

Short Term Cash Investment Policy

Category: Board of Governors

Approval: Board of Governors

Responsibility: Associate Vice-President, Finance

Date: December 6, 2019; Revised January 28, 2020, October 31, 2023 (housekeeping)

Purpose/Reason for Policy:

The purpose of the policy is to establish guidelines, which will facilitate effective management of Trent University's cash balances. In the course of operations, the University accumulates cash balances, which fluctuate 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. It is desirable that the University both protect and optimize the investment earnings on excess cash balances; therefore, the excess funds not immediately required for operations should be invested with appropriate security, liquidity and diversification constraints.

Scope of this Policy:

The rules below do not include Endowment or Pension Funds, which are covered by a separate Investment Policy overseen by the Audit & Investment Committee of the Board of Governors.

Policy Statement:

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 Associate Vice-President, Finance.

The Financial Services Department will:

- i. Invest the excess cash funds in accordance with this Policy and related Procedures
- 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.

Investment Objectives:

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

- Capital Preservation – Security of the invested funds must be a prime consideration in selection of any investment. Investments shall be undertaken in a manner that ensures the preservation of capital in the overall portfolio whilst managing credit risk and interest rate risk;
- Liquidity – A high level of liquidity must be maintained in the portfolio of investments in order to meet all reasonably anticipated operating and capital requirements and to provide

the ability to adjust the portfolio in changing market conditions. This will be achieved by limiting investments to readily marketable securities;

- Maturity Terms – Maturity terms are selected which ensure that sufficient cash resources are available to meet obligations as they become due;
- Return on Investment – Investment yield, while an important factor, will be subordinate to security and liquidity considerations. The portfolio will be constructed with the objective of attaining a competitive rate of return while meeting the other objectives;
- Manageability – Given that the University has limited staff resources, the investment strategy must be manageable without a requirement for day to day management.

Permitted Investments:

Cash held by the University that is not immediately required for operations may only be invested in one or more of the following:

- i. Cash on hand and demand deposits;
- ii. Treasury bills issued by the federal and provincial governments and their agencies;
- iii. Obligations of trust companies and Canadian and foreign banks chartered to operate in Canada, including bankers' acceptances and bearer deposit notes;
- iv. Guaranteed Investment Certificates;
- v. Federal/ Provincial Bonds;
- vi. Municipal Bonds;
- vii. Canadian credit unions to the extent that total deposits do not exceed provincially-insured limits;
- viii. Commercial paper and term deposits, and
- ix. Bank issued Asset Backed Commercial Paper.

Minimum Quality Standards:

To ensure the University's risk is minimized, the investment portfolio must maintain the following minimum quality standards:

- i. The minimum quality standard for individual short-term investments is "R-1 low" 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.
- iii. For the purposes of this Policy, the following rating agencies shall be considered to be "recognized bond rating agencies":
 - a) Dominion Bond Rating Services;
 - b) Standard and Poor's; and

- c) Moody's Investors Services.

Diversification:

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;
- Government of Canada T-Bills, Notes & Bonds – unlimited;
- Crown Corporations & Agencies, Government of Canada guaranteed Notes – unlimited.

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.

Prohibited Investments:

In order to meet the University's minimum risk tolerance, the following investments are prohibited:

- i. Equity investments;
- ii. Pooled investment funds;
- iii. Non-bank issued Asset-Backed Commercial Paper;
- iv. Any investment not specifically permitted by the Policy.

Approval Authority:

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

- i. Term to Maturity of less than one year; any two of the following:
 - Vice-President (Finance and Administration)
 - Associate Vice-President, Finance
 - Senior Manager, Financial Services
 - President
 - Vice-President (Academic and Provost)
- ii. Term to Maturity exceeding one year; Vice-President (Finance and Administration) plus any one of the following:
 - Associate Vice-President, Finance
 - President
 - Vice-President (Academic and Provost)

Records & Accounting:

Records of investing activities, including matured and outstanding investments will be held and maintained by Financial Services. The Senior Manager, Financial Services 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.

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 Current Account bank balance. The annual report will include appropriate benchmarks.

Reporting:

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

Contact Officer:

Associate Vice-President, Finance

Date for Next Review:

November 2024

Related Policies, Procedures & Guidelines:

- a) N/A

Policies Superseded by This Policy:

- a) N/A