

## Short-Term Cash Investment Policy

Office of Administration:	Office of Vice-President, Administration and Finance
Approval Authority:	Board of Governors
Approval Date:	February 17, 2023
Next Review:	February 2028
Review History:	

**1. Purpose**

The purpose of the policy is to provide direction that will support the effective management of Laurentian University’s cash balances. As part of its ongoing operations, the University accumulates cash balances, which fluctuate during the fiscal year and may not be immediately required. It is expected that the University would optimize investment earnings on excess cash balances while protecting capital invested. Therefore, excess funds not immediately required to support operations should be invested in a manner that provides appropriate security, liquidity, and diversification. The primary objective for the short-term investments is to earn a rate of return, net of fees, that exceeds the rate of return earned on Current Account bank balance.

**2. Scope**

This policy does not apply to the University’s Endowment and or Pension funds, which are covered by separate Statement of Investment Policy and Procedures (SIPP).

**3. Policy Statement**

The Board of Governors provides oversight for assets invested by the University. Responsibility for investment management of short-term investments is delegated to the Financial Services Department, under the direction of the Vice-President Finance and Administration.

The Financial Services Department is responsible to:

- i. Managing cash flow to meet ongoing liquidity needs
- ii. Investing excess cash funds in accordance with this Policy
- iii. Providing regular reports to the Board regarding investment performance and compliance with the Policy

#### 4. Investment Objectives

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

- Capital Preservation – Security of the invested funds must be a prime consideration in selecting investments. 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 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
- Investment Returns – 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.

#### 5. Permitted Investments

Cash held by the University that is not immediately required for operations or restricted by the terms of a funding agreement, may 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. Commercial paper and term deposits, and
- viii. 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.

For the purposes of this Policy, the following rating agencies shall be considered to be "recognized bond rating agencies": Dominion Bond Rating Services, Standard and Poor's,

and 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 deposits
- Government of Canada T-Bills, Notes & Bonds
- Crown Corporations & Agencies, Government of Canada guaranteed Notes

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.

## **6. 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

## **7. Approval Authority**

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

- i. Terms to Maturity of less than one year; any two of the following:
  - Vice-President (Finance and Administration)
  - Associate Vice-President, Finance
  - 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)

## **8. Records & Accounting**

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

A report on the Short-term Investment of Excess Cash shall be submitted quarterly to the Finance 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: *February 2028*