



Policy Title: The City of Calgary Investment Governance Policy

Policy Number: CFO001

Report Number: FCS2004 -14, PFC2012-0388

Approved by: Council

Effective Date: 2004 March 22, amended 2012 July 16

Business Unit: Finance and Supply

BACKGROUND

The Investment Governance Policy was established in 2004 by Council and delineates the governance framework for the management of City investments and guides the function and activities of the Investment Advisory Committee.

PURPOSE

The purpose of this policy, in addition to providing the governance framework for the management of City investments, is to establish accountability, transparency, compliance, and reporting of investment activity. This policy also defines the roles and responsibilities of Council, Administration, the Investment Advisory Committee, investment managers, and service providers regarding the governance process and oversight of City investments.

POLICY

Given the significant investments managed by the City, all City investments will be compliant with the City's Investment Policy and will be managed in accordance with this Investment Governance Policy to provide an appropriate level of oversight and risk management. The roles and responsibilities articulated in this Policy, including the formal establishment of an Investment Advisory Committee provides direction on activities and oversight of the investment portfolio.

1. APPLICATION AND SCOPE

All City investments are governed by this policy and the following City and provincial policies and statutes:

- City Investment Policy dated April 10, 1996 as amended.

- City Administration Bylaws 9017, 8M2001, 49M2000 and 54M99 as amended.
- Municipal Government Act & Regulations, as amended

2. GOVERNANCE STRUCTURE

- The governance structure of The City of Calgary investment management consists of Council, City Manager, the Chief Financial Officer, the Investment Advisory Committee and other City Administration including the City Treasurer and the Deputy City Treasurer.

3. COMPLIANCE AND REPORTING

Ongoing investment policy compliance shall be monitored by the Deputy City Treasurer and reported quarterly to the City Treasurer, CFO and Investment Advisory Committee. Reporting will confirm compliance with key statute and investment policy provisions for all investments as directed by the Chief Financial Officer (CFO). In addition, the CFO provides ongoing investment reporting to the City Manager and the Annual Investment Report to Council through the Audit Committee, regarding The City's investment portfolio, investment manager performance and investment compliance.

4. ROLES AND RESPONSIBILITIES

4.1 City Council:

- Approves the Investment Governance Policy and The City's Investment Policy
- Receives the Annual Investment Report from the CFO through Audit Committee

4.2 City Manager:

- Reviews and recommends the Investment Governance Policy and the Investment Policy to Council (and applicable committees as appropriate)
- Receives investment activity reports provided by CFO semi-annually

4.3 Chief Financial Officer:

- Guides development and recommends the Investment Governance Policy and the Investment Policy to City Council (and applicable committees) for approval
- Chairs the Investment Advisory Committee. Guides overall implementation strategy process, and ensures annual reviews of the Investment Policy

- Provides the Annual Investment Report to Audit Committee and Council
- Monitors the effectiveness of the Investment Governance Policy and recommend changes from time to time
- Provides reports to the City Manager regarding City investments

4.4 Investment Advisory Committee:

- Provides advice and risk oversight on The City investments including the investment structure, implementation strategies, monitoring of performance, and compliance
- Reviews and recommends the Annual Investment Report to City Council through CFO
- Reviews and advises on the Investment Governance Policy and Investment Policy (and amendments) to the CFO
- Evaluates and meets with external managers at least annually
- IAC's purpose, membership and meeting protocols are detailed in the Appendix

4.5 City Treasurer and Deputy City Treasurer:

- Oversees and administers all investment operations including appropriate guidance, staffing and training, equipment and technologies and policies; to ensure procedures, management practices and controls are in place to invest, monitor, account, report and safeguard The City's investments
- Through the custodian and investment administration unit, monitor the assets and the investment managers for compliance with all applicable policies and regulations and report to the CFO and IAC accordingly
- Acts as a resource to the IAC in all matters relating to investment management
- Develops the Investment Governance Policy and Investment Policy (and amendments) for CFO and IAC consideration
- Reviews the Investment Policy annually, develop amendments and make recommendations to the CFO and IAC, where appropriate
- Develops, recommends and implements asset mix and investment strategies
- Develops mandates for investment managers and appropriate performance measurement and reporting
- Manages relationships with external managers, custodians, performance measurement advisor and other service providers

4.6 Investment Managers:

- Manages funds under the specific investment mandate for which they were engaged, complying with all guidelines and policies as identified in their engagement contracts
- Provides information and guidance on such topics as economics, capital markets developments & opportunities, investment strategies and structures, investment issue resolution, as required
- Reports no less than quarterly to Administration and the Investment Advisory Committee

4.7 Custodian and Bankers:

- Accounts for safekeeping of marketable securities and cash belonging to The City
- Provides reports on operations and results as appropriate and required by the Administration and Investment Advisory Committee

5. RISK MANAGEMENT

Risk is mitigated and prudently managed through a sound governance framework, investment policies and controls to provide rigorous risk oversight by the collective governance structure responsible for oversight of The City of Calgary investments.

In addition to the Investment Governance Policy, potential risks are mitigated through The City Investment Policy which provides the guidelines for the management of investments and sets out investment goals and objectives, as well as eligible security types, asset class diversification, strategies and constraints. Risks have been considered in accordance with the Integrated Risk Management policy of The City.

The Key types of investment risks and the corresponding control measures are:

<u>Risk</u>	<u>Risk Control Measure</u>
Credit Risk -risk of loss of principal stemming from a borrower's/issuers failure to repay an obligation to The City	Employ conservative credit rating requirements including individual security maximums and diversification among borrowers/issuers
Interest Rate Risk -risk that a bond's market value will change over time due to a change in the level of interest rates	Ladder money market and bond maturities across the yield curve to match with time horizons of City funds

Equity Market Risk - fluctuations in the price of a stock stemming from market fluctuation or company outlook that results in return volatility

Allocate a maximum percentage weighting in equities and diversify security holdings among several industries, companies and markets including domestic and foreign

Inflation Risk -the uncertainty of the future real value (after inflation) of an investment

Mitigate inflation risk by utilizing equities and other inflation protecting asset classes such as real return bonds and mortgages

Manager Risk -risk of underperformance of investments due to manager style and/or ineffectiveness

Mandate a robust manager selection process and diversify among several managers

PROCEDURE

None

AMENDMENTS

2012 July 16 PFC2012-0388

ATTACHMENT

APPENDIX-Investment Advisory Committee

APPENDIX

1. INVESTMENT ADVISORY COMMITTEE

1.1 The Investment Governance Policy provides for the establishment of the Investment Advisory Committee (IAC) to regularly review and provide advice and oversight regarding investment of funds in accordance with The City's Investment Policy to ensure investments are optimally managed. The IAC will consider and endorse where appropriate, the adoption of the Investment Policy recommended by the CFO

1.2 The Investment Advisory Committee will comprise of up to 7 members consisting of, senior Administration and external investment professionals as follows:

- Chief Financial Officer;
- City Treasurer;
- 2 senior Administration officials;
- Up to 3 external members of the financial and investment community

1.3 The Chief Financial Officer will appoint or remove the members of the Investment Advisory Committee in writing. Consideration of the following may be used in external member selection:

- Senior financial executive experience in managing institutional investments and solid understanding of investment finance and portfolio management
- The ability to work well with others
- A strong sense of stewardship and commitment to community service
- No conflict of interest shall exist between the executive, their regular or commercial activities and The City of Calgary

1.4 The term for external committee members is to be set at 3 years, with external members generally serving no more than two consecutive terms.

2. Investment Advisory Committee Meetings

2.1 Meetings will be held at least quarterly. Quarterly agenda topics will generally include:

- Capital Markets Update
- Report on the market value of investments
- Review investment performance of each portfolio

- Compliance reporting and monitoring

2.2 Business to be covered annually or more frequently if required include:

- Recommendation of the Annual Investment Report to the Audit Committee and Council
- Review and advise on the City Investment Policy
- Internal evaluation of the Investment Advisory Committee's performance effectiveness
- Review and advise on cost effectiveness of investment management
- Review and advise on investment strategies and external Managers
- Receive presentations from Investment Managers and Performance Measurement Advisors regarding performance of City investments

2.3 A majority of members shall constitute a quorum.

2.4 The meeting location will be as directed by the Chair

2.5 The committee may meet in person or by telephone (conference call).

2.6 The Chair may call special meetings at any time (notice shall be provided to each member by letter, fax, e-mail or verbally at least 24 hours prior to the meeting).

2.7 Agreement by "consensus" will be sought however the Chief Financial Officer has the final decision making authority on all recommendations.

2.8 The Investment Advisory Committee may invite from time to time, as required, such persons to attend meetings and participate in the discussions.