

Policy Number Policy Name	BF13- Investment Policy - City of Calgary Related Endowment Funds
Author	Finance Committee
Attachments	
Approved By: Date Approved	
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## I. Statement of Purpose

The purpose of this Investment Policy for The Parks Foundation, Calgary is to establish and maintain practices and procedures to invest public funds with the highest return on investment with the maximum security and appropriate liquidity while meeting cash flow demands and conforming to all legislation governing the investment of public funds.

## II. Background

The *Parks Foundation, Calgary* (the “Foundation”) is a not-for-profit organization created in 1985.

The Foundation is incorporated under the laws of Alberta and acts as a catalyst to help the citizens of Calgary enhance the quality of parks, natural areas and river valleys, and amateur sport within the City of Calgary.

The Investment Policy is created to satisfy the terms of the Memorandum of Agreement (MOA) between The City of Calgary and The Foundation.

The Investments in the funds listed herein shall adhere with the *Municipal Government Act, RSA 2000, c-M-26* (as amended) (“MGA”) Section 250 and its regulations the *Municipal Investment Regulation, AR 149/2022* (as amended) and as they may be amended or replaced from time to time.

The mandates covered by this Investment Policy Statement include:

**Operating Endowment** – The fund is used in part to finance operating expenses of the Foundation as per terms of MOA.

**PartnerParks Endowment** – The fund provides grants to qualified groups for the development and creation of parks, playgrounds, recreational facilities, and natural areas and open spaces.

**Saddledome Fund** - The fund is funded through contributions from the Saddledome Foundation non-City funds and is regularly granted out, with a portion held in reserve. It provides grants through a joint community partnership with the City of Calgary and the Foundation to develop and enhance sports participation for Calgarians of all ages.

The policy stated herein refers only to the fund mandates noted above. All other investments controlled by the Foundation shall be governed by policy determined and approved by the Foundation’s Board of Governors with the guidance of the Foundation’s Finance and Audit Committee.

### III. Statement of Responsibilities

#### Portfolio Manager

The Portfolio Manager shall adhere to the CFA Institute Code of Ethics and Standards of Professional Conduct in fulfilling the responsibilities set forth below.

- A. Select securities for the portfolio
- B. Adjust the asset mix within the prescribed ranges
- C. Review and report portfolio activity, performance and compliance on a timely basis
- D. Comply with this Statement of Investment Policy at all times.

#### Custodian/Trustee

A third-party custodian will hold all investments. The custodian shall provide monthly reporting for each account indicating all investment activity, book value of the holdings, month end market values and income earned by the investments.

#### The Foundation Board of Governors

The Foundation Board of Governors shall have the responsibilities set forth below.

- A. Review, evaluate and set the goals, objectives and risk tolerances for each of the funds
- B. Set Strategic Asset Mix Ranges and Benchmarks for the portfolios to meet the goals and objectives of the funds.
- C. Determine which asset classes are permitted for the Portfolio Manager, subject to compliance with the Major Cities Investment Regulation of the Municipal Government Act.
- D. Review and approve this Investment Policy Statement at least annually and recommending changes to City Council as needed.
- E. Approve the hiring or termination of the Portfolio Manager.

#### The Foundation Management

The Foundation Management shall have the responsibilities set forth below.

- A. Negotiation and execution of the Investment Management Agreement with the Portfolio Manager
- B. Oversight of the Portfolio Manager.
- C. Making Portfolio Manager hiring and termination recommendations to the Finance and Audit Committee.

#### City of Calgary – Treasury Division

- A. Provide support to the Foundation Finance & Audit Committee and the Foundation Management in development of Asset Mix and Investment Policy.
- B. Provide assistance in review of investment manager performance and appropriateness of investments.

#### IV. Investment Goals and Objectives

##### *Return Objective - Total Return Approach*

The primary objective is to provide returns consistent with a stable annual level of funding for capital expenditures (grants) and operating costs. The portfolio is to generate a total return (income and capital growth after investment management fees) in excess of inflation plus an amount required to fund operating costs of The Foundation. Performance will be compared to a benchmark that measures the returns over moving 4-year periods as is suggested in the Performance and Reporting section.

##### *Risk Tolerance - Medium*

Risk shall be controlled through construction and strategic management of a broadly diversified portfolio comprised of fixed income and equity securities. Risk will also be controlled through investment in a broad range of economic sectors and individual holdings with an analysis of the downside risk inherent in the individual securities.

##### *Time Horizon – Long Term (10 years plus)*

Given the endowments have a long-term indefinite time horizon; a portion of the endowment will have exposure to equities that provide prudent growth of capital to offset the effects of inflation. The largest portion of the portfolio will be allocated to fixed income securities and cash in order to maximize the investment income.

##### *Income Requirements*

**The Operating Endowment Fund** distributes investment returns pursuant to the following:

- a) Allow a minimum annual payout of 4.5% (of the fund average market value for the previous five years).
- b) The surplus, more than the inflation protected principal, shall be available for extraction subject to the terms of the MOA.

**PartnerParks** is expected to provide grants to qualified groups for the development and creation of parks, playgrounds, recreational facilities, and natural areas and open spaces.. The distribution for each year will be determined by policies set and approved by the Foundation's Board of Governors.

**Saddledome Fund** is expected to distribute grants to advance the development of assets, facilities and recreation spaces to encourage and enhance sports participation for Calgarians of all ages. The distribution for each year will be based on available funds and the Funding Agreement (dated October 20, 2010) and its amendments for this fund between the City of Calgary and the Foundation.

**V. Investment Policy and Guidelines**

The Portfolio Manager will have full discretion to manage the portfolio subject to the following guidelines

**Strategic Asset Mix Ranges and Benchmark:**

<b>Asset Class:</b>	<b>Allowable Range</b>	<b>Benchmark:</b>	<b>Index</b>
<b>Cash</b>	<b>0-40%</b>	<b>10%</b>	<b>FTSE TMX Canada 91 Day T-Bill</b>
<b>Fixed Income</b>	<b>30-90%</b>	<b>50%</b>	<b>FTSE TMX Canada Universe Bond</b>
Foreign Debt	0-25%		
Equity	0-50%	40%	
<b>Canadian Equities</b>	<b>0-45%</b>	<b>20%</b>	<b>S&amp;P/TSX Composite Index</b>
<b>Foreign Equities</b>	<b>0-35%</b>	<b>20%</b>	<b>MSCI All Country World Index (CAD)</b>
Total Foreign (Debt & Equity)	0-50%		

**VI. Investment Preferences and Constraints**

The Prudent Investor Rule shall prevail over all portfolios. The Prudent Investor Rule requires that all investment managers:

- Act in all matters with loyalty, impartiality and prudence.
- Maintain overall portfolio risk at a reasonable level.
- Provide for the reasonable diversification of investments. An investment manager can invest in any allowable asset as long as it meets the requirements of prudent investment and considers the portfolio in its entirety.

**A. Cash & Equivalents**

All short-term securities with a maturity date not exceeding one (1) year must carry a minimum credit rating of R-1 or equivalent. Credit rating refers to the ratings issued by DBRS Morningstar (DBRS), S&P Global Ratings (S&P), or Moody's (MY). In the event of one or more ratings differing from the others, the majority rating will prevail. In the event that there are only two ratings available, the most conservative rating will prevail.

**B. Fixed Income**

- a. All long-term debt securities shall carry a minimum credit rating of BBB or equivalent. Credit rating refers to the ratings issued by DBRS Morningstar (DBRS), S&P Global Ratings (S&P), or Moody's (MY). In the event of one or more ratings differing from the others, the majority rating will prevail. In the event that there are only two ratings available, the most conservative rating will prevail.
- b. Not more than 10% of the market value of the fixed income component of an investment manager's portfolio may be invested in the debt of a single issuer other than the debt issues of, or fully guaranteed by, the Government of Canada or any provincial government whose long-term debt rating is "A" or higher.
- c. Not more than 20% of the market value of the fixed income component of an investment manager's portfolio may be invested in mortgages or mortgage backed securities.
- d. Not more than 15% of the market value of the fixed income component of an investment manager's portfolio may be invested in securities DBRS rates BBB (includes all sub-ratings within the overall BBB rating)
- e. Not more than 20% of the market value of the fixed income component of an investment manager's portfolio may be invested in non-Canadian issuers that are denominated in Canadian dollars.
- f. Collateralized debt obligations and asset-backed securities must carry a rating of AAA.
- g. In the event the rating of a security is downgraded below the minimum, the investment manager(s) will sell the investment, during a reasonable period of time, given full consideration for market conditions and the liquidity/price level of the security.

**C. Equities**

- a. Not more than 10% of the market value of the equity component of an investment manager's portfolio may be invested in the common stock, preferred shares and other equity issues of any one issuer.
- b. Any holdings shall be broadly diversified by sector and country, having regard to relative sizes of economic activity and stock market capitalization.
- c. All holdings shall trade on major stock exchange or be part of a broadly diversified equity pool of which the majority are equities traded on a major stock exchange.
- d. The value of warrants, share rights or other securities exercisable or exchangeable for shares may not exceed 5% of the market value of the portfolio.

**D. Pooled Funds**

- a. Where pooled funds are utilized in the implementation of asset classes listed in Section V, the investment policy of the pooled fund shall take precedence to the constraints listed above.
- b. The Foundation Finance & Audit Committee shall review the investment policy of the pooled funds to ensure the appropriateness of the investments in meeting the objectives of the fund.

The committee shall document any constraints that are less restrictive than the constraints listed in Section VI (A thru C).

- c. Should the investment policy of the pooled fund change, the Portfolio Manager shall inform the Foundation Finance & Audit Committee in writing so a review can be done to ensure the continued appropriateness of the pooled fund.

## **VIII. Performance and Reporting**

### **A. Performance Standards**

- a. The portfolios should achieve the appropriate benchmark(s) gross of fees, over rolling 4-year periods. Performance will be monitored on a quarterly basis and if underperformance versus the benchmark is observed in any 4 of 6 consecutive quarters, Portfolio Manager results will be evaluated for further action. Notwithstanding the foregoing and for greater certainty, the performance of the Portfolio Manager from time to time where reasonable may be reviewed upon request of any of the Foundation's Board of Governors, Finance and Audit Committee and/or Management.

### **B. Reporting Requirements**

The Portfolio Manager will:

- a. Provide monthly transaction reports and market values
- b. Provide quarterly statements and analysis
- c. Attend at least one the Foundation Finance and Audit Committee meeting per year at the request of the Committee.
- d. Complete and sign a compliance report each quarter. The compliance report should state whether or not the portfolio was in compliance with this policy during the quarter.