the public session of the meeting terminated at 11:25 a.m.*

DRAFT



# Presentation to University of Ontario Institute of Technology

## Public Session

Leila Fiouzi, CFA  
Vice President & Investment Counsellor

Peter Dawkins  
Associate

February 15, 2017



**Wealth Management**  
PH&N Investment Counsel

# Summary Investment Returns

## December 31, 2016

**Market Value:** Investment Account \$22,598,064  
Cash Account \$ 523,769

	Three Months %	One Year %	Three Years %	Five Years %	Since Inception*
<b>UOIT (Investment A/C)</b>	1.13	8.12	7.94	9.31	8.13
<i>Benchmark **</i>	<u>1.62</u>	<u>7.69</u>	<u>6.60</u>	<u>7.84</u>	<u>7.33</u>
<b>Difference</b>	-0.49	+0.43	+1.34	+1.47	+0.80

\*Inception date Aug 31, 2010

<b>UOIT (Cash A/C)</b>	0.23	0.89	1.00	-	0.98
<i>FTSE TMX Canada 30 Day T-Bill</i>	<u>0.12</u>	<u>0.47</u>	<u>0.64</u>	-	<u>0.65</u>
<b>Difference</b>	+0.11	+0.42	+0.36	-	+0.33

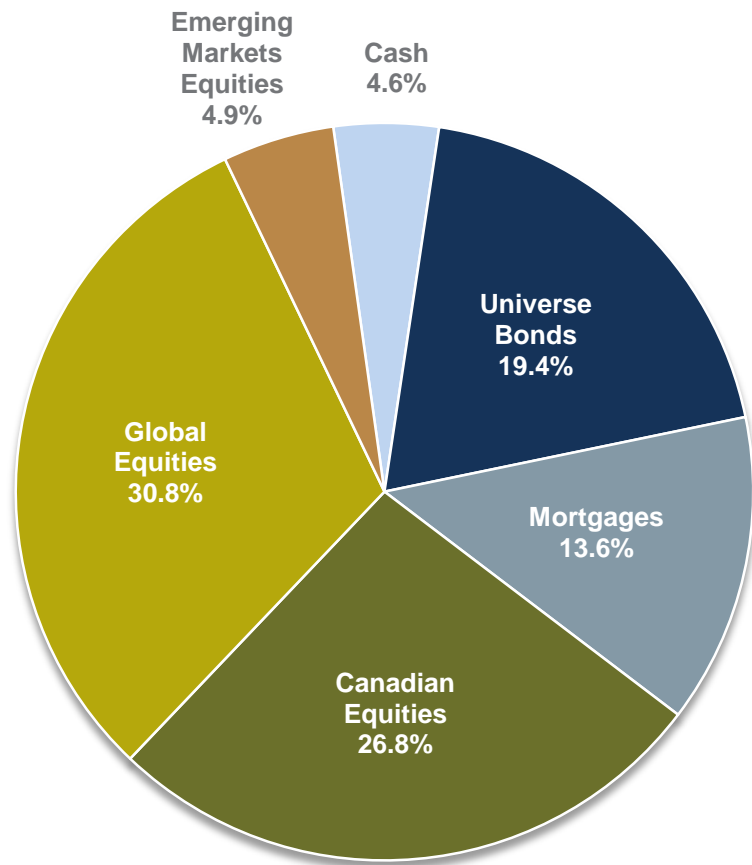
\*Inception date Nov 30, 2013

\*\* Current Custom benchmark: 20% FTSE TMX Canada Universe Bond Index; 15% FTSE TMX Canada Short Term Overall Bond Index; 27% S&P/TSX Capped Composite Index; 33% MSCI World Net Index (C\$); 5% MSCI Emerging Markets Net Index (C\$).

Note: All performance is shown gross of annual investment management and custody fees of 38 basis points

# University of Ontario Institute of Technology

## Asset Mix as at December 31, 2016



Asset Class	Target Allocation (%)
Cash and Cash Equivalents	0.0
Conventional Mortgages	15.0
Universe Fixed Income	20.0
Canadian Equities	27.0
Global Equities	33.0
Emerging Market Equities	5.0

## Economic Implications of Protectionism





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# Updated Disbursement Committee Report

2017-18 Disbursement Recommendation

# Cumulative Investment Income Summary

Cumulative Net Endowed Earnings - Mar 31, 2016	\$3,610,662
Interest/Dividends Earned Apr-Dec, 2016	\$ 851,751
Estimated Interest/Dividends Earned Jan-Mar, 2017	<u>\$ 28,888</u>
Cumulative Est Net Endowed Earnings at Mar 31, 2017	\$4,491,301
Less: Est 2016-17 Disbursements	(\$ 449,210)
Cumulative Capital Preservation	<u>(\$2,191,231)</u>
Cumulative Est Net Earnings Available For Disbursement	<u>\$1,850,860</u>

# Cumulative Investment Summary

Endowment Balance at Dec 31, 2015	\$14,430,901
2016-17 Donations to Dec 31, 2016	\$ 941,793
Cumulative Earnings Less Distributions	\$ 4,462,411
Unrealized gains	<u>\$ 3,286,728</u>
Market Value of Endowment at Dec 31, 2016	\$23,121,833
Est Income Jan-Mar, 2017	\$ 28,888
Est Disbursement in 2016-17	<u>(\$ 449,210)</u>
Forecast Investment Balance at Mar 31, 2017	<u>\$22,701,511</u>

# Gift Agreement Requirements

Endowed Awards can be specific dollar amounts, or could be expressed as a minimum and maximum amount. At our current investment level, we need to disburse between 3-4% of the principal value to cover our gift requirements.

For 2017-18, our disbursement requirements are \$476,560. A recommended distribution of 4% of the principle value would equate to \$480,000.

# Recommendation

The Disbursement Committee met on Feb 10, 2017. The committee recommends that \$480,000 be approved for disbursement from Endowment Funds, and distributed as student awards in 2017-18.

# Questions/Comments

Classification	10.1
Framework Category	Legal, Compliance and Governance
Approving Authority	Board of Governors
Policy Owner	Chief Financial Officer
Approval Date	June 29, 2016
Review Date	June 2019
Supersedes	Statement of Investment Policies, March 2015

## Statement of Investment Policies

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## 1.0 Purpose

The purpose of this Statement of Investment Policies (“SIP”) is to define the management structure governing the investment of non-expendable (endowed) University funds, and to outline the principle objectives and rules by which assets will be managed. The assets will be managed in accordance with this Statement and all applicable legal requirements. Any investment manager (“Manager”) or any other agents or advisor providing services in connection with assets shall accept and adhere to this Statement.

## 2.0 RESPONSIBILITIES

### 2.1 Board of Governors

The Board of Governors (“the Board”) of UOIT has responsibility and decision-making authority for these assets. The Board has the responsibility to govern these assets and has chosen to appoint members of the Audit and Finance Committee to sit on the Investment Committee.

As part of its fiduciary responsibilities, the Board will:

- appoint members of the Investment Committee in consultation with the Audit and Finance Committee;
- receive the Audit and Finance Committee’s recommendations with respect to Statement of Investment Policies and approve or amend the Statement as appropriate;
- review all other recommendations and reports of the Audit and Finance Committee with respect to the Fund and the selection, engagement or dismissal of professional investment managers, custodians and advisors, and take appropriate action.

### 2.2 Audit & Finance Committee

As part of its fiduciary responsibilities, the Audit and Finance Committee will:

- receive the Investment Committee’s recommendations with respect to Statement of Investment Policies and make recommendations to the Board for the selection, engagement or dismissal of professional investment managers, custodians and advisors, as appropriate;
- review all other recommendations and reports of the Investment Committee, including recommendations with respect to the investments within the Fund, and recommendations to amend the Asset Class Management Procedures and approve such recommendations and receive such reports.

### 2.3 **Investment Committee**

The Investment Committee (the Committee”) consists of a minimum of three (3) members and a maximum of five (5) members.

The Committee may delegate some of its responsibilities to agents or advisors. In particular, the services of a custodian (the “Custodian”) and of one or more investment managers (the “Manager”) may be retained.

The Investment Committee will have an active role to:

- formulate recommendations to the Audit and Finance Committee regarding the investments in the Fund;
- maintain an understanding of legal and regulatory requirements and constraints applicable to these assets;
- review this Statement of Investment Policies and the appended Asset Class Management Procedures, on an annual basis, and make appropriate recommendations to the Audit and Finance Committee;
- provide regular reports to the Audit and Finance Committee;
- formulate recommendations to the Audit and Finance Committee regarding the selection, engagement or dismissal of professional investment managers, custodians and advisors.
- oversee the Fund and the activities of the Manager, including the Manager’s compliance with their mandate and the investment performance of assets
- ensure that the Manager is apprised of any amendments to their mandate; and
- inform the Manager of any significant cash flows.

### 2.4 **Investment Manager(s)**

The Manager is responsible for:

- Selecting securities within the asset classes assigned to them, subject to applicable legislation and the constraints set out in this Statement;
- Providing the Committee with quarterly reports of portfolio holdings and a review of investment performance and future strategy and recommending appropriate changes to the investment portfolio; (see Section 7 on “Reporting and Monitoring”);
- Attending meetings of the Committee at least once per year to review performance and to discuss proposed investment strategies;

- Informing the Committee promptly of any investments which fall outside the investment constraints contained in this Statement and what actions will be taken to remedy this situation; and
- Advising the Committee of any elements of this Statement that could prevent attainment of the objectives.

### **3.0 PORTFOLIO OBJECTIVES**

#### **3.1 Investment Policy**

The Investment Policy outlines UOIT's investment objectives and risk guidelines. Investment objectives are defined in the context of Total Return which is defined as the sum of income and capital gains from investments.

#### **3.2 Investment Objectives**

The overall investment objective is to obtain the best possible total return on investments that is commensurate with the degree of risk that UOIT is willing to assume in obtaining such return. In general, UOIT investment decisions balance the following objectives:

- generate stable annual income for the funds' designated purpose;
- preserve the value of the capital;
- protect the value of the funds against inflation; and
- maintain liquidity and ease of access to funds when needed

Stable annual incomes are an essential part of the disbursement process, and facilitate the forecast of spendable income each year. The investment object for non-expendable (endowment) funds is to generate a total return that is sufficient to meet obligations for specific purposes by balancing present spending needs with expected future requirements. The total return objective must take into consideration the preservation of endowment capital, and the specific purpose obligations according to donor wishes.

All endowment funds are to be accumulated and invested in a diversified segregated or pooled fund of Canadian and foreign equities and fixed income securities. These funds must be structured to optimize return efficiency such that the return potential is maximized within the organization's risk tolerance guidelines. The Manager is expected to advise the Committee in the event that the pooled fund exhibits, or may exhibit, any significant departure from this Statement.

### **4.0 GENERAL GUIDELINES**

The University uses the investment pool method, except that in those instances where funds are precluded under agreement or contract from being pooled for investment

purposes. The acquisition of specific investment instruments outside of authorized investment pools, requires the approval of the Chief Financial Officer and one of either President or VP External Relations.

All securities shall be registered in the University Of Ontario Institute Of Technology's name; or in the name of a financial institution that is eligible to receive investments under the University Of Ontario Institute Of Technology's Investment Policy.

The University may or may not directly or internally manage any portion of its endowed funds.

External investment managers and/or advisors shall be selected from well-established and financially sound organizations which have a proven record in managing funds with characteristics similar to those of the University.

The University shall maintain separate funds in the general ledger for endowment fund donations. Within these funds, the University shall maintain accurate and separate accounts for all restricted funds.

Investment income, capital gains and losses on the sale of equities and securities, and the amortization of premiums and discounts on fixed term securities earned on endowment funds accrue to the benefit of the endowment accounts and are distributed to capital preservation, stabilization and distribution accounts annually.

## 5.0 **AUTHORIZED INVESTMENTS**

### 5.1 **Investment Criteria**

Outlined below are the general investment criteria as understood by the Committee. The list of permitted investments includes:

(a) Short-term instruments:

- Cash;
- Demand or term deposits;
- Short-term notes;
- Treasury bills;
- Bankers acceptances;
- Commercial paper; and
- Investment certificates issues by banks, insurance companies and trust companies.

(b) Fixed income instruments:

- Bonds;
- Debentures (convertible and non-convertible); and
- Mortgages and other asset-backed securities.

- (c) Canadian equities:
  - Common and preferred stocks;
  - Income trusts; and
  - Rights and warrants.
- (d) Foreign equities:
  - Common and preferred stocks;
  - Rights and warrants; and
  - American Depository Receipts and Global Depository Receipts.
- (e) Pool funds, closed-end investments companies and other structured vehicles in any or all of the above permitted investment categories are allowed.

## 5.2 **Derivatives**

The Fund may use derivatives, such as options, futures and forward contracts, for hedging purposes, to protect against losses from changes in interest rates and market indices; and for non-hedging purposes, as a substitute for direct investment. The Fund must hold enough assets or cash to cover its commitments under the derivatives. The Fund cannot use derivatives for speculative trading or to create a portfolio with excess leverage.

## 5.3 **Pooled Funds**

With the approval of the Committee, the Manager may hold any part of the portfolio in one or more pooled or co-mingled funds managed by the Manager, provided that such pooled funds are expected to be operated within constraints reasonably similar to those described in this mandate. It is recognized by the Committee that complete adherence to this Statement may not be entirely possible; however, the Manager is expected to advise the Committee in the event that the pooled fund exhibits, or may exhibit, any significant departure from this Statement.

## 5.4 **Responsible Investing**

The Board has a fiduciary obligation to invest the Fund in the best interests and for the benefit of the University.

The Board recognizes that environment, social, and governance (ESG) factors may have an impact on corporate performance over the long term, although the impact can vary by industry. Best practices suggest that incorporating ESG factors in the investment process is prudent and aligned with the University's social commitment.

Given the fact that the University uses the investment pool method, it is not practical for the Committee to directly engage individual companies on ESG related issues, either through dialogue or by filing shareholder resolutions. Subject to its primary fiduciary responsibility of acting in the best interests of the University and its stakeholders, and within the limits faced by an investor in externally managed pooled funds, the Committee will incorporate ESG factors into its investment process through the following methods:

**(a) Manager Selection and Reporting**

The integration of ESG factors in the investment process will be a criterion in the selection, management and assessment of the Manager.

The Committee will require the Manager to provide regular and annual reporting on the incorporation of formal ESG factors in the management of their portfolios.

**(b) Engagement**

Since the University does not directly invest in companies, proxy voting is delegated to the Manager. The Committee will encourage the Manager to incorporate into their proxy voting guidelines policies that encourage issuers to increase transparency of their ESG policies, procedures and other activities, and also to bring to the Committee's attention any significant exposure through the Fund to a particular company, industry or nation that is facing a material ESG issue.

**6.0 RISK GUIDELINES**

All investment of assets must be made within the risk guidelines established in this Statement. Prior to recommending changes in investments, the Manager must certify to the Committee that such changes are within the risk guidelines. For the purposes of interpreting these guidelines, it is noted that all allocations are based on market values and all references to ratings reflect a rating at the time of purchase, reviewed at regular intervals thereafter. In the event that the portfolio is, at any time, not in compliance with either the ranges or ratings profile established in this Statement, such non-compliance will be addressed within a reasonable time after the Manager or Committee has identified such non-compliance.

## 6.1 Asset Mix and Ranges

Table 6.1

Asset Class	Strategic Target	Range
Cash & Short Term	2%	0-10%
Fixed Income	35%	20-50%
Canadian Equities	33%	20-40%
Global Equities	30%	25-45%

Investment of assets must be within the asset classes and ranges established in Table 6.1. A more detailed breakdown of asset classes, strategic targets, ranges, and benchmarks is maintained in the UOIT Asset Class Management Procedures appended to this Statement as Appendix "A".

## 6.2 Cash and Cash Equivalents

Cash and cash equivalents must have a rating of at least R1, using the rating of the Dominion Bond Rating Service ("DBRS") or equivalent.

## 6.3 Fixed Income

(a) Maximum holdings of the fixed income portfolio by credit rating are:

Credit Quality	Maximum in Bond <sup>1</sup>	Minimum in Bond <sup>1</sup>	Maximum Position in a Single Issuer
Government of Canada <sup>2</sup>	100%	n/a	no limit
Provincial Governments <sup>2</sup>	60%	0%	40 %
Municipals	25%	0%	10%
Corporates	75 %	0%	10%
AAA <sup>3</sup>	100%	0%	10%
AA <sup>3</sup>	80%	0%	5%
A <sup>3</sup>	50%	0%	5%
BBB	15%	0%	5 %
BB and less	20 %	0%	2 %

<sup>1</sup> Percentage of portfolio at market value; <sup>2</sup> Includes government-guaranteed issues; <sup>3</sup> Does not apply to Government of Canada or Provincial issues

(b) Maximum holdings of the fixed income portfolio, other than Canadian denominated bonds as illustrated in 6.3 (a), by asset type:

- 20% for asset-backed securities;
  - 60% for mortgages or mortgage funds;
  - 20% for bonds denominated for payment in non-Canadian currency;
- and



- 10% for real return bonds.

- (c) All debt ratings refer to the ratings of Dominion Bond Rating Service (DBRS), Standard & Poor’s or Moody’s.

**6.4 Equities**

- (a) No one equity holding shall represent more than 15% of the market value of the assets of a single pooled fund.
- (b) There will be a minimum of 30 stocks in each equity (pooled fund) portfolio.
- (c) No more than 5% of the market value of an equity portfolio (pooled fund) may be invested in companies with a market capitalization of less than \$100 million at the time of purchase
- (d) No borrowing is permitted except as a temporary measure to allow orderly redemption of units.
- (e) Illiquid assets are restricted to 10% of the net assets of the Fund.
- (f) Emerging market holdings will not exceed 10% of the total portfolio value.
- (g) Foreign equity holdings can be currency hedged to a maximum of 50%

**7.0 PERFORMANCE EXPECTATIONS**

**7.1 Portfolio Returns**

The portfolio is expected to earn a pre-fee rate of return in excess of the benchmark return over the most recent four-year rolling period. Return objectives include realized and unrealized capital gains or losses plus income from all sources. Returns will be measured quarterly, and calculated as time-weighted rates of return. The composition of the benchmark is developed from the asset mix outlined in this Statement and more specifically described in the Asset Class Management Procedures, Appendix A.

In order to meet the University’s disbursement requirements, investments need to earn a minimum level of income, measured over a four year rolling market cycle. The minimum recommended level is defined as the sum of the following items:

Minimum disbursement requirement	3.5%
Investment management fees	0.5%
Capital preservation amount	<u>2.0%</u>
Minimum Rate of Return	<u>6.0%</u>

Note: The disbursement requirement and capital preservation amounts will be reviewed, and updated as required.

## **8.0 REPORTING & MONITORING**

### **8.1 Investment Reports**

Each quarter, the Manager will provide a written investment report containing the following information:

- portfolio holdings at the end of the quarter;
- portfolio transactions during the quarter;
- rates of return for the portfolio with comparisons with relevant indexes or benchmarks; Compliance report;

### **8.2 Monitoring and Recommendations**

At the discretion of the Committee as required, the Manager will meet with the Committee regarding:

- the rate of return achieved by the Manager;
- the Manager's recommendations for changes in the portfolio;
- future strategies and other issues as requested.

The agreement with the Manager or any Custodian will be reviewed by the committee on a four year cycle. This review could include a Request for Proposal for these services.

### **8.3 Annual Review**

It is the intention of UOIT to ensure that this policy is continually appropriate to the university's needs and responsive to changing economic and investment conditions. Therefore, the Committee shall present the Statement of Investment Policies to the Audit and Finance Committee, and through that Committee to the Board, along with any recommendations for changes, at least annually.

## **9.0 STANDARD OF CARE**

The Manager is expected to comply, at all times and in all respects, with the code of Ethics and Standards of Professional Conduct as promulgated by the CFA Institute.

The Manager will manage the assets with the care, diligence and skill that an investment Manager of ordinary prudence would use in dealing with all clients. The Manager will also use all relevant knowledge and skill that it possesses or ought to possess as a prudent Investment Manager.

The Manager will manage the assets in accordance with this Statement and will verify compliance with this Statement when making any recommendations with respect to changes in investment strategy or investment of assets.

The Manager will, at least once annually, provide a letter to the Committee confirming the Manager's familiarity with this Statement. The Manager will, from time to time, recommend changes to the SIP to ensure that the SIP remains relevant and reflective of the University's investment objectives over time.

#### **10.0 CONFLICT OF INTEREST**

All fiduciaries shall, in accordance with the UOIT Act and By-laws and policies on conflict of interest, disclose the particulars of any actual or potential conflicts of interest with respect to the Fund. This shall be done promptly in writing to the Chair of the Investment Committee. The Chair will, in turn, table the matter at the next Board meeting. It is expected that no fiduciary shall incur any personal gain because of their fiduciary position. This excludes normal fees and expenses incurred in fulfilling their responsibilities if documented and approved by the Board.



Item	10.9
Framework Category	Legal, Compliance and Governance
Approving Authority	Board of Governors
Policy Owner	Chief Financial Officer
Approval Date	March 9, 2016
Review Date	March 2019
Supersedes	Endowment Policy, June 2013

## ENDOWMENT MANAGEMENT POLICY

### PURPOSE

1. UOIT receives endowment funding from donors for a variety of purposes including student awards, scholarships, bursaries, and program enrichment. The University is charged with investing endowment funds in order to maximize the benefit to both current and future beneficiaries. The purpose of this policy is to outline the objectives and principles by which the University's trust and endowment funds are established, administered and disbursed. [NJ1]

### DEFINITIONS [NJ2]

2. For the purposes of this policy the following definitions apply:
 

**"Donor"** means a person, foundation, or corporation that makes a Gift that is eligible for a donation receipt.

**"Endowed Fund"** means a principal sum, set aside permanently and invested by the University with only the income (all or a portion thereof) used to support specific programs or projects, often based on donor direction.

**"Endowment"** means the total value of the University's Endowed Funds. The Endowment is made up of individual Endowment Principal Accounts each representing the original value of the donation and additions made for inflation and other capitalized amounts.

**"Endowed Fund Agreement"** means a document describing the name, purpose, funding and administration of an Endowed Fund, normally signed by the donor and the University.

**"Stabilization Fund"** means the fund established to smooth the year over year to smooth the year over year fluctuations in earnings, as well as provide a reserve to be used when the endowment fund does not earn sufficient income to cover the approved spending amounts.

### SCOPE AND AUTHORITY

3. This policy applies to all University Endowed Funds and related Endowment Fund agreements, unless specifically exempted by the Audit & Finance Committee of the Board of Governors.
4. The Chief Financial Officer, or successor thereof, is the Policy Owner and is responsible for overseeing the implementation, administration and interpretation of this Policy.

## **POLICY**

The objective of the Endowment Management Policy is to allow annual spending requirements to be met while preserving as much of the purchasing power of the original endowment funds as possible.

### **5. General**

- 5.1.** Endowment funds are established when a donor(s) makes a contribution of \$25,000 or more. Under exceptional circumstances this limit may be waived by the Chief Financial Officer (CFO) and Vice President, External Relations. In accordance with the Gift Acceptance Policy, a written agreement with the Donor(s) stipulates the purpose and terms of the gift(s).
- 5.2.** Funds are invested as a single pool in order to optimize net return and the diversification of risk. However, for Donor reporting purposes, each Endowment Fund is accounted for individually.
- 5.3.** Endowment assets are managed by the University's external investment managers in accordance with the Statement of Investment Policies and Asset Class Management Procedures.

### **6. Preservation of Capital**

- 6.1.** In order to avoid a reduction over time in spending in real terms, due to the effects of inflation, a portion of the total net investment return will be added to the Endowment..
- 6.2.** An Endowment investment objective will be to earn, over time, a rate of return at least equal to the total of the annual rate of increase of the Statistics Canada Consumer Price Index (CPI) for Ontario as at the preceding December 31<sup>st</sup>, plus spending and the costs of investing and administering the funds. Coupled with this investment objective is a spending or disbursement policy that limits disbursements to an estimated long-term real rate of investment return (total investment return less inflation).

### **7. Spending**

- 7.1.** A spending level will be authorized by a resolution of the Board of Governors in accordance with the Endowment Management Procedures.

### **8. Stabilization Fund**

- 8.1.** The Stabilization Fund will collect earned income, consisting of interest and dividends, from the Endowment on an ongoing basis and will be managed using the authorized short-term instruments outlined in the Statement of Investment Policy and Asset Class Management Procedures.
- 8.2.** The Stabilization Fund will not exceed 5% of the inflation adjusted cost of the endowment and any excess earnings will be returned to the principle endowment account. [NJ3]

- 8.3. Whenever funds in the Stabilization Fund are insufficient to support committed spending there will be, after approval by the Board of Governors:
  - a) A delay in spending;
  - b) Execution of unrealized gains; or
  - c) Expense(s) paid from operating funds.
- 9. **Reporting**
  - 9.1. An annual Endowment Report will be presented to the Advancement Committee, and the Investment Committee. This report will highlight additions, earnings, disbursements, and the net position of both the Endowment Fund and the Stabilization Fund.

#### **MONITORING AND REVIEW**

- 10. This policy will be reviewed as necessary and at least every three years. The Chief Financial Officer, or successor thereof, is responsible to monitor and review this Policy.

#### **RELEVANT LEGISLATION**

- 11. Income Tax Act, RSC, 1985, c. 1 (5<sup>th</sup> supp.)

#### **RELATED POLICIES, PROCEDURES & DOCUMENTS**

- 12. Endowment Management Procedures
  - Statement of Investment Policy
  - Asset Class Management Procedures
  - Naming of Physical University Assets Policy
  - Gift Acceptance Policy
  - Gift Acceptance Procedures
  - Signing Authority Policy
  - Signing Authority Registry and Approval Procedures
  - Planned Giving Program Guidelines