

## **INTRODUCTION**

The Board of Trustees of the Pacific Opera Victoria Foundation (the “POV Foundation”) shall be responsible for the prudent stewardship and management of the investments of the POV Foundation.

The Board of Trustees shall set forth investment guidelines to construct and monitor an Investment Portfolio that is designed to meet both the Foundation’s short and long-term goals.

## **PURPOSE**

The purpose of this document is to provide policies and procedures for the prudent stewardship and management of the investments of the POV Foundation and to provide guidelines for allocation of donations and for the creation, administration, and disbursement of funding.

The policies and procedures set out in this document do not apply to cash held in bank accounts, or short-term liquid assets reserved by the POV Foundation Trustees (the “Trustees”) for accessibility.

Nor does this document apply to funds held and managed by the Victoria Foundation, which are subject to the Victoria Foundation Investment policy (<https://victoriafoundation.bc.ca/about-us/policies/>) and to separate written fund agreements.

The policies and procedures set out in this document apply only to unrestricted (retractable) long-term investment assets and to restricted endowment funds held by the POV Foundation, subject to any provisions in separate written fund agreements for individual funds setting out alternative investment requirements and arrangements.

## **OBJECTIVES**

The overall objective is to achieve a reasonable investment return on the POV Foundation investments, within the guidelines of acceptable risk as established by the Trustees. The goal is to sustain the Pacific Opera Victoria Association (“Pacific Opera”) in perpetuity. With this in mind, the investments will be managed with the following objectives:

- To contribute a stable and predictable source of funding to Pacific Opera’s operations.
- To provide a source of ready cash which could be loaned to Pacific Opera to meet a cash shortfall.
- To protect the real value of the assets (i.e. net of inflation) over the long term.
- To maximize long-term investment returns, subject to maintaining a measure of protection against short-term volatility.

## **ASSET TARGETS**

A balance of permanently endowed and unrestricted funds is necessary to meet the stated objectives. The POV Foundation will maintain a short-term asset target (to be revised annually) and determine the composition of permanently-endowed funds and unrestricted funds. Targets shall be calculated to include all invested assets held at both the Victoria Foundation and the POV Foundation.

**The current three-year asset target is \$10 million, including \$2 million in unrestricted funds.**

## **CONTRIBUTIONS TO THE FOUNDATION**

Acceptance of donations and bequests will at all times comply with the Constitution, By-Laws, and the Gift Acceptance Policy of the POV Foundation. Donations and bequests will generally be directed to one of four foundation funds:

- The Pacific Opera Fund – Unrestricted gifts will be directed to this fund.
- The Memorial Fund - Unrestricted bequests and memorial gifts will be directed to this fund.
- The Legacy Fund - Gifts designated for permanent endowment will be directed here.
- The David Spencer Fund - Gifts from the David Spencer Endowment Encouragement Fund for permanent endowment will be directed to this fund

## **NEW FUND CREATION GUIDELINES**

A new Named Fund may be established at a donor's request or by the board of trustees, where a minimum donation is met and where the terms of the gift are approved by the POV Foundation. New Named Funds may be established in accordance to the following guidelines:

- A new unrestricted fund may be established upon receipt of a minimum pledge from the donor of \$50,000 and a minimum initial gift of \$10,000.
- A new permanent endowment fund may be established upon receipt of a minimum pledge by the donor of \$250,000 and a minimum initial gift of \$50,000.

A new Named Fund may be established as an emerging fund, allowing a donor to make contributions over time and/or make a bequest to complete a pledge. All funds should have Terms of Reference. Funds being set up with seed funding should have a signed Gift Agreement setting out the purpose of the fund, the responsibilities of the Foundation and any specific requirements relative to the fund.

## **ADMINISTRATION OF FUNDS**

The capital of all funds will be pooled for investment in accordance with the Investment Policy of the Foundation as approved by its Trustees from time to time. The Foundation will maintain separate and detailed accounting records specifically identifying the portion of the investments that is properly allocated to each fund.

An application for matching funds from the Canada Cultural Investment Fund – Endowment Incentives Component may be made upon request of the donor or on the direction of the POV Foundation, for permanent endowment. Only private donations raised and deposited in the 12 months preceding the application deadline are eligible to be matched.

## **ANNUAL DISBURSEMENT POLICY**

A percentage, determined annually by the Board (but not less than 3.5 percent), of the fair market value of all invested assets shall be disbursed to Pacific Opera Victoria for its charitable purposes or those designated by the donor, as the case may be. The fair market value shall be the average fair market value over the preceding 8 calendar quarters, or if a fund has been in existence for fewer than 8 quarters, the average over the number of calendar quarters it has been in existence. The disbursement may consist of interest, dividends, capital gains, and capital.

**The current disbursement rate is 5 percent of all invested assets with the POV Foundation.**

## **GOVERNANCE / RESPONSIBILITIES**

The investment of the assets will at all times comply with the Constitution, the By-Laws of the Foundation, this Policy document and any applicable legislation. Subject to the provisions of the *Societies Act* and *Trustee Act*, the Trustees may in their absolute discretion, delegate investment management, in whole or in part, to one or more of the following:

- A foundation including but not limited to the Victoria Foundation
- One or more investment counseling firms
- A trust company authorized by law to perform such functions

The Trustees shall not be personally liable for any loss or damage arising in any manner by reason of such arrangements or delegation, provided always that the Trustees exercise prudence in:

- selecting the investment manager

- establishing the terms and limits of any authority delegated
- acquainting the investment manager with the investment objectives of the account(s) to be managed, and
- monitoring the performance of the investment manager to ensure compliance with the terms of the delegation.

The Board of Trustees may hire independent professionals on a retainer from time to time, as required, to assist with the functions outlined above.

The Board of Trustees has created an Investment Committee (IC), to be responsible for the implementation of these policies. The Terms of Reference for the IC outline the primary responsibilities as follows:

- Quarterly, or as required, consult with the Chief Executive Officer of Pacific Opera, to establish the appropriate amount of accessible cash to be maintained by the POV Foundation, independent of the long-term investment assets.
- Annually, review the Investment Policy document, or as required by a significant material change (e.g., large bequest, unexpected operations shortfall), and present any recommended changes to the document to the Board of Trustees.
- As required, make recommendations to the Board of Trustees on engaging one or more investment managers to manage the assets of the POV Foundation, or terminating one or more investment managers, as appropriate.
- Annually, review and present the performance reports of the investment manager(s) to the Board of Trustees, in addition to confirming the adherence of the investment manager(s) to the Investment Policy guidelines.
- Annually, review and report all funds available for expenditure to the Board of Trustees and present any recommendations for the transfer of capital to the managed endowment funds or retractable funds.

## **LIQUIDITY**

The majority of the investments will be liquid and convertible to cash on short notice.

## **RISK**

To ensure that the growth requirements over inflation are achieved, the POV Foundation's investments can assume some risk of declining asset values over the short term, in order to achieve the required long-term objectives. With this in mind, a possible decline in the range of 10-15% of the value of the POV Foundation's

long-term investment portfolio (net of withdrawals), in a given 12-month period, could be tolerated if a decline of this magnitude were consistent with overall market conditions.

## **DIVERSIFICATION**

The POV Foundation investments should include cash, fixed income, equities and alternate investments as outlined in the following table. Within each asset class, the professional investment manager(s) will ensure that a suitable level of diversification is maintained.

<b>Asset Class</b>	<b>Minimum</b>	<b>Target</b>	<b>Maximum</b>
Cash	0%	5%	20%
Fixed Income	30%	40%	60%
Canadian Equity	15%	25%	35%
U.S. Equity	5%	15%	25%
International Equity	0%	10%	20%
Alternate Investments	0%	5%	10%

## **INVESTMENT MANAGERS**

In engaging investment professionals, the Board and its Investment Committee will apply fair and reasonable identification, evaluation, and selection standards.

Criteria to be considered should include professional accreditation, professional experience, range of investment offerings, fees, statements and performance reporting, firm reputation and service offering, as well as experience working with not-for-profit organizations.

The Investment Manager, in performing its duties, shall:

- exercise the care, diligence and skill of a Prudent Investor and shall adhere to a fiduciary standard of care
- adhere to the Code of Ethics and Standards of Professional Conduct of the CFA Institute and to all relevant compliance and privacy laws
- invest the POV Foundation's portfolio in accordance with the terms of the agreed-upon Investment Policy guidelines, providing quarterly confirmation of compliance
- provide a quarterly statement and performance report

## **CONFLICTS OF INTEREST**

All investment actions and decisions must be based solely in the interest of the Foundation. Fiduciaries must provide full and fair disclosure of all material facts regarding any potential conflict of interest.

An individual investment manager or broker retained by the Foundation to manage assets may not serve on the Foundation's Board of Trustees or Investment Committee.

Trustees, staff, and Investment Committee members shall at all times comply with the Pacific Opera Victoria Foundation Conflict of Interest Policy. Persons who find themselves in an actual, perceived, or potential conflict of interest must immediately disclose that matter to the Chair (or the full board or a Committee of the Board) and, where applicable, disclose their interest in the manner set out in section 56(2) of the Societies Act.