



## Parry Sound Corporate Policy and Procedure Manual

<b>Section:</b>	<b>06 – Finance</b>
<b>Subject:</b>	<b>Investment Policy</b>
<b>Policy Number:</b>	
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### Policy Statement

A policy governing the investment of surplus operating funds, reserves and reserve funds of the Town's of Parry Sound.

### Purpose

This policy establishes the objectives, principles and guidelines for the prudent investment of surplus operating funds, reserves and reserve funds.

### Application

All Town employees who are responsible for the control, administration and reporting of investments of the Town's surplus operating funds, reserves and reserve funds.

## Objectives

The primary objectives of the investment program, in priority order, shall be:

- a) Adherence to statutory requirements
- b) Preservation and security of capital
- c) Maintenance of liquidity
- d) Realizing a competitive rate of return

### **a) Adherence to statutory requirements**

All investment activities shall be governed by the *Municipal Act, 2001 s.418 to s.420* as amended. Investments, unless limited further by Council, will be those deemed eligible under *O.Reg 438/97 (Part I: Eligible Investments and Forward Rate Agreements)*, or as authorized by subsequent provincial regulations.

### **b) Preservation of Capital**

Safety of principal is an important objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. Staff shall mitigate credit and interest rate risk through the following:

#### *Credit Risk:*

- Limiting investments to safer types of securities
- Diversifying the investment portfolio so that potential losses on individual securities will be minimized
- Setting dollar limits on the size of portfolio investment in asset sectors (fixed income and equities) and in individual credit names

#### *Interest Rate Risk:*

- Structuring the investment portfolio so that securities mature to meet ongoing cash flow requirements, thereby reducing the need to sell securities on the open market prior to maturity

- Investing operating funds primarily in shorter-term securities or approved investment pools
- Diversifying longer-term holdings to match term exposures to requirements of underlying reserve funds and to mitigate effects of interest rate volatility

### **c) Maintaining Liquidity**

The investment portfolio shall remain sufficiently liquid to meet all operating or cash flow requirements and limit temporary borrowing requirements. This shall be done where possible by structuring the portfolio such that securities mature concurrent with anticipated cash demands.

Since not all cash demands can be anticipated, the Portfolio shall consist largely of securities with active secondary or resale markets to ensure liquidity. A portion of the portfolio may be placed in local government investment pools which offer liquidity for short-term funds.

### **d) Competitive Rate of Return**

Without compromising other objectives of this policy, the Town shall maximize the rate of return earned on its investment portfolio by implementing a dynamic strategy as part of the investment program.

Diversification, as well as ensuring safety of principal by limiting exposure to credit, sector or term risk, provides opportunities to enhance the investment return on the Town's portfolio by means of prudent and timely adjustments to asset mix.

## **Standard of Care**

### **a) Prudence**

Investments shall be made in accordance with the policy, under the prevailing circumstances, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, considering the probable safety of the principal as well as income to be derived.

Town of Parry Sound staff exercising due diligence and acting in accordance with procedure and this investment policy, shall be relieved of personal responsibility for any individual security's credit risks or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidation or the sale of securities are carried out in accordance with the terms of this policy.

## **b) Ethics and Conflict of Interest**

Employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair ability to make impartial decisions. Employees involved in investment procedures shall disclose all material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/ investment positions that could be related to the performance of the investment portfolio. Employees and officers shall not undertake personal investment transactions with the same individual with whom business is conducted on behalf of the Town of Parry Sound.

## **c) Delegation of Authority**

The Director of Finance /Treasurer has overall responsibility for prudent investment of the Town's portfolio. The Director of Finance /Treasurer (or designate) is responsible for the implementation of the investment program and the establishment of investment procedures consistent with this policy. Such procedures include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this Policy.

## **Suitable and Authorized Investments**

### **Authorized Investments**

Eligible securities are prescribed under O.Reg 438/97 (*Part I: Eligible Investments and Forward Rate Agreements*) as may be amended from time to time.

## Investment Parameters

The Director of Finance/Treasurer will attempt where possible to diversify the investments. Investments shall be diversified by:

- Limiting investments to avoid over-concentration in securities from a specific issuer or sector (excluding Government of Canada securities)
- Limiting investment in securities to those that have higher credit ratings
- Investment in securities with varying maturity dates
- Investing mainly in liquid, marketable securities which have an active secondary market, to ensure appropriate liquidity

To promote diversification the following percentage weightings for types of investment within the portfolio shall be established and maintained:

<b>Investment Type</b>	<b>Portfolio Limit</b>	<b>Individual Limit</b>
<b>Federal Debt</b>	100%	
<b>Provincial Debt</b>	80%	35%
<b>Municipal Debt</b>	35%	10%
<b>Municipal Corporation Equity</b>	50%	50%
<b>Corporate Debt</b>	25%	5%
<b>One Investment -</b>		
<b>High Interest Savings Account</b>	80%	n/a
<b>Money Market</b>	35%	n/a
<b>Bond (incl. Universe Corporate Bond)</b>	35%	n/a
<b>Equity</b>	25%	n/a
<b>Cash</b>	100%	n/a

To promote diversification and ensure liquidity the following percentage weightings for the investment portfolio shall be established and maintained:

<b>Term Limitation</b>	<b>Range of Investment</b>
<b>Less than 90 days</b>	20% to 100%
<b>Less than 1 year</b>	30% to 100%
<b>From 1 year up to, but not including 5 years</b>	0% to 85%
<b>From 5 years up to, but not including 10 years</b>	0% to 50%
<b>From 10 years to 20 years</b>	0% to 30%

Unless matched to a specific cash flow, the Town will not directly invest in securities maturing more than 10 years from the date of purchase. Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding ten (10) years, provided they match as practicably as possible to the expected use of funds.

**Currency**

The Town shall not invest in a security, including deposit accounts, that is expressed or payable in any currency other than Canadian dollars. (O.Reg 438/97, s.6(1) )

**Council Reporting**

The Director of Finance / Treasurer shall provide an investment report to Council at least annually. The investment report shall contain, as a minimum, the following information:

- Listing of individual securities held at the end of preceding fiscal year

- Realized and unrealized gains or resulting from appreciation or depreciation by listing the cost and market value of securities over the one-year duration that are not intended to be held until maturity
- Percentage of total portfolio which each type of investment represents
- A statement about the performance of the investment portfolio during the period covered by the report
- An estimated ratio of the total long-term and short-term securities compared to the total investments and a description of the change, if any, in that estimated proportion since previous year's report
- A statement by the Director of Finance/Treasurer (or designate) as to whether or not, in his or her opinion, all investments were made in accordance with the investment policies and goals adopted by the Town
- Such other information that Council may require or that, in the opinion of the Director of Finance/Treasurer (or designate), should be included

If an investment is made by the Town that is, in the opinion of the Director of Finance/ Treasurer, not consistent with the investment policies and goals adopted by the Town, the Director of Finance/ Treasurer shall report the inconsistency to Council within 30 days after becoming aware of it.

## **Authority**

Authority to invest public funds is derived from section 418 to section 420 of the *Municipal Act, 2001*.