

Investment

Policy Number: ~~CFS190/2020~~ CP /2024

Approval Date: ~~June 9, 2020~~ _____, 2024

Supersedes Policy: ~~CFS 225/2017~~ Investment – CFS190/2020

SECTION A

1.0 Policy Purpose

- 1.1 To provide general investment principles, rules and delegated authority for managing and monitoring the investments on behalf of the ~~Town~~Municipality of Morinville. Adherence to the Investment Policy will ensure compliant and effective investment management and assist in achieving the strategic goals and growth objectives of the ~~Town~~Municipality of Morinville.

~~2.0~~ Policy Statements

~~It is the policy of the Town of Morinville to invest funds in a prudent manner that will provide optimum investment returns with the maximum security, while meeting any cash flow requirements. Our investments must conform to the policies and guidelines set forth below, as well as operate within the language and spirit of legislative requirements under the Municipal Government Act (Section 250, Investments).~~

~~7.02.0~~ Definitions

~~Securities~~

~~Investments issued by a government agency or corporate offered for purchase to investors. Security as defined by the Municipal Government Act include: bonds, debentures, trust certificates, guaranteed investment certificates, certificates of deposits, deposit receipts, bills, notes and mortgages, rights or interest in respect of a security.~~

~~Corporate Bonds~~

~~These instruments are interest bearing debt that is secured by the assets of the issuing corporation. These securities generally have a maturity which is greater than one year and form a part of the money markets only when the long term debt approaches maturity. These instruments are actively traded within the markets and do have some degree of liquidity.~~

~~Managed Funds~~

~~A professionally managed investment portfolio which includes a diverse range of investments. In reference to this policy, managed funds will only include a narrow range of investments as defined within the Municipal Government Act. The objective of a managed portfolio is to minimize interest rate and credit risk and generate above average growth through active portfolio management.~~

~~Schedule "1" Chartered Banks~~

~~Banks allowed to accept deposits, and which are not subsidiaries of a foreign bank. Chartered banks receive their charters from the federal government under the Bank Act. Schedule "1" Chartered Banks are widely held (no single person or corporation may hold more than 10% of the voting stock and foreign ownership is limited to 25%).~~

~~Liquidity~~

~~In the context of a firm, liquidity is the ability to meet its financial obligations as they become due. In the context of investments, liquidity refers to the ability to convert the security on short notice into cash without a substantial loss of principal or accrued interest.~~

~~Safekeeping~~

~~Occurs when a bank or broker hold securities that are registered in the client's name for the client. This allows for physical protection and makes them readily available to see at the client's instruction.~~

~~Effective Rate of Return~~

~~The actual rate of return based on the purchase price of the investments and the interest accrued to a specific date. Market values, gains, and losses are excluded from the calculation.~~

Bond Rating Services

7.332.1 A means a bond rating is a grade given to a bond that indicated their credit quality. Private independent rating services such as Standards & Poors (S&P) and Dominion Bond Rating Services (DBRS) provide evaluations of a bond issuer's financial strength, or its ability to pay a bond's principal and interest in a timely fashion.

8.0 Scope/Application

~~The Town of Morinville's Director of~~
2.2 "Corporate & Financial Services and any designate all those involved with the management Bonds" means these instruments are interest bearing debt that is secured by the assets of the Town issuing corporation. These securities generally have a maturity which is greater than one year and form a part of the money markets only when the long-term debt approaches maturity.

2.3 "Effective Rate of Return" means the actual rate of Morinville return based on the purchase price of the investments ~~are required to establish appropriate guidelines, procedures and internal controls~~ the interest accrued to a specific date. Market values, gains, and losses are excluded from the calculation.

2.4 "Liquidity" refers to ~~achieve the objectives identified~~ an organization's ability to meet financial obligations as they become due. In the context of investments, liquidity refers to the ability to convert the security on short notice into cash without a substantial loss of principal or accrued interest.

~~8.12.5~~ "Managed Funds" means a professionally managed investment portfolio which includes a diverse range of investments. In reference to this Policy, managed funds will only include a narrow range of investments as defined ~~within this policy.~~ the Municipal Government Act.

8.0 Objectives:

~~Municipal funds shall be invested in a manner that will meet the following objectives:~~

2.6 "Safekeeping" means a bank or broker hold securities that are registered in the client's name for the client. This allows for physical protection and makes them readily available to see at the client's instruction.

2.7 "Schedule 1 Chartered Banks" means banks allowed to accept deposits and are not subsidiaries of a foreign bank. Chartered banks receive their charters from the federal government under the *Bank Act*. Schedule 1 Chartered Banks are widely held (no single

person or corporation may hold more than 10% of the voting stock and foreign ownership is limited to 25%).

2.8 “Securities” means investments issued by a government agency or corporation offered for purchase to investors. Security as defined by the *Municipal Government Act* include: bonds, debentures, trust certificates, guaranteed investment certificates, certificates of deposits, deposit receipts, bills, notes and mortgages, and rights or interest in respect of a security.

3.0 Policy Statements

3.1 The Municipality will invest funds in a prudent manner that will provide optimum investment returns with the maximum security, while meeting any cash flow requirements.

9.04.0 Capital Preservation

9.14.1 The ~~Town of Morinville~~Municipality recognizes its fiduciary responsibility for the stewardship of funds it has been entrusted with. Therefore, the prime objective of this ~~policy~~Policy is to ensure that the principal amount of each investment is insulated from losses due to market conditions and issuer default. To accomplish this objective, ~~we will maintain~~ minimum quality standards for ~~all individual~~ investments held, and ~~mandate~~ sufficient diversification ~~within the portfolio itself.~~ amongst those investments will be maintained.

10.05.0 Liquidity

10.15.1 The investment portfolio will be sufficiently liquid ~~in order~~ to enable the ~~Town of Morinville~~Municipality to meet any projected or sudden cash flow requirement which might reasonably be expected to occur.

~~For the purpose of this policy, the Town of Morinville defines liquidity as the ability to convert an investment into cash with minimal risk associated with loss of principal or accrued interest, taking into consideration any costs associated with converting investments into cash.~~

6.0 ~~Authorized Investments~~ / ~~Compliance~~

~~13.16.1~~ 14.16.1 ~~All investments must be compliant~~ with the Municipal Government Act and its associated regulations.

- ~~a. Security selection is restricted those issued or guaranteed by:~~
- ~~• the Crown in right of Canada or an agent of the Crown, or~~
 - ~~• the Crown in right of a province or territory or an agent of a province or territory;~~
 - ~~• securities of a municipality, school division, school district, hospital district, health region under the Regional Health Authorities Act or regional services commission in Alberta;~~
 - ~~• securities that are issued or guaranteed by a bank, treasury branch, credit union or trust corporation; units in pooled funds of all or any of the investments described in clauses (a) to (c);~~
 - ~~• Shares of a corporation incorporated or continued under the Canada Business Corporations Act (Canada) or incorporated, continued or registered under the Business Corporations Act if the investment is approved by the Minister.~~
- ~~b. The portfolio shall not hold shares of a corporation (equities) or corporate bonds (excluding Schedule 1 Chartered Banks in Canada).~~
- ~~c. The portfolio shall not hold units of pooled funds, real estate, residential mortgages, asset-backed securities or ownership interests in any unincorporated body.~~

14.07.0 ~~Rate of Return~~

~~14.17.1~~ 14.17.1 The ~~Town of Morinville's Municipality's~~ investment portfolio will be effectively managed to ensure that an optimal rate of return is realized on all investments within the parameters of the objectives established within this ~~policy~~ Policy.

15.08.0 ~~Credit Quality~~

~~15.18.1~~ 15.18.1 Investments in the portfolio will ensure preservation of capital and adhere to the following credit quality restrictions:

Debt Rating Category	Minimum	Maximum
"BBB" or lower	0 %	0 %
"A"	0 %	75 %
"AA" or higher	25 %	100 %

~~15.28.2~~ Investments rated below “A-” or equivalent at time of purchase are not permitted. If a security’s credit rating falls below “A-” after time of purchase, it shall be removed from the portfolio as soon as practical.

~~15.38.3~~ Permitted Issuers: Our investments will be limited to the following issuer guarantees:

~~15.3.18.3.1~~ The Federal Government of Canada (including crown corporations);

~~15.3.28.3.2~~ Any Provincial Government body or entities guaranteed by such province (i.e. Alberta Treasury Branch); and

~~15.3.38.3.3~~ Any obligations fully guaranteed by one of the Schedule 1 Chartered Banks in Canada.

~~15.48.4~~ All ratings refer to the ratings of the Dominion Bond Rating Service Ltd. (DBRS).

~~15.58.5~~ In the event that DBRS does not rate a security, ratings from any of the other agencies allowed by the Municipal Government Act.

~~15.68.6~~ Securities with a maturity date of less than one year (i.e. money market) must have a minimum rating of R-1 (high) from the date of issue.

17.09.0 Portfolio Diversification and Restraints

~~17.19.1~~ The following constraints shall apply to the portfolio.- All percentages used below are based on market value.

~~17.1.19.1.1~~ Not more than 20% of the portfolio shall be invested in any single security.

~~17.1.29.1.2~~ Not more than 35% of Long-Term Investments (maturities greater than one year) shall be invested in any single issuer, except for securities of or fully guaranteed by the ~~government~~Government of Canada or a province of Canada.

~~17.1.39.1.3~~ Not more than 50% of Short-Term Investments (maturities one year or less) shall be invested in any single issuer, except for securities of or fully guaranteed by the ~~government~~Government of Canada or a province of Canada having at least an “AA” rating. If the Short-Term investment portfolio becomes non-compliant as investments mature over time, the percentage at the time when the investments were purchased shall be used for purpose of evaluating compliance to ~~policy~~Policy.

~~17.1.49.1.4~~ Subject to the restrictions in this section, mortgage-backed securities may be held in the portfolio provided they are rated “AAA” only.

18.010.0 Short Term Investments – Return and Performance Standards

~~18.110.1~~ The FTSE/TMX 91-day T-Bill index will be used as the benchmark to determine whether acceptable short-term market yields are being achieved. Investments will be reviewed in the event of under-performance and adjusted if necessary by an Investment Advisor.

19.011.0 Safekeeping and Custody

~~19.111.1~~ All investment certificates shall be issued ~~into~~ the ~~name of~~ Town of Morinville.

~~19.211.2~~ Investment certificates shall be held for safekeeping by the financial institution where the investment accounts are maintained.

~~19.311.3~~ Responsibility for the safekeeping of assets, income collection, and settlement of investment transactions is delegated to a trust company custodian duly registered in Canada.

20. Policy Review

~~This policy may be modified at any time based on issues related to the administration of this policy, or fundamental changes in the overall investment objectives.~~

24.012.0 Prudence

~~24.112.1~~ Investments are to be made with judgment and care, under prevailing circumstances, which persons of discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of capital and income to be derived.

~~24.212.2~~ All reasonable steps shall be taken to ensure the management of the ~~Town of Morinville's Municipality's~~ investment portfolio is in accordance with this ~~policy~~ Policy.

~~24.312.3~~ Investment officers acting in accordance with this ~~policy~~ Policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations are reported in a timely fashion and appropriate action is taken to control adverse developments.

25.013.0 Conflict of Interest / Ethics

~~25.113.1~~ Officers, employees, and persons involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of their responsibilities, or which could impair their ability to make impartial investment decisions. ~~Officers and employees shall disclose to the Director of Corporate Services any material interests in financial institutions that conduct business with the Town of Morinville and they shall subordinate their personal investment transactions to those of the Town of Morinville, particularly with regard to the timing of purchases and sales.~~

~~Officers,~~

~~13.2~~ Officers and employees shall disclose to the Manager of Financial Services any material interests in financial institutions that conduct business with the Municipality and they shall subordinate their personal investment transactions to those of the Municipality, particularly with regard to the timing of purchases and sales.

~~25.213.3~~ Officers and employees shall not undertake personal investment transactions with the same individual with whom business is conducted on behalf of the ~~Town of Morinville~~ Municipality.

~~25.313.4~~ This guideline also extends to any external investment management firms utilized by ~~The Town of Morinville~~ the Municipality to manage its portfolio.

~~d. Strict adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct and the CFA Institute Asset Manager Code of Professional Conduct.~~

~~Expiry~~

26.014.0 Review Date

~~26.1~~ ~~This policy expires December 31, 2023.~~

14.1 For the purpose of ensuring that this Policy is revised for ongoing relevancy and necessity, a review will occur prior to December 31, 2027. The Policy shall be brought forth with the option that it may be repassed in its present or an amended form or that it be rescinded.

14.2 This Policy shall remain in effect if the review date passes prior to Council review.

SECTION B

1.0 Reference to other Policy and Legislation

Municipal Government Act, RSA 2000, c. M-26 (section 250)

Municipal Investment Regulation, 149/2022

2.0 Persons Affected

Municipal ~~ratepayers~~ residents

3.0 Review/Revision History and Author

Barry Turner

Investment Policy CFS190/2020 – June 9, 2020
June 2024 – Revised Draft; Financial Services

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