

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY: Derek Tynski
Derek Tynski, Deputy Treasurer, Finance and Co-Chair of the Investment
Policy Advisory Committee.

DATE: February 25, 2010

SUBJECT: Review and Amendment to the Investment Policy

ORIGIN

The Investment Policy Advisory Committee of February 24, 2010.

RECOMMENDATION:

It is recommended that Halifax Regional Council approve the Halifax Regional Municipality Investment Policy as amended in the report dated February 3, 2010.

BACKGROUND

See report dated February 3, 2010; Attachment 1 to this report.

DISCUSSION

See report dated February 3, 2010; Attachment 1 to this report.

BUDGET IMPLICATIONS

See report dated February 3, 2010; Attachment 1 to this report.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

See report dated February 3, 2010; Attachment 1 to this report.

ALTERNATIVES

See report dated February 3, 2010; Attachment 1 to this report.

ATTACHMENTS

1. Staff Report dated February 3, 2010.

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Chris Newson, Legislative Assistant

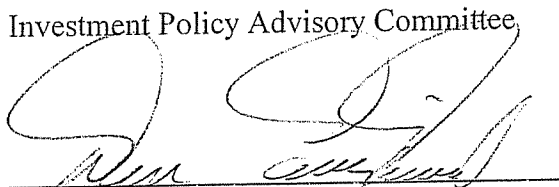


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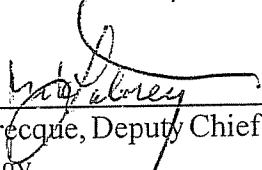
Investment Policy Advisory Committee
February 24, 2010

TO: Investment Policy Advisory Committee

SUBMITTED BY:



Dan English, Chief Administrative Officer



Mike Labrecque, Deputy Chief Administrative Officer - Corporate Services
and Strategy

DATE: February 3, 2010

SUBJECT: Review and Amendment to the Investment Policy

ORIGIN

Annual review of the Halifax Regional Municipality Investment Policy.

RECOMMENDATION

It is recommended that:

1. The Investment Policy Advisory Committee approve the Halifax Regional Municipality Investment Policy as amended and attached.

BACKGROUND

In April 2002 Regional Council approved the Halifax Regional Municipality Investment Policy (the Policy) as recommended by the Investment Policy Advisory Committee (the Committee) and staff. In accordance with Section 100 of the Municipal Government Act the Minister of Service Nova Scotia and Municipal Relations (the Minister) approved the Policy in May 2002.

In addition to the ongoing monitoring of investment activities, the Policy also calls for the periodic review of the Policy by the Committee. Any changes to the Policy are to be recommended by the Chief Administrative Officer on the advice of the Treasurer. On three prior occasions reviews of the Policy have resulted in amendments being recommended and approved by the Committee, Regional Council and the Minister.

DISCUSSION

As the Committee is well aware, the past two years have seen the greatest financial market crisis since the Great Depression. The economic fallout resulted in the first global synchronized recession since World War II. Central Banks and Governments have responded with unprecedented measures including reducing interest rates to their effective lower bound in many major countries including the U.S. and Canada. With Canada a noteworthy exception, many Governments are running budget deficits and accumulating debt at levels not seen since war time. While these measures for now have turned the tide and most economies are returning to modest levels of growth, considerable uncertainty about future prospects remain.

Against this backdrop, staff have continued to invest with confidence under the guidance of the Investment Policy and the valued input from the Committee. The importance of the Committee in making the HRM investment program a success cannot be overstated.

Using a consultative approach, staff have discussed a number of potential amendments with the Committee. The amendments on which a consensus was reached are contained in the amended Policy document. For ease of reference additions to the Policy are shown in bold type while deletions are in underlined italics. These changes are relatively minor reflecting the ongoing effectiveness of the Policy and are discussed below.

In its present form the Policy requires a very high credit rating of AA for Provincial Fixed Income investments. Fixed Income investments are Bonds, etc. with a term to maturity beyond one year. Only three Provinces, Alberta, British Columbia and Saskatchewan, currently meet this standard after the recent downgrade of Ontario. Of these, Alberta is an infrequent issuer and Saskatchewan was only upgraded to this level recently. Reducing the minimum credit rating for Provincial Fixed Income investments to A would potentially allow for Fixed Income investments with all of the Provinces except Prince Edward Island. In keeping with past discussions with the Committee, staff would use an operational investment limit of A (High) when placing investments to allow for possible downgrades during a holding period. This would leave seven Provinces eligible and allow

staff to better capture the yield premium on Provincial Fixed Income over similar Government of Canada instruments. The maximum Fixed Income exposure for any one Province would be 10% of the total portfolio. The maximum total exposure for any one Province, including Money Market investments maturing in one year or less, would be 25% in keeping with the current Policy limits. These maximums are calculated at the time investments are being made and will see some fluctuations as the total portfolio goes through the usual expansions and contractions through the fiscal year.

Currently the Operating Fund Sector Weight has a maximum Fixed Income allocation of 10%. This acts as a constraint on the HRM Money Market Pool which serves the Operating Fund as well as the Reserves, Capital Fund, Trust Funds and consolidated Associations, Boards and Commissions. Expanding this maximum allocation to 20% would allow staff greater flexibility in investing these funds including the purchase of Floating Rate Notes which are classified as Fixed Income. The change in minimum credit quality for Provincial investments discussed above would further enhance this flexibility.

The third and final amendment is of a more housekeeping nature. Currently the Policy refers to a specific Institutional Pooled Fund Survey when evaluating relative performance. The proposed amendment would allow for the use of any Institutional Pooled Fund Survey that meets with the approval of the Committee.

Again, staff want to thank the members of the Committee for volunteering their time, knowledge and experience in shaping the investment activities of HRM.

BUDGET IMPLICATIONS

The amended Policy will have an incremental positive impact on the rate of return of HRM investments and investment income. The actual impact will depend on future market conditions and cannot be reasonably predicted at this time.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

ALTERNATIVES

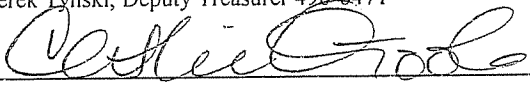
1. The Committee could decline to recommend or modify the amendments to the Policy.

ATTACHMENTS

Halifax Regional Municipality Investment Policy

A copy of this report can be obtained by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Derek Tynski, Deputy Treasurer 490-6471

Report Approved by: 
Cathie O'Toole, Director of Finance & Treasurer 490-6308



INVESTMENT POLICY

Approved by Regional Council. October 28, 2008

Approved by Minister of Service Nova Scotia and Municipal Relations. November 13, 2008

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A. TERMS OF REFERENCE

The Halifax Regional Municipality Council appointed the Investment Policy Advisory Committee in accordance with a recommendation contained in a report, dated March 24, 1998, submitted to Council by the Acting Chief Administrative Officer. On April 14, 1998, Halifax Regional Municipality Council unanimously resolved as follows:

1. An Investment Policy Advisory Committee be formed to recommend to Council an investment policy for the Halifax Regional Municipality and provide ongoing monitoring of investment activities.
2. That this Committee be comprised of one representative from the business community, one from the academic community, one member at large, one member of Council and one member of staff.

The composition of the Committee shall include volunteer members holding a combination of finance and investment knowledge and relevant professional, business or educational experience.

An Investment Policy Advisory Committee (the "Policy Committee") was established and members were appointed July 14, 1998.

The mandate of the Policy Committee, as recommended to Council, includes establishing credit quality restrictions, recommending an appropriate set of guidelines, practices and procedures to guide the investment operations of the Halifax Regional Municipality, and monitoring same on an ongoing basis through periodic reports to Council.

B. INTRODUCTION

The Investment Policy of the Halifax Regional Municipality shall govern the investment of trust funds, reserve funds and surplus cash balances. Investments of the Halifax Regional Municipality Pension Plan are governed under a separate investment policy and are not addressed in this document. This Policy does not apply to loans permitted under the Municipal Government Act. Exceptions to this Policy shall be permitted from time to time upon approval by Council and the Minister of Service Nova Scotia and Municipal Relations.

For the purpose of this policy, trust funds are funds which result from trust agreements through which the Municipality is accountable to third parties for the use and disposition of trust assets. In general these trusts are perpetual in nature with the majority of the income derived from the trust assets being used for the purpose of the trust and the principal being preserved.

Reserve funds are special purpose funds established through Provincial regulation or by motion of the Halifax Regional Municipality Council. Cash requirements are dependent on the purpose of the particular reserve fund. In general these requirements would be such that only a partial amount of a reserve may be expended in a given year which would allow for an investment time horizon spanning several years.

Surplus cash balances refer to the operating fund and capital fund. The operating fund pertains to the general operations of the Halifax Regional Municipality and the direct provision of services to its citizens. The investment time horizon for this fund would generally be short term in nature with some cash requirements daily while others are on bi-weekly and monthly cycles. The capital fund provides for expenditures on infrastructure and capital assets. Cash requirements would be driven by project expenditures that could span more than one year.

Schedule A attached provides sector weights and investment quality restrictions for the portfolios anticipated above.

The Investment Policy of the Halifax Regional Municipality has been established on the basis of certain objectives which shall be adhered to in the investment of funds by or on behalf of the Halifax Regional Municipality.

The Policy Committee shall review the administration of the Investment Policy by the Halifax Regional Municipality staff responsible for on-going investment activities, as designated by the Treasurer. Such review shall focus on compliance with the specific investment objectives of the Policy and continued relevance of the Investment Policy itself. The Policy Committee shall submit reports to Council not less frequently than quarterly. The Investment Policy shall be reviewed by the Committee annually.

C. INVESTMENT OBJECTIVES

The six objectives of the Investment Policy, stated in order of priority of importance, are as follows:

1. ADHERENCE TO LEGAL REQUIREMENTS
2. PRESERVATION OF CAPITAL
3. LIQUIDITY
4. DIVERSIFICATION OF INVESTMENT PORTFOLIO
5. COMPETITIVE RETURN ON INVESTMENTS
6. REGULAR REVIEW OF PERFORMANCE

The Policy Committee shall review the Investment Policy and monitor the administration of the Investment Policy. Policy amendments, as necessary, shall be presented to Council upon recommendation of the Chief Administrative Officer. The Policy Committee shall approve

investment asset mix parameters, establish credit quality restrictions, and recommend an appropriate set of guidelines, practices and procedures for the investment of funds by the Halifax Regional Municipality.

D. INVESTMENT POLICY

The Treasurer shall be responsible for administering the investment activities of the Halifax Regional Municipality in accordance with the Investment Policy. The Treasurer shall recommend to the Policy Committee investment asset mix parameters and credit quality restrictions and shall develop and maintain appropriate procedures and controls for recording, reporting, and monitoring investments to ensure that investments are made in accordance with the Investment Policy. The Treasurer shall monitor investment performance and prepare reports not less frequently than quarterly for the Policy Committee and Council on performance and adherence to the Investment Policy.

Investments by or on behalf of the Halifax Regional Municipality shall be made in accordance with the objectives as discussed below.

The Sector Weight Schedules attached to this Policy should be used and interpreted in the context of the Objectives of the Policy.

1. ADHERENCE TO LEGAL REQUIREMENTS

Investment of public funds by or on behalf of the Halifax Regional Municipality shall be made in accordance with all legal restrictions imposed by statute and any conditions prescribed by the terms of specific trusts in respect of property held by the Halifax Regional Municipality and its predecessor municipalities in trust. Investments shall be made in accordance with the provisions of the *Municipal Government Act* (Nova Scotia), the *Trustee Act* (Nova Scotia), and any other applicable legislation.

The Treasurer, with assistance from the Halifax Regional Municipality legal department as necessary, shall ensure that all investments are permitted in accordance with all applicable law and trust terms.

2. PRESERVATION OF CAPITAL

Investment of public funds by or on behalf of the Halifax Regional Municipality shall be made in accordance with the objective of preserving and protecting the principal amount. Accordingly, all investment opportunities shall be evaluated on the basis of risk of loss or diminution of capital. Investments which are determined to be inconsistent with the objective of preserving and protecting the principal amount are prohibited.

In assessing the degree of risk, greater relevant importance shall be given to the objective of preservation of capital than to the extent to which an investment provides for maintenance of necessary liquidity, diversification of investment portfolio or a competitive return on investment.

Investments which have been subject to a downgrade in their credit rating below the minimum level required by the Policy shall be converted to cash within a reasonable period of time, given current market conditions.

3. LIQUIDITY

Investment of public funds by or on behalf of the Halifax Regional Municipality shall be made in accordance with the objective of maintaining liquidity necessary in order to meet fluctuations in the cash flow requirements of the Halifax Regional Municipality.

The type and term of investments shall be determined by reviewing a forecast of the cash flow requirements of the Halifax Regional Municipality. The forecast of cash flow requirements will determine the proper proportion of investments that have terms to maturity which match the cash flow requirements of the Halifax Regional Municipality.

Approach: Cash Management staff of the Halifax Regional Municipality shall develop, not less frequently than monthly, forecasts of cash flow requirements based on revenue and expense projections.

Surplus and/or reserve funds not required for immediate or near-term expenses can be classified as follows:

- minimum cash balances
- temporary surpluses from operating funds
- longer term cash surpluses from reserve and trust funds

Investments: Efficient cash management results from a consideration of liquidity requirements and asset distribution within the parameters of preservation of capital, attainment of maximum return on investment, and diversification.

Funds not required for a specific short-term need can be invested in longer term securities; here, the most important consideration is the expectation of future interest rates and a reliable forecast of the timing of the need for these funds.

It is recognized that the Liquidity Objective may be satisfied by the sale of investments to selectively meet cash requirements as long as the sale does not result in a loss of capital.

4. DIVERSIFICATION OF INVESTMENT PORTFOLIO

Investment of public funds by or on behalf of the Halifax Regional Municipality shall be made in accordance with the objective of diversification of the investment portfolio in order to minimize risk and achieve optimal balance of risk and return.

The allocation and limitation of investments will be determined in accordance with the objective of diversification, using the following inter-related criteria:

- liquidity of investment
- fixed income vs. equity investment
- credit rating of issuer
- maximum allocation by sector class (e.g. federal vs. provincial vs. municipal government issue / corporate bonds)
- duration of investment (interest rate risk)

Foreign currency investments shall only be made to match foreign currency requirements to meet obligations payable in foreign currencies from time to time.

On the advice of the Treasurer, the Chief Administrative Officer shall recommend to Council any changes to asset mix and the minimum credit rating criteria applicable to each investment type, class, and sector. Schedule A contains recommended sector weights and minimum credit rating criteria for investments by the Halifax Regional Municipality. Schedule B contains a list of categories of investments in which the Halifax Regional Municipality may invest. Schedule C contains a list of entities in which the Halifax Regional Municipality may invest. This list may be amended on the recommendation of the Treasurer and the concurrence of the Policy Committee as long as any additions meet the credit quality restrictions of Schedule A.

HRM Cash Management staff shall select investments based on above criteria which shall be reviewed by the Policy Committee not less frequently than quarterly.

5. COMPETITIVE RETURN ON INVESTMENTS

Investments by or on behalf of the Halifax Regional Municipality shall be made in accordance with the objective of obtaining a competitive return on investments and weighing investment alternatives within the constraints of the policy objectives and subject to regular performance review. In evaluating the return on investments, performance of investments shall be measured against the rate of return of the "Mercer Investment Consulting Survey of Canadian Institutional Pooled Funds Money Market Median" with an allowance for average fees on this asset class as reported in the Survey on a one-year rolling basis.

In evaluating the return on investments, performance of investments shall be measured against the median rate of return on a one year rolling basis of a recognized Institutional Pooled Fund

Survey of Money Market Funds as agreed by the Committee with an allowance for average fees for this asset class.

There will be a number of investment options available at any given investment decision point. Subject to the constraints of Objectives 1 to 4 outlined above, the investment which yields the optimal return in the appropriate portfolio segment shall be chosen.

Competitive Return on Investment:

Will determine: Process for obtaining investment vehicles and making investment decision.

Definition: Return refers to both interest coupon and discount or premium on any given investment vehicle, depending upon the portfolio segment. In addition fees associated with a given transaction will also be taken into consideration when assessing competitive return.

Approach: An investment program can be implemented through in-house management where individual investments are placed by Halifax Regional Municipality staff or through the use of an external pooled fund vehicle whereby active management is delegated to an outside service provider. A combination of the above is also allowable.

In the context of in-house management competitive return implies a bidding process for each investment to ensure that the best return available at a given time is selected under the constraints of Objectives 1 to 4.

In the context of the use of external management (i.e. pooled fund), competitive return implies the selection of a service provider based on historical performance, fee structure, stability of the organization, ability to satisfy the Investment Objectives and other aspects of the Investment Policy.

For a combined approach an optimal choice would be made based on the investment options available under the constraints of the Investment Policy.

6. REGULAR REVIEW OF PERFORMANCE

In order that a concise overview of the performance of investments may be gleaned by all stakeholders, all segments and the total investment portfolio shall operate within a sound system of regular measurement, reporting, review, and evaluation.

Performance of the portfolio shall be measured by staff based on time-weighted rates of return taking into account trade dates, and reviewed and evaluated against the Halifax Regional Municipality Investment Policy as well as against external benchmarks such as Canadian Money Market, Canadian Fixed Income, and Canadian Equity Indices, as appropriate.

E. VALUATION OF INVESTMENTS

Investments in publicly traded securities shall be recorded, by the custodian, on a mark-to-market basis and shall be reported to the Treasurer not less frequently than monthly.

Investment in pooled funds comprising publicly traded securities shall be valued according to the unit values published at least weekly by the pooled fund manager.

If a market valuation of the investment is not readily available, then a fair value shall be determined by the Treasurer in accordance with generally accepted accounting principles from time to time approved by the Canadian Institute of Chartered Accountants, or any successor institute, as published in the Handbook of the Canadian Institute of Chartered Accountants, or any successor publication. For each such non-traded investment, an estimate of fair value shall be supplied by the custodian no less frequently than monthly. In all cases, the methodology should be applied consistently over time.

Any Custodian acting on behalf of the Halifax Regional Municipality shall record the investments held by the Halifax Regional Municipality. The Custodian shall also record and receive any income from these investments as well as perform those other duties typically associated with a professional custodian.

F. CONFLICT OF INTEREST

A conflict of interest occurs when any interested person may benefit materially from knowledge of, participation in, or by virtue of an investment decision.

An "interested person" includes:

- any employee of the Halifax Regional Municipality who is managing in-house portfolios or is involved in the investment of funds by the Halifax Regional Municipality
- any member of the Policy Committee, and
- any person related to any of the foregoing

Should a conflict of interest occur, the person who has a conflict of interest or any person who becomes aware of a conflict of interest situation, shall immediately disclose the conflict to the Treasurer. Any such party shall abstain from decision making with respect to the area of conflict, and a written record of the conflict shall be maintained by the Treasurer.

Interested persons involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

The Code of Ethics and Standards of Professional Conduct adopted by the Association of Investment Management and Research shall be expected to apply to external investment managers.

SCHEDULE A (1)

Sector Weights - Operating Fund

	Maximum % of Portfolio Per Issuer	Maximum Allowable % of Portfolio Per Category	Minimum Rating Required*
<u>CASH & EQUIVALENTS</u> (Treasury Bills, Banker's Acceptance, etc under one year)		100	
Federal Government & its Guarantees	100	100	N/A
Provincial Governments & their Guarantees	25****	100	R-1 Mid
Municipal Governments & their Guarantees	10	25	R-1Mid
Tier 1 Financial Institutions & their Guarantees	10	50**	R-1 Mid
Tier 2 Financial Institutions & Corporations	5	25**	R-1Mid / R-1High***
<u>FIXED</u> (Bonds, etc. over one year)		<u>10 20</u>	
Federal Government & its Guarantees	<u>10 20</u>	<u>10 20</u>	N/A
Provincial Governments & their Guarantees	10****	<u>10 20</u>	<u>AA A</u>
Municipal Governments & their Guarantees	5	10	AA

The Maximum % of Portfolio Per Issuer and Maximum % of Portfolio Per Category refer to maximums at the time of placing an investment.

* Rating agency as determined by the Investment Policy Advisory Committee from time to time.

** The Total Maximum Allowable for Tier 1 Financial Institutions and their Guarantees and Tier 2 Financial Institutions and Corporations in total shall not exceed 50%.

*** Minimum rating for Tier 2 Financial Institutions is R-1 Mid while the minimum rating for Tier 1 Corporations is R-1 High.

**** **The Total Maximum Allowable exposure for individual Provinces and their Guarantees shall not exceed 25%.**

Investments in this Schedule are subject to the terms and conditions of this Investment Policy.

Investments denominated in foreign currency shall be limited to foreign currency requirements.

SCHEDULE A (2)

Sector Weights - Capital Fund

	Maximum % of Portfolio Per Issuer	Maximum Allowable % of Portfolio Per Category	Minimum Rating Required*
<u>CASH & EQUIVALENTS</u> (Treasury Bills, Banker's Acceptance, etc under one year)		100	
Federal Government & its Guarantees	100	100	N/A
Provincial Governments & their Guarantees	25****	100	R-1 Mid
Municipal Governments & their Guarantees	10	25	R-1 Mid
Tier 1 Financial Institutions & their Guarantees	10	50**	R-1 Mid
Tier 2 Financial Institutions & Corporations	5	25**	R-1Mid / R-1High***
 <u>FIXED</u> (Bonds, etc. over one year)		 <u>10 20</u>	
Federal Government & its Guarantees	<u>10 20</u>	<u>10 20</u>	N/A
Provincial Governments & their Guarantees	10****	<u>10 20</u>	<u>AA A</u>
Municipal Governments & their Guarantees	5	10	AA

The Maximum % of Portfolio Per Issuer and Maximum % of Portfolio Per Category refer to maximums at the time of placing an investment.

* Rating agency as determined by the Investment Policy Advisory Committee from time to time.

** The Total Maximum Allowable for Tier 1 Financial Institutions and their Guarantees and Tier 2 Financial Institutions and Corporations in total shall not exceed 50%.

*** Minimum rating for Tier 2 Financial Institutions is R-1 Mid while the minimum rating for Tier 1 Corporations is R-1 High.

**** **The Total Maximum Allowable exposure for individual Provinces and their Guarantees shall not exceed 25%.**

Investments in this Schedule are subject to the terms and conditions of this Investment Policy.

Investments denominated in foreign currency shall be limited to foreign currency requirements.

SCHEDULE A (3)
Sector Weights - Reserves

	Maximum % of Portfolio Per Issuer	Maximum Allowable % of Portfolio Per Category	Minimum Rating Required*
<u>CASH & EQUIVALENTS</u> (Treasury Bills, Banker's Acceptance, etc. under one year)		100	
Federal Government & its Guarantees	100	100	N/A
Provincial Governments & their Guarantees	25****	100	R-1 Mid
Municipal Governments & their Guarantees	10	25	R-1 Mid
Tier 1 Financial Institutions & their Guarantees	10	50**	R-1 Mid
Tier 2 Financial Institutions & Corporations	5	25**	R-1Mid / R-1High***
<u>FIXED</u> (Bonds, etc. over one year)		100	
Federal Government & its Guarantees	100	100	N/A
Provincial Governments & their Guarantees	<u>25</u> 10****	50	<u>AA</u> A
Municipal Governments & their Guarantees	5	25	AA

The Maximum % of Portfolio Per Issuer and Maximum % of Portfolio Per Category refer to maximums at the time of placing an investment.

* Rating agency as determined by the Investment Policy Advisory Committee from time to time.

** The Total Maximum Allowable for Tier 1 Financial Institutions and their Guarantees and Tier 2 Financial Institutions and Corporations in total shall not exceed 50%.

*** Minimum rating for Tier 2 Financial Institutions is R-1 Mid while the minimum rating for Tier 1 Corporations is R-1 High.

**** The Total Maximum Allowable exposure for individual Provinces and their Guarantees shall not exceed 25%.

Investments in this Schedule are subject to the terms and conditions of this Investment Policy.

Investments denominated in foreign currency shall be limited to foreign currency requirements.

SCHEDULE A (4)

Sector Weights - Trust Funds

	Maximum % of Portfolio Per Issuer	Maximum Allowable % of Portfolio Per Category	Minimum Rating Required*
<u>CASH & EQUIVALENTS</u> (Treasury Bills, Banker's Acceptance, etc. under one year)		100	
Federal Government & its Guarantees	100	100	N/A
Provincial Governments & their Guarantees	25****	100	R-1 Mid
Municipal Governments & their Guarantees	10	25	R-1 Mid
Tier 1 Financial Institutions & their Guarantees	10	50 **	R-1 Mid
Tier 2 Financial Institutions & Corporations	5	25 **	R-1Mid / R-1High***
 <u>FIXED</u> (Bonds, etc. over one year)		100	
Federal Government & its Guarantees	100	100	N/A
Provincial Governments & their Guarantees	10****	100	<u>AA</u> A
Municipal Governments & their Guarantees	5	25	AA
 <u>EQUITIES</u>			
TSE 300 or S&P 500***	2	10	

The Maximum % of Portfolio Per Issuer and Maximum % of Portfolio Per Category refer to maximums at the time of placing an investment.

* Rating agency as determined by the Investment Policy Advisory Committee from time to time.

** The Total Maximum Allowable for Tier 1 Financial Institutions and their Guarantees and Tier 2 Financial Institutions and Corporations in total shall not exceed 50%.

*** Minimum rating for Tier 2 Financial Institutions is R-1 Mid while the minimum rating for Tier 1 Corporations is R-1 High.

**** The Total Maximum Allowable exposure for individual Provinces and their Guarantees shall not exceed 25%.

Investments in this Schedule are subject to the terms and conditions of this Investment Policy.

Investments denominated in foreign currency shall be limited to foreign currency requirements.

SCHEDULE B

Eligible List of Investments

Investments by or on behalf of the Halifax Regional Municipality shall be made in accordance with the Investment Policy. The Halifax Regional Municipality may invest in the following asset categories:

- Banker's Acceptances
- Bearer Deposit Notes
- Canadian Treasury Bills
- Commercial Paper
- Municipal Promissory Notes
- Bank Subsidiary Paper
- Provincial Treasury Bills
- Term Deposits
- Guaranteed Investment Certificates
- CMHC Mortgage Backed Securities
- Federal, Provincial, Municipal Bonds and Debentures
- Corporate Bonds and Debentures
- Equities

Any obligations unconditionally guaranteed by the federal government of Canada
Any obligations unconditionally guaranteed by a provincial government of Canada

SCHEDULE C
Eligible List of Investment Entities

Investments by or on behalf of the Halifax Regional Municipality shall be made in accordance with the Investment Policy. The Halifax Regional Municipality may invest in the following entities:

The Government of Canada & Its Guarantees:

Federal Government
Business Development Bank
Canada Mortgage & Housing Corporation
Canadian Wheat Board
Export Development Canada
Farm Credit Corporation

Provincial Governments & Their Guarantees:

The Province of Alberta & Its Guarantees
The Province of British Columbia & Its Guarantees
The Province of Manitoba & Its Guarantees
The Province of New Brunswick & Its Guarantees
The Province of Ontario & Its Guarantees
The Province of Quebec & Its Guarantees
The Province of Saskatchewan & Its Guarantees

Municipal Governments & Their Guarantees:

The Municipality of Calgary & Its Guarantees
The Municipality of Edmonton & Its Guarantees

Financial Institutions & Their Guarantees (Tier 1):

The Bank of Montreal & Its Guarantees
The Bank of Nova Scotia & Its Guarantees
Canadian Imperial Bank of Commerce & Its Guarantees
Royal Bank of Canada & Its Guarantees
Toronto Dominion Bank & Its Guarantees

Financial Institutions & Corporations (Tier 2):

Desjardins Group
Caisse Centrale Desjardins
CDP Financial Inc
National Bank of Canada
Ontario Infrastructure Projects Corporation
OMERS Realty Corporation