BC Baptist Conference Policy

Title: Investment Policy

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Introduction

There is a standard of care that is imposed on the directors and officers of a charity which affects the actions and activities of individuals who govern the affairs of a charity. The standard of care also addresses the extent to which the directors of a charity may delegate their responsibilities. One area of delegation involves the investment of a charity's funds.

Purpose

This investment policy sets out guidelines for the Board of Directors (the "board"), and the Finance Team (the "team") to:

1. identify dollars available for investment,
2. determine the appropriate investment types and duration,
3. measure the acceptable rate of return, and
4. generally assist the board in meeting its fiduciary duty with respect to making informed investment decisions.

Criteria that the board of a charity should consider when making investment decisions are as follows:

- General economic conditions;
- The possible effect of inflation or deflation;
- The expected tax consequences of investment decisions or strategies;
- The role that each investment or course of action plays within the overall investment portfolio;
- The expected total return from income and the appreciation of capital;
- The need for liquidity, regularity of income and preservation or appreciation of capital; and
- An asset's special relationship or special value to the purposes of the trust or one or more of the beneficiaries.

This policy incorporates these criteria and also addresses non-financial concerns such as ethical investment criteria to recognize the primacy of the organization's religious purpose.

Investment Considerations

Each source of funds identified for investment, whether by way of funds beneficially owned, or from funds under administration, must be invested in accordance with the policy outlined below. The organization has different sources of funds. These are funds beneficially owned to pursue the organization's own charitable purposes and funds which it administers as trustee for specific purposes, or for others. Such different sources of funds shall not be commingled unless specifically authorized by law or by the instrument creating the fund.

Investment Objectives

The "security of capital" objective needs to be balanced with the "return on investment" objective. To balance these two the primary objectives, the team will have to consider such factors as liquidity, inflation, capital growth and income tax consequences.

Risk Tolerance

Risk tolerance, as measured by the standard deviation*, can be defined as the board's acceptable fluctuations in rates of return and capital values as being:

Low Tolerance	Under 4% fluctuation over a 3-year period
Medium Tolerance	4 - 10% fluctuation over a 3-year period
High Tolerance	over 10% fluctuation over a 3-year period

Low tolerance investments would include: treasury bills, GICs, term deposits, money market funds, short term bonds, mortgages and similar fixed income instruments.

Medium tolerance investments would include: long term bonds, mortgage backed securities, strip bonds, preferred shares, balanced mutual funds, income trust funds and similar investments having a combination of capital appreciation and fixed income.

High tolerance investments would include: common shares, equity mutual funds, corporate bonds, convertible debentures, index funds and other similar investments with a low fixed income component and high potential for capital appreciation.

* In finance, standard deviation is applied to the annual rate of return of an investment to measure the investment's volatility (risk). A volatile stock would have a high standard deviation.

Investment Term

To support the dual objectives of “security of capital” and “return on investment”, funds should be invested for the longest term possible subject to the risk tolerance and market conditions at the time that investment funds become available. Establishing a line of credit at the bank can respond to the short term cash needs where funds have been locked into investment instruments that may not be immediately liquid on a cost effective basis. The length of time that funds can be tied up in particular investment instruments needs to be considered in determining the appropriate investment mix. The various terms are:

Very short term (cash or near cash)	Less than 1 year
Short term (low tolerance instruments)	1 - 3 years
Medium term (medium tolerance instruments)	3 - 10 years
Long term (high tolerance instruments)	10 years or more

Types of Investments

The appropriateness of the investment instrument chosen for particular funds available is dependent on the risk tolerance, investment term, market conditions, inflation outlook and potential tax consequences.

No investments shall be made in corporations that are directly engaged in the production and distribution of products or services that would bring disrepute to the pursuit of the primary purpose of the organization. Such unacceptable investments would include, but are not limited to, investments in corporations which produce or distribute products or services such as tobacco products, alcohol, mind altering substances without prescriptions, gambling, immoral exploitation of the human body and exploitation of the underprivileged or disabled.

Investment Limits

For funds that will not be needed within a 12-month period, the aggregate fund investments will have an asset allocation as follows:

1.	Cash equivalents	0% to 40%
2.	High yield security and bond funds	5% to 60%
3.	Equity and low yield equity funds	5% to 60%
4.	Income Trust funds	0% to 25%

Funds that will be needed within a 12-month period will be invested in fixed income and cash equivalents.

No direct investment in an individual corporate security shall exceed 10% of the market value of the total investment portfolio.

Any investment in fixed income investments shall be rated BBB or higher. Direct foreign investment shall not exceed 30% of a given fund source.

Portfolio Management

To simplify the investment portfolio management, the team shall set up one or more pooled investment funds. Every source of investment funds which is permitted to be commingled with other similar funds shall be invested in the pooled fund designed to accommodate such investments. The pooled fund shall be unitized to permit each investment source to acquire and dispose of such pooled fund units to accommodate its specific needs.

The investments of each pooled fund shall be valued at least weekly and the value of each outstanding unit shall be determined at that time. Based on the unit value determined in that way, additional units may be assigned to, or redeemed by specific investment sources. The method of valuating the pooled investment fund unit shall be as follows:

- The fair market value of each investment being the closing price on the last trading day of each week as reported by a credible source. (e.g., the Toronto Stock Exchange, The New York Stock Exchange or an appropriate major),
- Plus any income earned and receivable from any specific investments which have not yet been received and are not reflected in the market price,
- Plus the cash balance of the fund, and
- Less any income earned by the pooled fund to be distributed to unit holders of record.

The overall investment portfolio of each pooled fund must be constructed in accordance with the “Investment Considerations” described above and must be diversified by type, geographic distribution and sector concentration.

Investment Advisor

The team shall retain the services of an investment advisor who shall advise the team at least two times per year:

- on any changes to be recommended to the board regarding this investment policy,
- on the effectiveness of the team’s directions given to the investment manager in compliance with this investment policy and the seven criteria prescribed by the Act, and
- on the performance of the investment manager in respect of agreed upon established benchmarks.

Meetings of the team may take place by means of electronic communication.

Team Membership

The team shall be made up of a minimum of three (3) individuals holding the following offices:

- The District Minister,
- The Treasurer, and
- The Chair of the Finance Team and
- Up to two (2) additional members at large appointed by the board,

who as a team shall make and recommend investment decisions to the board taking into account the advice of an investment advisor.

Investment Manager

The investment manager is a firm or individual who is neither the investment advisor nor any other member of the investment team. The investment manager shall invest the cash in each pooled investment fund in accordance with the general directives given to him/her/it by the team. Specific target rates of return will be established with the investment manager at the beginning of his/her/its appointment and on an annual basis thereafter. Such rates of return shall be measured against established benchmarks.

Reporting

The investment manager shall prepare monthly investment statements for each pooled investment fund to the Chair of the Finance Team. The investment manager shall ensure that the books of account adequately reflect the purchases, sales, gains/losses and investment income as required by generally accepted accounting principles. The investment manager shall also prepare a quarterly report to the team outlining the investments held by each pooled fund and including a brief description, cost, yield, market value, percentage of the pooled fund and percentage of the total investment of the pooled fund.

The team shall review the report from the investment manager and the report from the investment advisor to ensure that the investment portfolio and performance is in full compliance with this investment policy. If satisfied with the quarterly reports, the team shall prepare a summary report to be presented to the board at least annually by the Chair of the Finance Team.

Review of Performance and Policy

The team shall at least annually meet with the investment manager to review the results of the investment portfolio to determine whether the performance benchmarks have been met. If, in the opinion of the team, the performance benchmarks have been met and if the performance of the investment manager has otherwise been satisfactory, the team may reappoint the investment manager for the ensuing year. If the team determines that a replacement investment manager needs to be retained, a suitable replacement shall be made. The reappointed or replacement investment manager shall be evaluated with respect to the investment benchmarks agreed to for the ensuing year.

The economy, the investment environment and the investment opportunities/challenges that the organization faces are constantly changing. To that end, this investment policy shall be reviewed at least every three years at a meeting of the board to ensure that it is still appropriate for the circumstances then present.