RÉSEAU DE SANTÉ vitalité HEALTH NETWORK

Manual: Board of Directors

Title:	INVESTMENTS		**No.: CA-275**
Section:	Orientation Guidelines	**Effective date:**	**2022-06-21**
Issued by:	Board of Directors	**Date of last revision:**	2021-12-07
Approver:	Board of Directors Denis M. Pelletier, Acting Chairperson	**Approved on:**	2022-06-21
Facility(ies)/program(s):			

PURPOSE

Guide investment decisions with respect to funds not required for everyday, near-term operations.

POLICY

1.0 The Board of Directors:
- Establishes a relevant investment policy in line with the legislation and By-Laws applying to the Network;
- Approves the investment policy on the recommendation of the Finance and Audit Committee.

2.0 The Finance and Audit Committee:
- Examines the investment policy annually and recommends modifications, where appropriate;
- Analyzes the return on investment and management of the investment portfolio quarterly;
- Delegates any required responsibilities to the CEO.

3.0 This policy must comply with provincial legislation governing investments, including the:
- *Financial Administration Act* (c. 160, s. 22)
  "Despite any other Act, no securities are to be purchased by any department, agency or Crown corporation of the Province or by any administration, board, commission or sinking fund trustee appointed under any Act without the approval of the Minister."

"Minister" refers to the Minister of Finance or the minister's representative.

- *Regional Health Authorities Act* (c. 217);
  - 32(1) j) (iii) "A comprehensive financial plan, which shall include the details of all investments held by the authority, or on its behalf."
  - 49 "A regional health authority may invest money in accordance with its by-laws."

4.0 The investment of surplus funds is limited to fixed-income securities that offer a high degree of liquidity and security and that produce a reasonable investment performance while protecting the capital.

5.0 Vitalité Health Network does not invest in the equity market. It invests in any of the following financial instruments:

- Treasury bills (issued by Canada and provinces);
- Guaranteed investment certificates (GICs);
- Bank acceptances (BAs);
- Commercial paper rated R-1 or higher;
- Federal and provincial bonds (all provinces) with a minimum A rating;
- Fixed debentures of provincial public services (all provinces) with a minimum A rating;
- Canadian municipal bonds with a minimum A rating;
- Short-term corporate bonds.

6.0 Investments that originated from non-shareable funds before April 1, 2012 are deemed to have special status until they are liquidated.

PROCEDURE

1.0 Financial Services identifies and recommends the transfer of surplus funds not associated with everyday operations based on the origin of the funds and the directives contained in the By-Laws. For example, surplus funds may originate from external sources (e.g. monetary donations and funds earmarked for specific purposes, such as equipment, training):

1.1 The Network maintains an investment account with its banking institution;
1.2 The Chief Financial Officer obtains the appropriate authorizations to transfer surplus funds into or out of the investment account;
1.3 The Network invests in low-risk securities. Funds may be invested in the aforementioned securities, provided they offer a low level of credit risk, currency risk, interest rate risk and liquidity risk.

2.0 The funds are managed based on the parameters below:

Cash and short-term investments (less than one year)

2.1 The permitted investments include cash, demand deposits, Treasury bills, commercial paper, short-term bonds, banknotes and bank acceptances, term deposits and guaranteed investment certificates maturing in one year or less.

2.2 The purchase of short-term investments issued by companies and financial institutions is limited to investments with a minimum R-1 or BBB rating.

2.3 There is no limit to the degree of concentration of short-term fixed-return investments.

Fixed-return securities (over one year)

2.4 The permitted investments include bonds, debentures and mortgage-backed securities.

2.5 The purchase of fixed-return securities is limited to securities with a minimum BBB rating.

2.6 The fixed-return securities of one issuer shall not represent more than 25 percent of the total market value of all the securities held, including cash, unless the issuer is backed by the Government of Canada or one of Canada's provinces.

2.7 Any investment of over five years requires the express approval of the Board of Directors.

2.8 The term of investments is determined based on the following factors:
- Date at which the surplus funds will be required;
- Interest rates offered (short term versus long term).

Definitions

Bank acceptance: Short-term debt security with capital and debt repayment guaranteed by the issuing bank.

Bond: Long-term debt instrument by which the issuer promises to pay a set amount of interest and to reimburse the capital at the set maturity date.

Commercial paper: Negotiable note issued by a company whose duration may vary between a few days and one year. It is not usually guaranteed by the company's assets.

Guaranteed investment certificate: Deposit instrument with an interest rate that is set beforehand for a given duration. These instruments are issued by banks, trust companies and other financial institutions.

Treasury bill: Short-term debt instrument issued by the State. Treasury bills generate no interest but are sold at a value below their nominal value. The difference between the sale price and nominal value represents the income that the investor receives.

Rating: Bond rating agencies primarily base their evaluations on the financial soundness of the bond issuer, on the quality of the issuer's assets given as security, and on the issuer's management expertise and economic prospects. These agencies assign bonds a rating. For example, a high-quality bond may have a AAA rating (lowest risk of default) while a very low-quality bond may have a C- rating (junk-bond status). The higher the rating, the easier and cheaper it is for the issuer to sell their bond, given the perception of low probability that the company will fail to pay the interest and principal at maturity. There are four rating agencies:

- **DBRS (Dominion Bond Rating Service):** A bond may be rated between AAA and C (the minimum rating for the Network is BBB); a short-term debt may have a minimum rating of R-1 (average).

- **CBRS (Canadian Bond Rating Service):** A bond may be rated between A++ and D (the minimum rating for the Network is A+); for the Network, a short-term debt may have a minimum rating of A-1+.

- **Standard & Poor's Corporate Bond Rating:** A bond may be rated between AAA and CC (the minimum rating for the Network is BBB).

- **Standard & Poor's Corporate Bond Rating:** A bond may be rated between AAA and C (the minimum rating for the Network is A).

Supersedes:	**Zone 1:** ___________	**Zone 5:** ___________
	Zone 4: ___________	**Zone 6:** ___________