

LEEDS, GRENVILLE AND LANARK DISTRICT HEALTH UNIT	
BOARD OF HEALTH MANUAL	
Title/Subject: Investment Policy	
Policy Number: V-165-0	Original Date: June 16, 2011
Approved by: Board of Health	Revision Date: January 24, 2019
Signature: Original Signed	Reviewed Date: January 24, 2019
Reference: V-175-0, III-35, III-105	

OBJECTIVE

This policy is designed to provide an effective framework for the optimal utilization of the reserve funds of the Leeds, Grenville and Lanark District Health Unit within pre-determined limitations and Board of Health Bylaws, while maintaining liquidity to meet on-going financial requirements as may be necessary.

The Finance, Audit, Property and Risk Management Committee will oversee the Investment Portfolio and the Committee Chair will report to the Board semi-annually.

INVESTMENT FIRM

- An Investment Management Firm will be engaged by the Board of Health to manage the Investment Portfolio. The agreement will be reviewed every two (2) years.

RECOMMENDATIONS AND SIGNING AUTHORITY

- All recommendations will be made within the context of this policy.
- All investment recommendations will be presented initially to the MOH/CEO or designate who will consult with the Chair, Finance, Audit, Property and Risk Management Committee or the Board Chair.
- Investment decisions will be made by the following authorized signing authorities (minimum 1) as appointed by the Board of Health.
 - MOH/CEO
 - Business Manager
 - Chair Board of Health
 - Chair, Finance, Audit, Property and Risk Management Committee

The following positions are approved for On-line Access to the Investment Account.

- MOH/CEO
- Business Manager
- Chair Board of Health
- Chair, Finance, Audit, Property and Risk Management Committee
- Executive Assistant to the Medical Officer of Health/Board of Health

INVESTOR PROFILE

- The portfolio is a balance between income and growth. Short to medium-term volatility is acceptable for capital appreciation potential given the portfolio’s long-term horizon. The returns over the long-term will come from capital appreciation and by the reinvestment of income.

INCOME NEEDS

- Income may be required from the portfolio at the discretion of the Board of Health.

RETURN REQUIREMENT

- Positive and competitive return on investment is expected. Return is also expected to exceed appropriate benchmark indices over the long term.

RISK TOLERANCE

- Moderate market risk is acceptable - the funds in this account are intended to be used exclusively for the municipal share of expenditures that are specifically approved by the Board of Health.

TIME HORIZON

- Funds will be invested for a period of at least 5 to 10 years. This is considered a medium to long investment time horizon. Although a timeframe is listed, there are no plans to collapse the investment portfolio at any specific time and may continue well past the 10 year mark depending on the needs of the Health Unit.

LIQUIDITY

- When future withdrawals of a large nature are known in advance, notice will be provided to the investment management company on a timely basis.
- Adjustments will be made annually following the approval of the yearend audited financial statements to reconcile the reserve balance to reflect those funds utilized, or to be added to it, relating to the prior financial yearend.

ASSET MIX GUIDELINES

The portfolio will be invested in money market securities, fixed income securities, preferred shares, and equities in accordance with the following asset mix guideline:

Asset Class	Target
Cash & Equivalents	10% to 20%
Fixed Income	30% to 70%
Equities	10% to 60%

QUALITY GUIDELINES

1. All individual debt securities will be rated “BBB” or better by a recognized Rating Agency unless an ETF (Exchange-Traded Fund) or mutual/pool fund is purchased.
2. Preferred securities will be rated P2 (low) or better unless an ETF (Exchange-Traded Fund) or mutual/pool fund is purchased.
3. References to credit ratings are as follows:
 - 3.1 Credit ratings developed by the Canadian Bond Rating Service (CBRS) for government securities (Federal, Provincial and Municipal):

AAA	Highest Quality
AA	Very Good Quality
A	Good Quality
BBB	Medium Grade
BB	Lower Medium Grade
B	Poor Quality
C	Speculative
D	Default
 - 3.2 Credit ratings developed by the Dominion Bond Rating Service (DBRS) for non-Government securities (banks, trust and loan corporations).

R1	Prime Credit (High, Medium, Low)
R2	Medium Grade (High, Medium, Low)
R3	Below Medium Grade
 - 3.3 The fixed income component will have a “basket clause” to accommodate bonds/preferred shares not meeting the above criteria. The limit of this basket cannot exceed 20% of the fixed income component and must have a minimum rating of BBB Low.
4. No equity investments will be made in any company:
 - a. With a market value capitalization of less than \$1 billion for Canadian listed companies.
 - b. With a market value capitalization of less than \$3 billion for non-Canadian companies.The equity component will have a basket clause to accommodate securities not meeting the above criteria. The limit of this basket cannot exceed 30% of the equity portfolio. Equity diversification rules will apply to positions in a basket where a maximum individual equity position may be no more than 5% of the equity portfolio. There are no minimum market cap requirements for a security to be part of a basket.
5. No investments will be made in companies associated with the production or sale of tobacco, alcohol or cannabis or with any other company that the Board of Health so determines.

DIVERSIFICATION GUIDELINES

1. The cumulative investment of any one equity investment will not exceed 5% of the total portfolio value unless an ETF (Exchange-Traded Fund) or mutual/pool fund is purchased.
2. The equity component will have exposure to at least five of the eleven industry sectors as defined by the Global Industry Classification Standard.
3. The equity component will have a minimum of 20 positions but can be fewer in proportion to the percentage of managed equity products (i.e. mutual/pool funds, ETFs).
4. The cumulative investment in any bond as a percentage of the asset class should not exceed the limit outlined below, unless an ETF or mutual/pool fund is purchased.

Issue Type	Maximum Per Type	Maximum Per Issue
Federal/Provincial	100%	100%
Municipal	75%	25%
Corporate/Preferred	75%	15%

USE OF THE RESERVE

- No withdrawal from or deposit into the reserve fund will be made unless explicitly approved by the Board of Health.
- The Medical Officer of Health is responsible for ensuring that the Reserve Funds are maintained and used only as described below.

Operating Reserve

- As the Health Unit is funded by the provincial government, it is assumed that should the province phase out the delivery of some or all of the services that they would also be responsible for termination and other costs. As such no monies would be required or necessary from the Reserve.

Designated Reserve

- The Reserve includes restricted and designated funds for the Land Control Program and pre-1980 CUPE Sick Leave and Preschool Language. These amounts will not be specifically identified in the investment portfolio nor will they be invested in a manner that differs from the overall portfolio.

Opportunity Reserve

- The balance of the Reserve can be used with approval of the Board and consistent with the following purposes:
 - One time capital expenditures relating to the maintenance of Health Unit owned buildings and grounds,
 - Programs identified as priority in our communities where there is no other funding source,
 - Priority one-time administrative expenses, and
 - Projected municipal deficit i.e. municipal liability of operating costs that exceed the current year levy.
- Excluding the restricted funds, the minimum Reserve Fund target will be \$250,000.
- The limit on the size of the Opportunity Reserve is set at \$700,000 (at cost). If the municipal surplus in a given year were to exceed the cap in the Reserve, then the excess municipal surplus funds will be used in the subsequent year to support programs and services for the community, and/or funding one-time projects approved by the Board consistent with the above purposes.

REPORTING

- The MOH/CEO or designate, shall provide quarterly statements of the investments to the Finance, Audit, Property and Risk Management Committee of the Board of Health at their regular meetings. The external auditor shall review, examine and report on the investments annually in the year-end audited financial statements and at the Board meeting when those statements are presented/approved. This policy will be reviewed annually to confirm its effectiveness in meeting the investment objectives.