

# **THE NEW BRUNSWICK COMMUNITY COLLEGE FOUNDATION INC.**

## **ENDOWMENT MANAGEMENT AND INVESTMENT MANAGEMENT POLICY**

### **Part 1 – Endowment Management**

The New Brunswick Community College Foundation defines an endowment as: a fund where a principal sum is permanently set aside and invested by the College, with only the income available for spending. Endowment funds ensure that income is available in perpetuity. For the purpose of this Policy, endowment funds refer to monies accepted from other parties for the stated purposes of the Foundation, and that are placed in endowment by choice of the Foundation Board of Trustees.

#### **1.0 GOALS OF THE ENDOWMENT MANAGEMENT POLICY**

1.1 The goals of the Endowment Management Policy are:

- a. To balance present spending needs with expected future requirements.
- b. To protect the purchasing power of the capital base of the endowments while achieving stability in year-to-year spending.
- c. To attain real increases in spending and capital appreciation through new gifts, capital investment gains, and the capitalization of investment earnings.

#### **2.0 ENDOWMENT STRUCTURE**

2.1 In anticipation of the future growth of the Foundation's endowment a unitized, pooled fund shall be created. The creation of a large asset base through the combining of the assets of separate endowments into a single "pool" for investment has a number of advantages. It allows for the diversification of investments, increased administrative efficiencies through economies of scale, the maximization of return on investments, and a more predictable yield of investment earnings for each participating endowment. Each constituent endowment is assigned a unit value based on the relationship of the assets of the endowment to the total value of the pool. Investment earnings for the pool are then credited periodically to each participating endowment on a pro rata basis.

### 3.0 ENDOWMENT SPENDING

- 3.1 Endowment spending will be allocated from the previous year's earnings. No spending will be available until a fund has been invested for a minimum of one year and has earned a sufficient amount for spending.
- 3.2 Endowment management should aspire to provide near financial certainty and, thereby program stability. The spending formula should be structured to protect the purchasing power of the endowment over time, and produce regular moderate spending increases each year. It should always work towards preserving and enhancing the growth of principal.
- 3.3 The income available for spending in any fiscal year will be determined using a banded inflation –based model. After setting an initial base of 4.0% of the endowment gift value, the income available for distribution in subsequent years may be increased to match the value of the Canada All Items Consumer Price Index as of the fiscal year end. To ensure that spending allocation correlates with the underlying asset value the amount available for spending must never be less than 3.75% of the average market value for the quarter ending March 31 nor be greater than 5.75% of the Endowment's average market value.
- 3.4 The cost of administrative, accounting, auditing and related tasks are normally legitimate expenses recoverable from the endowments themselves and should not be a drain on limited operating fund resources.
- 3.5 The cost of investment management fees are legitimate expenses recoverable from the endowments themselves and should not be a drain on limited operating fund resources. An investment management fee will be established with fund managers and monitored on a regular basis.
- 3.6 To the extent that the actual income exceeds actual expenditures in any given year, the balance will be retained in a stabilization reserve fund to protect against the fluctuations of the investment marketplace.
- 3.7 The endowment spending model will be assessed by the Board of Trustees on a regular basis in order to ensure that the fund is meeting the goals of this Policy.

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### Part 2 – Investment Management

The New Brunswick Community College Foundation recognizes the importance of developing and maintaining its endowment and other funds as one way to help ensure adequate financial resources are available to the College for the future. This policy is intended to assist the Foundation to meet its goals in this regard.

#### 1.0 POLICY

- 1.1 The Foundation will seek opportunities to grow the investment resources by allocating portions of undesignated funds to endowments where appropriate. Priority will be given to the General Scholarship and Bursary Endowment
- 1.2 The Foundation shall invest:
  - a. The endowment funds on a pooled investment basis, seeking an optimum investment return without assuming risks that are inappropriate for a publicly post-secondary educational institution. Interest earned on endowment funds will be distributed according to this Policy.
  - b. Other funds in investments, including short-term deposits where appropriate, to the use of these funds and the preservation of capital. Interest earned on non-endowed funds will be considered undesignated funds.
- 1.3 The Foundation shall employ cash and fund management practices which maximize the funds available for investment.
- 1.4 Responsibility for investment of the Endowment fund rests with the Board of Trustees of the Foundation hereinafter referred to as the Board including:
  - a. The establishment of an overall investment policy, including broad asset allocation guidelines and a structure of investment manage.

- b. The appointment of removal of investment managers and other advisors.
  - c. Monitoring investment performance and the investment managers.
  - d. Annual reporting on the status and operation of the investment assets to the NBCC-CCNB Executive Committee.
- 1.5 The funds are to be managed in accordance with all applicable legal requirements.
- 1.6 The Board may delegate some their responsibilities with respect to the investments to an appropriate committee, as well as to other agents and advisors.
- 1.7 Any person to whom the Board delegates responsibilities with respect to the investments must adhere to the provisions of this policy. Any Manager appointed to manage all or a portion of the funds shall operate under specific written guidelines agreed upon between the Manager and the Board.
- 1.8 When considering potential managers and investment vehicles, the Board will ensure the values and the integrity of the College and the Foundation are upheld.

## 2.0 RETURN OBJECTIVES OF THE FUND

- 2.1 The expected rates of return for the endowment are a function of its return objective, risk tolerance and time horizon.
- 2.2 The primary objective of the Endowment Fund is to support the Foundation's endowment objectives.
- 2.3 The investment objectives and constraints for the Endowment Fund are:
- a. Return Objective: The primary return objective is long-term capital growth, preservation of capital and retention of the original purchasing power.
  - b. Risk Tolerance: In keeping with acceptable risks for a publicly funded post-secondary educational institution, the portfolio can assume a moderate "plus" level of investment risk in a growth portfolio.

- c. Time Horizon: The primary objective of the Foundation is to provide funds in perpetuity; therefore, the time horizon is long-term.

### 3.0 ASSET ALLOCATION

- 3.1 The long-term asset mix will be determined by the following factors:
  - a. The projected long-term expectations from equities (predominately investment grade), fixed income securities, and real estate/mortgage properties.
  - b. The objective of a real rate of return that exceeds the spending rate.
  - c. The historic and expected future correlation of returns between various asset classes.
- 3.2 The level of risk tolerance will be limited to 45.0% in equities which carry a moderate level of risk. 10 of the remaining 55 percentage points may be invested in preferred shares.

### 4.0 FUND MANAGEMENT

- 4.1 The Board will not invest fund assets directly, but shall employ one or more competent external professional investment managers. The Board may make changes to such Manager(s) from time to time as they deem in the best interest of the endowment and its beneficiaries, taking into account performance on return objectives. The selection of Managers will be made in a prudent manner taking into account the relative experience and expertise of potential managers.
- 4.2 The Board shall apportion Endowment Fund assets to one or more Managers in a structure considered appropriate to implement the asset allocation guidelines. The Board will at all times maintain a complete description of this structure, identifying each Manager and their current apportionment of existing assets and cash flows.
- 4.3 Subject to this policy, the Board shall grant full discretion of investment to the Managers within their mandates as regards to the selection of securities and timing of transactions.

## 5.0 VALUATION OF ASSETS

5.1 Most investments will be valued at their market value when that is available from regular public trading.

## 6.0 CONFLICT OF INTEREST

6.1 A conflict of interest, whether actual or perceived, is defined for the purpose of this Policy as any event in which the Board, an employee of the Foundation, any Manager or delegate, the custodian, or any person directly related to any of the foregoing, may benefit materially from the knowledge of, participation in, or by virtue of, an investment decision or holding of the fund.

6.2 Should a conflict of interest arise, the person in the actual or perceived conflict, or any person who becomes aware of the conflict of interest situation, shall immediately disclose in writing the conflict to the Board. Any such party will thereafter abstain from decision making with respect to the area of conflicts. A written record of the conflict shall be maintained by the Board.

6.3 No part of the investments shall be loaned.

## 7.0 VOTING RIGHTS

7.1 The responsibility of exercising and directing voting rights acquired through Foundation investments shall normally be delegated to the Manager(s), who shall at all times act in the best interest of the Foundation.

7.2 The Board reserves the right to direct voting decisions of the Manager(s), if it deems such action to be in the best interest of the Fund.

## 8.0 MONITORING

8.1 With each Investment Manager, a set of guidelines will be agreed upon within which the Manager is expected to operate. These guidelines will include discretion limits, diversification, performance expectations and reporting requirements. The guidelines shall reflect the objectives and constraints of this policy.

- 8.2 The Board shall monitor the performance of each Manager and the internal treasury function. Such monitoring will include, but not limited to quarterly reports, semi-annual meetings and ongoing evaluation of performance relative to standards appropriate to the Manager’s mandate.
- 8.3 The Board shall meet semi-annually to review the assets of the Endowment Fund.
- 8.4 The Board shall meet annually to:
- a. Review the current economic outlook and investment plans of the Managers and cash-flow forecasts for the Foundation.
  - b. Review the asset mix of the fund and take any necessary actions to ensure compliance with the asset allocation guidelines.
  - c. Receive and consider statistics on the investment performance of the fund and any internally managed short-term investments and measure against benchmarks.
  - d. Ensure compliance with this Policy. The Board shall receive an Investment Policy compliance certificate from each Investment Manager every quarter.

9.0 POLICY REVIEW

- 9.1 This Policy will be reviewed at least annually by the Board to consider whether there are shortcomings of the Policy that emerge in its practical operation or significant modifications that are recommended by the Board or by any Manager.

Reviewed and Approved: June 7, 2019

Next Review Date: May 2020

NOTE: Original Creation Date: March 26, 2008