

## Appendix A – Investment Policy Changes

Table 1 below outlines the proposed changes to Schedule C, *The Regina Administration Bylaw*, 2003-69.

**Table 1: Proposed Investment Policy Change Summary**

Reference in Current Bylaw	Current Bylaw Provision	Proposed
<b>Definitions</b>		
2	<p>“credit rating” means a current opinion, from Standard &amp; Poor’s or Dominion Bond Rating Service, of the creditworthiness of an issuer with respect to a specific financial obligation, a specific class of financial obligations, or a specific financial program;</p> <p>“duration” means the weighted average term-to-maturity of the cash flow of the security or portfolio;</p> <p>“funds” means those City assets held in an account at a financial institution or invested in securities for the benefit of the City;</p> <p>“liquidity” means the ability to sell an investment quickly;</p> <p>“long term investment” means any investment that has a term greater than one year;</p> <p>“prudent person principle” means the fiduciary will provide for reasonable diversification of the investments;</p> <p>“rate of return” means the yield obtainable on a security based on the purchase price or the current market price of the investment, with the yield reflecting the coupon rate, term, liquidity and credit quality;</p>	<p>The proposed changes include the current definitions on the left with the following minor modifications:</p> <ul style="list-style-type: none"> <li>• The definition of credit rating is changed to refer to recognized bond rating agency which then is defined;</li> <li>• The definition of prudent person principle is modified to read “the principle that restricts investments to only those that a person of prudence, would invest in to obtain reasonable return at an acceptable level of risk;</li> </ul> <p>Definitions and the concept of having a short-term account, mid-term account and long-term account is being added:</p> <ul style="list-style-type: none"> <li>• a short term account will be used for cash to be spent within 3 years, a mid-term account will be used for cash to be spent in 3-5 years and a long-term account will be used for cash to be spent five or more years from the date the funds were received. This will be outlined in a new section 4.</li> <li>• The limits and benchmarks for these three accounts are described below in tables 4, 5 and 6.</li> </ul>

	<p>“safety of principal” means the minimization of potential losses on the principal amount invested in a debt security;</p> <p>“short term investment” means any investment that has a term of one year or less;</p> <p>“term” means the length of time from the date of purchase of an investment to the date of maturity of the investment.</p>	<p>In addition to the above changes and retaining the current definitions, the following definitions are also being added:</p> <p>“custodian” the financial institution responsible for safeguarding the City’s investment assets;</p> <p>“investment account” means distinct groups of investment funds by investment horizon;</p> <p>“investment committee” means the administrative investment committee appointed by the Executive Director, Financial Strategy and Sustainability that is responsible for overseeing the investments of the City in accordance with this Schedule;</p> <p>“investment horizon” means the expected time the assets in an investment account will be held for;</p> <p>“portfolio” means the total market value of all investments held by or for the benefit of the City;</p> <p>“recognized bond rating agency” means S&amp;P Global, Moody’s Investor Services, DBRS Morningstar or Fitch Ratings;</p> <p>“related entities” means the subsidiaries of an equity or debt issuer whether owned directly or indirectly and whether or not they are consolidated for financial statement purposes;</p> <p>“total portfolio” means the combined value of the short-term account, mid-term account and long-term account;</p>
<b>Investment Committee</b>		
new section 3	no section in current Bylaw	A new section is being added to the Bylaw to state that the Executive Director, Financial Strategy and

		<p>Sustainability and a new investment committee will be used to invest the City's investments in accordance with the Schedule in the Bylaw. In addition, the Executive Director is required to submit an annual investment report to Council on or before June 30<sup>th</sup> each year. The report will include information on the rate of return achieved for each account and the combined portfolio, and analysis of accounts and total portfolio relevant to benchmarks and any proposed changes to the investment policy.</p>
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**Investment Accounts**

New section 4	no section in current Bylaw	<p>A new section is being added to establish a short-term account, mid-term account and long-term account. A short term account will be used for cash to be spent within 3 years, a mid-term account will be used for cash to be spent in 3-5 years and a long-term account will be used for cash to be spent five or more years from the date the funds were received. These time frames are based on when the funds are required for an operating or capital expenditure.</p>
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**Investment Management**

New section 5	no section in current Bylaw	<p>A new section is being added to provide that all accounts other than guaranteed investment certificates will be managed by a professional investment manager.</p>

**Investment Custody**

New section 6	no section in current Bylaw	<p>A new section is being added to provide that investments other than guaranteed investment certificates will be held in custody by the same custodian as the City's pension assets.</p>

**Investment Objectives**

<p>3</p>	<p>The objective of the policy is to incorporate industry best practices in order to ensure the preservation of capital and to maintain liquidity in the portfolio. The objectives include:</p> <ul style="list-style-type: none"> <li>(a) safety of principal;</li> <li>(b) income maximization subject to the constraints of the investment policy; and</li> <li>(c) minimize the use of the temporary borrowing facility.</li> </ul>	<p>No change but this section will now appear as section 7.</p>
<p>4</p>	<p>In managing the investments, in order to meet the objectives, particular consideration will be given to:</p> <ul style="list-style-type: none"> <li>(a) rate of return for the investment relative to the risk;</li> <li>(b) liquidity of the investment;</li> <li>(c) legal and tax status of the income and principal payments;</li> <li>(d) the duration of the investment portfolio; and</li> <li>(e) the prudent person principle of investment management.</li> </ul>	<p>No change but this section will now appear as section 8.</p>
<p>5</p>	<p>The investment objective of safety of principal is achieved through:</p> <ul style="list-style-type: none"> <li>(a) an investment term of a maximum of 4 months for investments with a credit rating of R1-Mid and R1-Low, and 6 months or less for investments with a credit rating of R1-High;</li> <li>(b) limiting investments to a minimum credit rating of R1-</li> </ul>	<p>The following will appear as section 18 in the Bylaw:</p> <p>To prevent undue concentration of investment in any single entity, the following limits are placed on the investment portfolio:</p> <ul style="list-style-type: none"> <li>(a) For the Total Account the combined equity and debt holdings of a single corporation and its associates or affiliated companies, at the time of</li> </ul>

	<p>Low to reduce the risk of default; and</p> <p>(c) issuer limits on the amount of investments held per issuer to limit the exposure to any one company.</p>	<p>purchase, shall not represent more than 10% of the total market value of the portfolio.</p> <p>(b) For the Equities that the City holds:</p> <ul style="list-style-type: none"> <li>i. No one equity holding shall represent more than 10% of the market value of the portfolio.</li> <li>ii. No one equity holding shall represent more than 10% of the voting shares of a corporation.</li> <li>iii. No one equity holding shall represent more than 10% of the available share capital of such an equity.</li> </ul> <p>(c) For Bonds and Short-Term investments:</p> <ul style="list-style-type: none"> <li>(a) Except for federal and provincial bonds, including government guaranteed bonds, no more than 10% of the market value of the portfolio may be invested in the bonds of a single issuer and its related companies.</li> <li>(b) Except for federal and provincial bonds, including government guaranteed bonds, no one bond holding shall represent more than 10% of the market value of the total outstanding for that bond issue.</li> <li>(c) 'BBB' bonds may not be purchased if the purchase would raise the 'BBB' holdings to more than 20% of the market value of the bond portfolio.</li> </ul>
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		(d) No more than 20% of the market value of the portfolio shall be invested in a commercial mortgage investment fund.
<b>Investment Criteria – Assets Managed Internally</b>		
6	Short term investments must have a minimum credit rating of R1-Low.	No change but now appears as section 10.
7	Long term investments must have a minimum credit rating of A.	The following investment criteria are listed as sections 11, 12 and 13.  Fixed income investments must have a minimum credit rating of BBB.  Preferred shares must have a minimum credit rating of P-1.  Asset-backed securities must have ratings from at least two recognized credit rating agencies.
8	Subject to the limits in Section 13 and 14, eligible investments include:  (a) obligations of the Government of Canada or of a crown corporation guaranteed as to payment by the Government of Canada;  (b) obligations of a Province of Canada or of a provincial crown corporation carrying the guarantee of its province;  (c) obligations of the City of Regina;  (d) asset backed securities, which are securities backed by financial assets and credit support from a third party;  (e) obligations of a chartered bank or trust company; and	The types of eligible investments are being modified. The following section will now appear as section 9:  Subject to the limits in Section 15, 16 and 17, eligible investments include:  (a) Canadian and Foreign Equities such as:  i. Equity securities traded through a marketplace; or  ii. Preferred shares;  (b) Fixed Income and Mortgages such as:  i. Bonds, notes and other debt instruments of Canadian issuers denominated in Canadian dollars;

	<p>(f) obligations of a Canadian corporation.</p>	<ul style="list-style-type: none"> <li>ii. Mortgages on income producing commercial property and multi-unit residential properties in Canada; or</li> <li>iii. Term deposits and guaranteed investment certificates (GIC's).</li> </ul> <p>(c) Cash and Short-Term Investments such as:</p> <ul style="list-style-type: none"> <li>i. Cash on hand and demand deposits;</li> <li>ii. Treasury bills issued by the federal and provincial governments and their agencies;</li> <li>iii. Obligations of trust companies and Canadian and foreign banks chartered to operate in Canada, including bankers' acceptances; or</li> <li>iv. Commercial paper and term deposits;</li> </ul> <p>(d) Real Estate such as:</p> <ul style="list-style-type: none"> <li>i. Investment in real estate through investment funds</li> </ul> <p>(e) Investment Funds such as;</p> <ul style="list-style-type: none"> <li>i. Investment in institutional pooled funds managed by a professional fund manager</li> </ul>
<p>9</p>	<p>An investment where the current rating is downgraded below the investment policy guidelines should be sold as soon as practical without compromising the portfolio.</p>	<p>No change except now this section will appear as section 14.</p>

<b>Investment Criteria – Assets Managed Externally</b>		
10	Short term investments must have a minimum credit rating of R1-Low.	No change
11	Long term investments must have a minimum credit rating of BBB.	Fixed income investments must have a minimum credit rating of BBB.
12	Eligible investments include:  (a) bond funds; and  (b) short term investment funds.	Removed and replaced as outlined in row 8
<b>Investment Limits – Assets Managed Internally</b>		
13	The investment limits for long term investments that are managed internally are as detailed in the table included in Schedule C. (see Table 2 below)	Internal management is only used for guaranteed investment certificates (GIC's).
14	The investment limit for short term investments that are managed internally are as detailed in the table included in Schedule C. (see Table 3 below)	Investment limits will be as detailed in the following tables.  Short-Term Account: Table 4  Mid-Term Account: Table 5  Long-Term Account: Table 6



**Table 2: Current Investment Limits – Investments Managed Internally (will be removed in the new bylaw)**

Issuer/Credit Rating	Portfolio Investment Limit	Per Issuer Limit
Government of Canada and/or Crown Corporations and Agencies:	No limit	No limit
Provinces of Canada and/or Provincial Crown Corporations.  AAA AA A	No Limit  No Limit No Limit	No limit  No limit No limit
Canadian Corporate:  AAA AA A	Up to 30% of the portfolio	Up to 15% of portfolio Up to 10% of portfolio Up to 5% of portfolio
City of Regina Debt	No limit	No limit

**Table 3: Current Investment Limits – Investments Managed Externally (will be removed in the new bylaw)**

<b>Issuer/Credit Rating</b>	<b>Portfolio Investment Limit</b>	<b>Per Issuer Limit</b>	<b>Term</b>
Government of Canada and/or Crown Corporations and Agencies:	No limit	No limit	1 year or less
Provinces of Canada and/or Provincial Crown Corporations.	No limit	No limit	1 year or less
R1-High	No limit	\$12 million per issuer	6 months or less
R1-Mid	No limit	\$8 million per issuer	4 months or less
R1-Low	\$40 million if total portfolio is less than or equal to \$100 million; \$15 million if total portfolio is greater than or equal to \$50 million and less than \$100 million; \$10 million if total portfolio is greater than or equal to \$30 million and less than \$50 million; or \$8 million if total portfolio is less than \$30 million	\$4 million per issuer	4 months or less

**Table 4: Short-Term Account Limits – Proposed**

<b>Asset Class</b>	<b>Minimum (%)</b>	<b>Benchmark (%)</b>	<b>Maximum (%)</b>
Short-Term Corporate Bonds	40	70	80
Short-Term Government Bonds	0	0	20
Money Market Funds	20	30	40
Guaranteed Investment Certificates	0	0	40
<b>Total Account</b>		<b>100</b>	

**Table 5: Mid-Term Account Limits – Proposed**

<b>Asset Class</b>	<b>Minimum (%)</b>	<b>Benchmark (%)</b>	<b>Maximum (%)</b>
Equities			
Canadian Equities	5.5	7.5	10.5
Global Equities	12.5	17.5	22.5
<b>Total Equities</b>		<b>25</b>	
Alternative Investments			
Mortgages	7	10	13
Canadian Real Estate	2	5	8
<b>Total Alternatives</b>		<b>15</b>	
Fixed Income			
Mid-Term Corporate Bonds	25	30	35
Mid-Term Government Bonds	15	20	25
Money Market Funds	7	10	13
<b>Total Fixed Income</b>		<b>60</b>	
<b>Total Account</b>		<b>100</b>	

**Table 6: Long-Term Account Limits – Proposed**

<b>Asset Class</b>	<b>Minimum (%)</b>	<b>Benchmark (%)</b>	<b>Maximum (%)</b>
Equities			
Canadian Equities	7.5	12.5	17.5
Global Equities	27.5	32.5	37.5
<b>Total Equities</b>		<b>45</b>	
Alternative Investments			
Mortgages	7	10	13
Canadian Real Estate	7	10	13
<b>Total Alternatives</b>		<b>20</b>	
Fixed Income			
Mid-Term Corporate Bonds	15	20	25
Mid-Term Government Bonds	10	15	20
Money Market Funds	0	0	10
<b>Total Fixed Income</b>		<b>35</b>	
<b>Total Account</b>		<b>100</b>	