

Secretariat

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The following items arise from the Finance Committee meeting of November 17, 2017. They are presented to the Board of Governors for its consideration.

I. FOR APPROVAL BY THE BOARD OF GOVERNORS**1. Policy on Long Term Investment of Funds Resulting from Implementation [F17-05] of the Deferred Maintenance Financing Plan**

A policy on long-term investment of funds resulting from the implementation of the deferred maintenance financing plan is required by the Ministry of Higher Education and the Ministry of Finance and is presented to the Board for approval. In February 2015, the Board of Governors approved an initiative to address the University's accumulated backlog of deferred maintenance, information technology and space needs, and the Executive Committee approved, on the recommendation of the Finance Committee, for the University to borrow or issue debt up to \$400 million as a financing plan in support of this initiative. In January 2016, the Executive Committee, on the recommendation of the Finance Committee, approved a policy on short-term investment of funds resulting from the implementation of the deferred maintenance financing plan. As reported to both committees at that time, the short-term investment policy would be the first of two policies associated with the financing plan which require Board approval. The investment policy proposed herein is the second.

The University has worked in collaboration with the Ministry of Finance to prepare the "*Politique de placement – Fonds d'amortissement des emprunts découlant du plan de financement d'entretien différé*" which is attached as Appendix A. An English translation is included, for reference. The proposed policy is designed to provide orderly capital funding, capital protection, and positive investment returns for the payment of maturing debt in the future. It sets out roles and responsibilities for various parties involved in this process, and the proposed parameters and vehicles of investments. It will become effective as of its approval date by the Board of Governors, the Ministry of Higher Education and the Ministry of Finance, and remain valid until January 31, 2056. The policy is subject to amendments from time to time as agreed by the Ministry of Higher Education, the Ministry of Finance and McGill.

Be it resolved that the Board of Governors, on the recommendation of the Finance Committee, approve the Politique de Placement – Fonds d'amortissement des emprunts découlant du plan de financement d'entretien différé, (Investment Policy – Sinking Fund for Debt from the Deferred Maintenance Financing) attached as Appendix A.

Be it further resolved that the Board of Governors authorize the Vice-Principal (Administration and Finance) to amend Schedules A and B of the Politique de Placement – Fonds d’amortissement des emprunts découlant du plan de financement d’entretien différé, (Investment Policy – Sinking Fund for Debt from the Deferred Maintenance Financing) from time to time, subject to receipt of any required authorizations from the Ministry of Higher Education and/or the Ministry of Finance.

II. FOR THE INFORMATION OF THE BOARD OF GOVERNORS

1. Update on Financing Plan for Deferred Maintenance and IT Initiatives [F17-03]

Further to the Board’s approval of a \$400 million financing plan to support investment in the University’s accumulated deferred maintenance and information technology needs, the Finance Committee was informed that as at August 31, 2017, \$120.7M had been committed to approved capital projects, out of \$300M allocated to meet the University’s most pressing deferred maintenance needs. The Finance Committee was also informed that as at October 31, 2017, \$83.1M had been committed to approved IT-related projects, out of \$100M allocated to meet the University’s most pressing information technology needs.

2. Outstanding Capital Borrowings at April 30, 2017 [F17-01]

The Committee received a report on outstanding capital borrowings. As of April 30, 2017 the short-term borrowings include amounts due from the province, totaling \$120.7 million.

3. Budget Implementation 2017-18 Year-to-Date [F17-06]

The Committee received a report on the implementation of the 2017-2018 budget. Members were informed that operating revenues were lower than forecasted, due to the *recomptage* of student enrolment performed by the *ministère de l’Éducation et de l’Enseignement supérieur* (MEES) for fiscal years 2015 and 2016, resulting in a recovery by MEES of \$25.2M previously disbursed for those years. The Committee was appraised that this effect was somewhat offset by higher than forecasted sales of goods and services, investment income and foreign exchange gains amounting to \$13.6M.

4. Budget Planning 2018-19 Report I [F17-07]

The Committee received an overview of the budget planning exercise for FY2019. The Presentation in support of the budget planning exercise is attached as Appendix B.

5. University Advancement Annual Report (2016-17) [F17-08]

The Committee received the 2016-2017 Report on Philanthropy providing an overview of some of the strategies and initiatives University Advancement is undertaking to prepare for the Bicentennial Campaign. The Committee also received information on results achieved in FY17, showing that overall performance is quite robust. Senate received this report at

its meeting of October 25th 2017 and the Board will receive the report on December 12, 2017.

6. Debrief on Retreat of the Finance Committee [F17-04]

The Committee held a debrief session on the retreat of the Finance Committee, which was held on November 3, 2017. The Committee's discussion was based on the results of the evaluation completed by members who had participated in the retreat. Feedback was generally positive. As an outcome of the retreat, a strategic working session with the Finance Committee and the Building and Property Committee on the RVH site is being organized in the new year.

Topics considered by the Committee at the retreat included:

- Mandate of the Finance Committee
- Roles and Responsibilities of Committee Members
- Short-Term and Long-Term Priorities
- Budget Process and Règles Budgétaires
- Budget Controls and Liquidity Management
- RVH Site, Campus Master Plan and Capital Projects
- Discussion of New Sources of Revenue

7. Finance Committee Orientation Package 2017-18 [F17-02]

The Committee received its 2017-2018 Orientation Package, which contained updated reference materials for the Committee's information.

END
December 2017

INVESTMENT POLICY

McGill University

**Sinking Fund for Debt from the Deferred
Maintenance Financing**

Approved mm-dd-yyyy

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1. PREAMBLE

The aim of this Investment Policy is to establish a long-term investment framework for repayment of monies related to bonds issued by McGill University ("the University") for repairs in the deferred maintenance and information technology initiatives and financing plan approved by its Board of Governors in February 2015 ("Project"). The University agrees to disburse semi-annually the amounts set out in Schedule A to fund the sinking fund and to pay interest on long-term debt.

2. LEGAL FRAMEWORK

The University is subject to the provisions of Chapter VIII of the *Financial Administration Act* (CQLR, chapter A-6.001) and its regulations, thereto, *inter alia*, the *Regulation respecting investments made by a body* (CQLR, chapter A-6.001, r .8) (the "Regulations").

In accordance with section 77.2 of the *Financial Administration Act*, the University must obtain authorization from the Minister responsible for Higher Education for making long-term investments as well as the authorization of the Minister of Finance, as to the nature, terms and conditions of the investments to be made.

3. POLICY PURPOSE AND OBJECTIVES

The purpose of this Investment Policy is to define and provide a framework for the management of the long-term investment portfolio for the Project in order to obtain investment income until such time as the funds are used by the University, all the while preserving capital. The University is committed to optimize its capital structure and is sensitive to the income generated by such investments while having a low tolerance for financial risks that could lead to losses on the investments regulated by this policy.

Financial objectives of this Policy:

- Ensure the necessary liquidity for the financial obligations expenses of the Project;
- Ensure repayment of each bond;
- Preserve the capital invested; and
- Achieve the best possible return in light of policy constraints.

4. ROLES AND RESPONSIBILITIES OF THE VARIOUS STAKEHOLDERS IN THIS POLICY

The role and responsibilities of the various stakeholders of this Policy are:

4.1 The Board of Governors ("the Board") on Recommendation of the Finance Committee of the Board of Governors

- Approval of the Investment Policy

4.2 Investment Managers and Office of Investments of McGill University

- Portfolio set-up and management based on the allocation established in this Investment Policy and in compliance therewith at all times.
- Production of the following monthly reports:

- Monthly statement of account listing all the securities held and the following : description, cost, issuer, market value and maturity date;
- List of all transactions performed during the month;
- Monthly report showing the aggregate return on the portfolio.

4.3 Vice-principal, Administration and Finance

- Preparation, updating and implementation of the Investment Policy;
- Execution and confirmation of transactions;
- Selection of securities custodian and manager(s), as applicable;
- Verification and approval of management fees and expenses, as applicable.

5. AUTHORIZED INVESTMENTS

The authorized investment vehicles, subject to the specific directives and guidelines presented herein below are as follows:

- a) cash deposit with a financial institution authorized to carry on business under a law applicable in Québec or Canada;
- b) a Treasury bond or short-term note issued by the Gouvernement du Québec, the Government of Canada or the government of another province or Canadian territory;
- c) bond or coupon issued or guaranteed by Gouvernement du Québec, the Government of Canada or the government of another province or Canadian territory;
- d) a short-term note, bond or coupon issued or guaranteed by a municipality or municipal body situated in Québec, or by a body within the meaning of section 77 of the *Financial Administration Act*;
- e) a certificate, note or other security or paper issued or guaranteed by a bank listed in Schedules I, II, and III of the *Bank Act* (statutes of Canada, 1991, Chapter 46), by the Caisse de dépôt et placement du Québec or by a financial services cooperative;
- f) corporate bonds rated "A" or higher (Investment Grade) by the credit rating agency with the lowest rating for a particular security;
- g) a pooled fund comprised of the vehicles in 5a) through 5f) hereinabove managed by a recognized investment manager in Canada, subject to compliance with the requirements and constraints set out in this investment policy.

For category 5f):

- the University may not invest more than 10% of the value of the portfolio of securities issued or guaranteed by the same issuer; and
- the use of debentures is prohibited.

6. REQUIREMENTS AND CONSTRAINTS

- The minimum rating for the money market securities shall be R-1 (as rated by DBRS) at all times, except for the securities of Quebec municipal bodies, for which this minimum rating is not required.
- The maturity date of a security shall not exceed the maturity of the debt with the earliest maturity date.

7. PORTFOLIO ALLOCATION

The target allocation of the portfolio as well as the tolerated allocation bands are presented in Annex B.

The return target will vary depending on the investment horizon until the next maturity of the debt. However, it is expected that the return over all three (3) periods (10, 10 and 20 years) as identified in Appendix B will be greater than the rate of return of the index FTSE TMX Universe Short Term Bond.

8. TERM

This Policy shall come into force as soon as it is approved by the Board of Governors, on the recommendation of its Finance Committee, which will follow the required ministerial authorizations and shall be valid until January 31, 2056. An annual policy review will be carried out. All changes, if any, will be submitted for authorization to the Minister of Education, Higher Learning and Research and the Minister of Finance.

9. SECURITIES CUSTODIAN

The custodian shall be available at all times and any authorized person connected with the implementation of this Policy shall have access to the custodian at all times.

10. CONFLICT OF INTEREST

A conflict of interest, whether real or apparent, is defined for the purposes hereof as any situation in which a member of the Board or its committees, an investment manager, an agent or mandatary, an advisor, a staff member of the University or any other party directly related to the preceding persons could obtain personal benefit or gain from information about the portfolio, from the person's involvement in the portfolio or from an investment decision or decision concerning the securities held in the portfolio.

In discharging their responsibilities, all the parties mentioned herein shall at all times avoid conflicts of interest and act in the best interests and for the benefit of the portfolio, bearing in mind all the duties of the University.

Schedule A

As of the date of this policy, the balance of the issued bonds amounts to \$ 160 million in nominal value. Two new issues are planned and will bring the outstanding balance to \$ 400 million. Schedule A is based on the projected balance of \$ 400 million and is subject to change based on future emissions.

University Disbursements to the Sinking Fund (in millions of Canadian dollars)

Date	Payment	Date	Payment
Jan-20	\$12.55	Jan-38	\$7.20
Jul-20	\$12.55	Jul-38	\$7.20
Jan-21	\$12.55	Jan-39	\$7.20
Jul-21	\$12.55	Jul-39	\$7.20
Jan-22	\$12.55	Jan-40	\$7.20
Jul-22	\$12.55	Jul-40	\$7.20
Jan-23	\$12.55	Jan-41	\$7.20
Jul-23	\$12.55	Jul-41	\$7.20
Jan-24	\$12.55	Jan-42	\$7.20
Jul-24	\$12.55	Jul-42	\$7.20
Jan-25	\$12.55	Jan-43	\$7.20
Jul-25	\$12.55	Jul-43	\$7.20
Jan-26	\$12.55	Jan-44	\$7.20
Jul-26	\$12.55	Jul-44	\$7.20
Jan-27	\$12.55	Jan-45	\$7.20
Jul-27	\$12.55	Jul-45	\$7.20
Jan-28	\$12.55	Jan-46	\$7.20
Jul-28	\$12.55	Jul-46	\$7.20
Jan-29	\$12.45	Jan-47	\$7.20
Jul-29	\$12.45	Jul-47	\$7.20
Jan-30	\$12.45	Jan-48	\$7.20
Jul-30	\$12.45	Jul-48	\$7.20
Jan-31	\$12.45	Jan-49	\$7.20
Jul-31	\$12.45	Jul-49	\$7.20
Jan-32	\$12.45	Jan-50	\$7.20
Jul-32	\$12.45	Jul-50	\$7.20
Jan-33	\$12.45	Jan-51	\$7.20
Jul-33	\$12.45	Jul-51	\$7.20
Jan-34	\$12.45	Jan-52	\$7.20
Jul-34	\$12.45	Jul-52	\$7.20
Jan-35	\$12.45	Jan-53	\$7.20
Jul-35	\$12.45	Jul-53	\$7.20
Jan-36	\$12.45	Jan-54	\$7.20
Jul-36	\$12.45	Jul-54	\$7.20
Jan-37	\$12.45	Jan-55	\$7.20
Jul-37	\$12.45	Jul-55	\$7.20

Schedule B

As of the date of this policy, the bond maturity date is January 29, 2056. Two new issues are expected to occur, with a term of 10 years and 20 years, in 2018 and 2019. Appendix B is based on this projection and is subject to change based on future emissions.

Target of Portfolio Assets- Period 1									
	Maturity	Fed		Prov		Muni		Corp	
	Max.	Target	Max.	Target	Max.	Target	Max.	Target	Max.
Jan-20	10	0%	5%	20%	25%	40%	45%	40%	45%
Jul-20	10	0%	5%	20%	25%	40%	45%	40%	45%
Jan-21	10	0%	5%	20%	25%	40%	45%	40%	45%
Jul-21	9	0%	5%	20%	25%	40%	45%	40%	45%
Jan-22	9	0%	5%	20%	25%	40%	45%	40%	45%
Jul-22	8	0%	5%	20%	25%	40%	45%	40%	45%
Jan-23	8	0%	5%	20%	25%	40%	45%	40%	45%
Jul-23	8	0%	5%	20%	25%	40%	45%	40%	45%
Jan-24	5	0%	5%	25%	30%	40%	45%	35%	40%
Jul-24	5	0%	5%	25%	30%	40%	45%	35%	40%
Jan-25	5	0%	5%	30%	35%	40%	45%	30%	35%
Jul-25	4	0%	5%	30%	35%	40%	45%	30%	35%
Jan-26	4	0%	5%	35%	40%	40%	45%	25%	30%
Jul-26	3	0%	5%	35%	40%	40%	45%	25%	30%
Jan-27	3	0%	5%	40%	45%	40%	45%	20%	25%
Jul-27	3	0%	5%	40%	45%	40%	45%	20%	25%
Jan-28	2	0%	5%	45%	50%	40%	45%	15%	20%
Jul-28	2	0%	5%	45%	50%	40%	45%	15%	20%
Jan-29	First payment								

Schedule B

Target of Portfolio Assets - Period 2									
	Maturity	Fed		Prov		Muni		Corp	
	Max.	Target	Max.	Target	Max.	Target	Max.	Target	Max.
Jan-29	10	0%	5%	20%	25%	40%	45%	40%	45%
Jul-29	10	0%	5%	20%	25%	40%	45%	40%	45%
Jan-30	10	0%	5%	20%	25%	40%	45%	40%	45%
Jul-30	9	0%	5%	20%	25%	40%	45%	40%	45%
Jan-31	9	0%	5%	20%	25%	40%	45%	40%	45%
Jul-31	8	0%	5%	20%	25%	40%	45%	40%	45%
Jan-32	8	0%	5%	20%	25%	40%	45%	40%	45%
Jul-32	8	0%	5%	20%	25%	40%	45%	40%	45%
Jan-33	5	0%	5%	25%	30%	40%	45%	35%	40%
Jul-33	5	0%	5%	25%	30%	40%	45%	35%	40%
Jan-34	5	0%	5%	30%	35%	40%	45%	30%	35%
Jul-34	4	0%	5%	30%	35%	40%	45%	30%	35%
Jan-35	4	0%	5%	35%	40%	40%	45%	25%	30%
Jul-35	3	0%	5%	35%	40%	40%	45%	25%	30%
Jan-36	3	0%	5%	40%	45%	40%	45%	20%	25%
Jul-36	3	0%	5%	40%	45%	40%	45%	20%	25%
Jan-37	2	0%	5%	45%	50%	40%	45%	15%	20%
Jul-37	2	0%	5%	45%	50%	40%	45%	15%	20%
Jan-38	Second Payment								

Schedule B

Target of Portfolio Assets - Period 3									
	Maturity	Fed		Prov		Muni		Corp	
	Max.	Target	Max.	Target	Max.	Target	Max.	Target	Max.
Jan-38	20	0%	5%	60%	65%	0%	5%	40%	45%
Jul-38	20	0%	5%	60%	65%	0%	5%	40%	45%
Jan-39	20	0%	5%	60%	65%	0%	5%	40%	45%
Jul-39	19	0%	5%	60%	65%	0%	5%	40%	45%
Jan-40	19	0%	5%	60%	65%	0%	5%	40%	45%
Jul-40	19	0%	5%	60%	65%	0%	5%	40%	45%
Jan-41	18	0%	5%	60%	65%	0%	5%	40%	45%
Jul-41	18	0%	5%	60%	65%	0%	5%	40%	45%
Jan-42	18	0%	5%	60%	65%	0%	5%	40%	45%
Jul-42	18	0%	5%	60%	65%	0%	5%	40%	45%
Jan-43	17	0%	5%	60%	65%	0%	5%	40%	45%
Jul-43	17	0%	5%	60%	65%	0%	5%	40%	45%
Jan-44	17	0%	5%	60%	65%	0%	5%	40%	45%
Jul-44	15	0%	5%	60%	65%	0%	5%	40%	45%
Jan-45	15	0%	5%	60%	65%	0%	5%	40%	45%
Jul-45	15	0%	5%	60%	65%	0%	5%	40%	45%
Jan-46	15	0%	5%	20%	25%	40%	45%	40%	45%
Jul-46	15	0%	5%	20%	25%	40%	45%	40%	45%
Jan-47	12	0%	5%	20%	25%	40%	45%	40%	45%
Jul-47	12	0%	5%	20%	25%	40%	45%	40%	45%
Jan-48	12	0%	5%	20%	25%	40%	45%	40%	45%
Jul-48	12	0%	5%	20%	25%	40%	45%	40%	45%
Jan-49	10	0%	5%	20%	25%	40%	45%	40%	45%
Jul-49	10	0%	5%	20%	25%	40%	45%	40%	45%
Jan-50	8	0%	5%	20%	25%	40%	45%	40%	45%
Jul-50	8	0%	5%	20%	25%	40%	45%	40%	45%
Jan-51	6	0%	5%	25%	30%	40%	45%	35%	40%
Jul-51	6	0%	5%	25%	30%	40%	45%	35%	40%
Jan-52	6	0%	5%	25%	30%	40%	45%	35%	40%
Jul-52	5	0%	5%	25%	30%	40%	45%	35%	40%
Jan-53	5	0%	5%	30%	35%	40%	45%	30%	35%
Jul-53	3	0%	5%	30%	35%	40%	45%	30%	35%
Jan-54	3	0%	5%	30%	35%	40%	45%	30%	35%
Jul-54	3	0%	5%	30%	35%	40%	45%	30%	35%
Jan-55	2	0%	5%	35%	40%	40%	45%	25%	30%
Jul-55	2	0%	5%	35%	40%	40%	45%	25%	30%
Jan-56	Third payment								

POLITIQUE DE PLACEMENT

Université McGill

**Fonds d'amortissement des emprunts découlant du plan de
financement d'entretien différé**

Approuvée le mm-dd-aaaa

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1. PRÉAMBULE

L'établissement de cette politique de placement vise à établir un cadre pour les placements à long terme pour permettre le remboursement des sommes reliées aux émissions obligataires effectuées par l'Université McGill (« l'Université ») pour les travaux de réfections dans le contexte des dépenses en immobilisations et du plan de financement de l'Université, approuvés par son Conseil des Gouverneurs en février 2015 (« Projet »). L'Université s'engage à déboursier semi annuellement les montants indiqués à l'Annexe A pour approvisionner le fonds d'amortissement et pour payer les intérêts reliés aux dettes à long terme.

2. CADRE LÉGAL

L'Université est soumise aux dispositions du chapitre VIII de la Loi sur l'administration financière (RLRQ, chapitre A-6.001) et à ses règlements, notamment le Règlement sur les placements effectués par un organisme (RLRQ, chapitre A-6.001, r.8) (le « Règlement »).

Conformément à l'article 77.2 de la Loi sur l'administration financière, l'Université doit, pour effectuer des placements à long terme, obtenir l'autorisation du ministre responsable de l'Enseignement supérieur, quant à l'opportunité d'effectuer le placement, ainsi que l'autorisation du ministre des Finances, quant à la nature, aux conditions et aux modalités des placements à effectuer.

3. BUT ET OBJECTIFS DE LA POLITIQUE

Le but de la présente politique de placement est de définir et d'encadrer la gestion du portefeuille de placements à long terme pour le Projet, afin d'obtenir des revenus de placement en attendant que les fonds soient utilisés par l'Université, tout en préservant le capital. L'Université est soucieuse d'optimiser sa structure de capital et est sensible aux revenus générés par ces placements tout en présentant une faible tolérance aux risques financiers susceptibles d'engendrer des pertes sur les placements encadrés par la présente politique.

Objectifs financiers :

- assurer la liquidité nécessaire aux obligations financières relié aux dépenses du Projet;
- assurer le remboursement de chaque obligation
- préserver le capital investi; et
- obtenir le meilleur rendement possible compte tenu des contraintes de la politique.

4. RÔLES ET RESPONSABILITÉS DES DIFFÉRENTS INTERVENANTS DANS LA PRÉSENTE POLITIQUE

Le rôle et les responsabilités des différents intervenants dans la présente politique sont :

4.1 Le Conseil des Gouverneurs (« Le Conseil ») sous recommandation du Comité des Finances

- Approbation de la politique de placement.

4.2 Gestionnaires de Placements et Bureau de Placements de L'Université McGill

Mise en place et gestion du portefeuille en fonction de la répartition établie à la présente politique de placement et en respectant celle-ci, et ce, à tout moment.

- Production des rapports mensuels suivants :
- état de compte mensuel listant tous les titres détenus et les éléments suivants : description, coût, émetteur, valeur marchande et la date d'échéance;
- liste de toutes les transactions effectuées durant le mois;
- rapport mensuel démontrant le rendement global du portefeuille.

4.3 Vice-principal, administration et finances

- Élaboration, mise à jour et application de la politique de placement;
- Exécution et confirmation des transactions;
- Sélection du gardien de valeurs et du/des gestionnaires, le cas échéant;
- Vérification et approbation des frais et honoraires de gestion, le cas échéant.

5. PLACEMENTS AUTORISÉS

Les véhicules de placement autorisés, sujets aux directives particulières et aux orientations présentées ci-dessous, sont les suivants :

- a) un dépôt d'argent auprès d'une institution financière autorisée à exercer ses activités en vertu d'une loi applicable au Québec ou au Canada ;
- b) un bon du Trésor ou billet à court terme émis ou garanti par le gouvernement du Québec, le gouvernement du Canada ou celui d'une autre province ou d'un territoire canadien;
- c) une obligation ou un coupon émis ou garanti par le gouvernement du Québec, par le gouvernement du Canada, par une autre province ou un territoire canadien;
- d) un billet à court terme, une obligation ou coupon émis ou garanti par une municipalité ou un organisme municipal situé au Québec ou par un organisme au sens de l'article 77 de la Loi sur l'administration financière;
- e) un certificat, un billet ou autre titre ou papier émis ou garanti par une banque figurant aux annexes I, II et III de la Loi sur les banques (Lois du Canada, 1991, chapitre 46), par la Caisse de dépôt et placement du Québec ou par une coopérative de services financiers;
- f) obligations de société ayant une cote de A ou plus (Investment grade) selon l'agence de crédit ayant établi la plus basse cote pour un titre donné.
- g) un fonds commun de placements composé des véhicules énumérés aux paragraphes 5a) à 5f) ci-haut géré par un gestionnaire de placement reconnu au Canada par une autorité réglementaire compétente, sous réserve du respect des exigences et contraintes prévues à la présente politique de placement.

Pour la catégorie 5f) :

- l'Université ne peut investir plus de 10 % de la valeur du portefeuille des titres émis ou garantis par un même émetteur; et
- l'utilisation de débentures est interdite.

6. EXIGENCES ET CONTRAINTES

- La cote minimale pour les titres de marché monétaire est, en tout temps, de R-1 (selon DBRS) à l'exception des titres d'organismes municipaux du Québec pour lesquels cette cote minimale n'est pas exigée.
- L'échéance maximale d'un titre ne peut en aucun cas excéder celle de la dette ayant la date d'échéance la plus rapprochée.

7. RÉPARTITION DU PORTEFEUILLE

La répartition cible du portefeuille de même que les intervalles de répartition tolérés sont présentés à l'Annexe B.

L'objectif de rendement variera selon l'horizon de placement jusqu'à la prochaine échéance de dette. Cependant, il est espéré que le rendement sur l'ensemble des trois (3) périodes, (de 10 ans, 10 ans et 20 ans) tels qu'identifiés à l'Annexe B, soit supérieure au taux de rendement de l'indice obligataire à court terme FTSE TMX Univers.

8. DURÉE

Cette politique de placement entre en vigueur dès son approbation par le Conseil des Gouverneurs, sur recommandation de son Comité des Finances, laquelle suivra l'obtention des autorisations ministérielles requises, et est valide jusqu'au 31 janvier 2056. Une revue annuelle de la politique sera effectuée. Tous les changements apportés, s'il y a lieu, seront soumis pour autorisation au ministre responsable de l'Enseignement supérieur, ainsi qu'au ministre des Finances.

9. GARDIEN DE VALEURS

Le gardien de valeurs devra être disponible en tout temps et toute personne reliée à l'application de la présente politique aura un accès en tout temps à ce gardien.

10. CONFLIT D'INTÉRÊTS

Le conflit d'intérêts, réel ou apparent, est défini aux fins de la présente politique comme toute situation dans laquelle un membre du Conseil ou de ses comités, un gestionnaire de placement, un mandataire, un conseiller, un membre du personnel de l'Université ou toute autre partie directement liée à l'une des personnes précédentes, pourrait tirer un avantage personnel de renseignements sur le portefeuille, de sa participation au portefeuille, ou encore d'une décision de placement ou de titres détenus dans le portefeuille.

En s'acquittant de leurs responsabilités, toutes les parties mentionnées à la présente politique doivent en tout temps éviter les conflits d'intérêts et agir au mieux des intérêts et à l'avantage du portefeuille, compte tenu de l'ensemble des obligations de l'Université.

Annexe A

En date de la présente politique, le solde des obligations émises totalise 160 M\$ en valeur nominale. Deux nouvelles émissions sont prévues et porteront le solde émis à 400 M\$. L'Annexe A est basée sur le solde prévu de 400 M\$ et sujette à changement en fonction des émissions à venir.

Déboursés de l'Université à effectuer au fonds d'amortissement (en millions de dollars canadiens)

Date	Versement	Date	Versement
Jan-20	\$12.55	Jan-38	\$7.20
Jul-20	\$12.55	Jul-38	\$7.20
Jan-21	\$12.55	Jan-39	\$7.20
Jul-21	\$12.55	Jul-39	\$7.20
Jan-22	\$12.55	Jan-40	\$7.20
Jul-22	\$12.55	Jul-40	\$7.20
Jan-23	\$12.55	Jan-41	\$7.20
Jul-23	\$12.55	Jul-41	\$7.20
Jan-24	\$12.55	Jan-42	\$7.20
Jul-24	\$12.55	Jul-42	\$7.20
Jan-25	\$12.55	Jan-43	\$7.20
Jul-25	\$12.55	Jul-43	\$7.20
Jan-26	\$12.55	Jan-44	\$7.20
Jul-26	\$12.55	Jul-44	\$7.20
Jan-27	\$12.55	Jan-45	\$7.20
Jul-27	\$12.55	Jul-45	\$7.20
Jan-28	\$12.55	Jan-46	\$7.20
Jul-28	\$12.55	Jul-46	\$7.20
Jan-29	\$12.45	Jan-47	\$7.20
Jul-29	\$12.45	Jul-47	\$7.20
Jan-30	\$12.45	Jan-48	\$7.20
Jul-30	\$12.45	Jul-48	\$7.20
Jan-31	\$12.45	Jan-49	\$7.20
Jul-31	\$12.45	Jul-49	\$7.20
Jan-32	\$12.45	Jan-50	\$7.20
Jul-32	\$12.45	Jul-50	\$7.20
Jan-33	\$12.45	Jan-51	\$7.20
Jul-33	\$12.45	Jul-51	\$7.20
Jan-34	\$12.45	Jan-52	\$7.20
Jul-34	\$12.45	Jul-52	\$7.20
Jan-35	\$12.45	Jan-53	\$7.20
Jul-35	\$12.45	Jul-53	\$7.20
Jan-36	\$12.45	Jan-54	\$7.20
Jul-36	\$12.45	Jul-54	\$7.20
Jan-37	\$12.45	Jan-55	\$7.20
Jul-37	\$12.45	Jul-55	\$7.20

Annexe B

En date de la présente politique, l'échéance de l'obligation émise est le 29 janvier 2056. Deux nouvelles émissions sont prévues, d'un terme de 10 ans et 20 ans, en 2018 et en 2019. L'Annexe B est basée sur cette projection et sujette à changement en fonction des émissions à venir.

Réparation cible de l'actif du portefeuille - Période 1									
	Maturité	Fed	Prov		Muni		Corp		
	Max.	Cible	Max.	Cible	Max.	Cible	Max.	Cible	Max.
Jan-20	10	0%	5%	20%	25%	40%	45%	40%	45%
Jul-20	10	0%	5%	20%	25%	40%	45%	40%	45%
Jan-21	10	0%	5%	20%	25%	40%	45%	40%	45%
Jul-21	9	0%	5%	20%	25%	40%	45%	40%	45%
Jan-22	9	0%	5%	20%	25%	40%	45%	40%	45%
Jul-22	8	0%	5%	20%	25%	40%	45%	40%	45%
Jan-23	8	0%	5%	20%	25%	40%	45%	40%	45%
Jul-23	8	0%	5%	20%	25%	40%	45%	40%	45%
Jan-24	5	0%	5%	25%	30%	40%	45%	35%	40%
Jul-24	5	0%	5%	25%	30%	40%	45%	35%	40%
Jan-25	5	0%	5%	30%	35%	40%	45%	30%	35%
Jul-25	4	0%	5%	30%	35%	40%	45%	30%	35%
Jan-26	4	0%	5%	35%	40%	40%	45%	25%	30%
Jul-26	3	0%	5%	35%	40%	40%	45%	25%	30%
Jan-27	3	0%	5%	40%	45%	40%	45%	20%	25%
Jul-27	3	0%	5%	40%	45%	40%	45%	20%	25%
Jan-28	2	0%	5%	45%	50%	40%	45%	15%	20%
Jul-28	2	0%	5%	45%	50%	40%	45%	15%	20%
Jan-29	Premier paiement								

Annexe B

Réparation cible de l'actif du portefeuille - Période 2									
	Maturité	Fed		Prov		Muni		Corp	
	Max.	Cible	Max.	Cible	Max.	Cible	Max.	Cible	Max.
Jan-29	10	0%	5%	20%	25%	40%	45%	40%	45%
Jul-29	10	0%	5%	20%	25%	40%	45%	40%	45%
Jan-30	10	0%	5%	20%	25%	40%	45%	40%	45%
Jul-30	9	0%	5%	20%	25%	40%	45%	40%	45%
Jan-31	9	0%	5%	20%	25%	40%	45%	40%	45%
Jul-31	8	0%	5%	20%	25%	40%	45%	40%	45%
Jan-32	8	0%	5%	20%	25%	40%	45%	40%	45%
Jul-32	8	0%	5%	20%	25%	40%	45%	40%	45%
Jan-33	5	0%	5%	25%	30%	40%	45%	35%	40%
Jul-33	5	0%	5%	25%	30%	40%	45%	35%	40%
Jan-34	5	0%	5%	30%	35%	40%	45%	30%	35%
Jul-34	4	0%	5%	30%	35%	40%	45%	30%	35%
Jan-35	4	0%	5%	35%	40%	40%	45%	25%	30%
Jul-35	3	0%	5%	35%	40%	40%	45%	25%	30%
Jan-36	3	0%	5%	40%	45%	40%	45%	20%	25%
Jul-36	3	0%	5%	40%	45%	40%	45%	20%	25%
Jan-37	2	0%	5%	45%	50%	40%	45%	15%	20%
Jul-37	2	0%	5%	45%	50%	40%	45%	15%	20%
Jan-38	Deuxième paiement								

Annexe B

Réparation cible de l'actif du portefeuille - Période 3									
	Maturité	Fed		Prov		Muni		Corp	
	Max.	Cible	Max.	Cible	Max.	Cible	Max.	Cible	Max.
Jan-38	20	0%	5%	60%	65%	0%	5%	40%	45%
Jul-38	20	0%	5%	60%	65%	0%	5%	40%	45%
Jan-39	20	0%	5%	60%	65%	0%	5%	40%	45%
Jul-39	19	0%	5%	60%	65%	0%	5%	40%	45%
Jan-40	19	0%	5%	60%	65%	0%	5%	40%	45%
Jul-40	19	0%	5%	60%	65%	0%	5%	40%	45%
Jan-41	18	0%	5%	60%	65%	0%	5%	40%	45%
Jul-41	18	0%	5%	60%	65%	0%	5%	40%	45%
Jan-42	18	0%	5%	60%	65%	0%	5%	40%	45%
Jul-42	18	0%	5%	60%	65%	0%	5%	40%	45%
Jan-43	17	0%	5%	60%	65%	0%	5%	40%	45%
Jul-43	17	0%	5%	60%	65%	0%	5%	40%	45%
Jan-44	17	0%	5%	60%	65%	0%	5%	40%	45%
Jul-44	15	0%	5%	60%	65%	0%	5%	40%	45%
Jan-45	15	0%	5%	60%	65%	0%	5%	40%	45%
Jul-45	15	0%	5%	60%	65%	0%	5%	40%	45%
Jan-46	15	0%	5%	20%	25%	40%	45%	40%	45%
Jul-46	15	0%	5%	20%	25%	40%	45%	40%	45%
Jan-47	12	0%	5%	20%	25%	40%	45%	40%	45%
Jul-47	12	0%	5%	20%	25%	40%	45%	40%	45%
Jan-48	12	0%	5%	20%	25%	40%	45%	40%	45%
Jul-48	12	0%	5%	20%	25%	40%	45%	40%	45%
Jan-49	10	0%	5%	20%	25%	40%	45%	40%	45%
Jul-49	10	0%	5%	20%	25%	40%	45%	40%	45%
Jan-50	8	0%	5%	20%	25%	40%	45%	40%	45%
Jul-50	8	0%	5%	20%	25%	40%	45%	40%	45%
Jan-51	6	0%	5%	25%	30%	40%	45%	35%	40%
Jul-51	6	0%	5%	25%	30%	40%	45%	35%	40%
Jan-52	6	0%	5%	25%	30%	40%	45%	35%	40%
Jul-52	5	0%	5%	25%	30%	40%	45%	35%	40%
Jan-53	5	0%	5%	30%	35%	40%	45%	30%	35%
Jul-53	3	0%	5%	30%	35%	40%	45%	30%	35%
Jan-54	3	0%	5%	30%	35%	40%	45%	30%	35%
Jul-54	3	0%	5%	30%	35%	40%	45%	30%	35%
Jan-55	2	0%	5%	35%	40%	40%	45%	25%	30%
Jul-55	2	0%	5%	35%	40%	40%	45%	25%	30%
Jan-56	Troisième paiement								

GD17-23 Appendix B

McGill FY2019 Budget Cycle Budget Presentation I

McGill University Budget FY2018: November Update

Presentation to Board of Governors
December 12, 2017

Christopher Manfredi, Provost and Vice-Principal (Academic)



McGill

FY2018 Budget November Update: Sources of Variance

▶ **Variance in Operating Revenue:**

▶ **Higher than budgeted federal grants:**

- ▶ Research Support Fund (RSF): One-time increase in FY2017 was extended to FY2018

▶ **Higher than budgeted provincial grants:**

- ▶ Confirmed teaching grant amount +\$45 per weighted FTE
- ▶ Confirmed support grant amount +\$17 per FTE

▶ **Higher than budgeted tuition & fees:**

- ▶ Undergraduate Fall 2017 enrolment surpassed target by 305 (1.2%)
- ▶ Most of this overage was in deregulated programs – 230 over target (10.4%)

▶ **APB Revenue Projection Model:**



- ▶ Budget finalized using targets and assumptions as model inputs; actuals and confirmed amounts only become available later in the fiscal year (see slide: Timeline for APB FY2018 Revenue Projections)
- ▶ Some variation inherent in projection model itself (i.e., margin of error)

FY2018 Budget November Update: Sources of Variance (cont'd)

▶ **Variance in Operating Expenses:**

- ▶ Increased contribution from federal grant transferred to hospitals (Research Support Fund)
- ▶ Additional in-year allocations (for new administrative and support positions)
- ▶ Additional in-year allocations (for items not known or identified during the preparation of the budget book)
- ▶ Defined benefit pension plan solvency top-up contributions

FY2018 Operating Budget Overview

	FY2018		Variance	
	(\$'000)	Budgeted		Nov. Update
Total revenues		\$815,031	\$832,216	 \$17,185
Total expenses ⁽¹⁾		\$824,960	\$842,152	 \$17,192
Annual financed surplus (deficit)		(\$9,929)	(\$9,936)	(\$7)
Financed accumulated deficit		(\$94,321)	(\$94,328)	
<i>Financed accumulated deficit / Revenues %</i>		11.57%	11.33%	

⁽¹⁾ Excluding year-end actuarial adjustments and related accruals

Note: Chart colour for expenses is inverted as a decrease denotes a positive outcome, and an increase denotes a negative outcome

Timeline for APB FY2018 Revenue Projections

		FY2018 Revenue Model Inputs						
		McGill-controlled			Ministry-controlled			
		Bachelors Enrolment	Deregulated Enrolment	Graduate New Registrations	QC (basic) Tuition Rate	ROC and Int'l Supplement Rate	Support Grant (\$ per FTE)	Teaching Grant (\$ per WFTE)
Nov/Dec 2016	Enrolment plans prepared following ES/Dean GPS meetings with Deans	targets	targets	targets	assumption	assumption	assumption	assumption
Jan 31, 2017 (Q3)	FY17 tuition collection stabilizes - Required input for FY18 tuition projections	targets	targets	targets	assumption	assumption	assumption	assumption
Apr 6, 2017	VRAAF: <i>Taux de croissance du revenu disponible par habitant</i> updated	targets	targets	targets	confirmed	assumption	assumption	assumption
FY18 Budget Finalized								
May 8, 2017	<i>Indexation des droits de scolarité des étudiants étrangers et canadiens non-résidents du Québec pour l'année universitaire 2017-2018</i>	targets	targets	targets	confirmed	confirmed	assumption	assumption
May 19, 2017	<i>Orientations Budgétaires</i>	targets	targets	targets	confirmed	confirmed	confirmed	confirmed
Oct 15, 2017	Fall census enrolment date	actuals	actuals	actuals (winter new registrations estimated)	confirmed	confirmed	confirmed	confirmed

FY2018 Updated Operating Revenue = \$832.2M (↑ \$17.2M)

	FY2018		Variance	
	(\$'000)	Budgeted		Nov. Update
Grants - Canada		\$25,708	\$28,422	\$2,714
Grants - Quebec		\$332,544	\$337,302	\$4,758
Tuition and Fees		\$307,836	\$317,231	\$9,395
Sales of Goods & Services		\$134,067	\$134,814	\$747
Gifts & Bequests		\$6,884	\$6,455	(\$429)
Foreign Exchange Gain		\$500	\$500	\$0
Investment Income		\$4,859	\$4,859	\$0
Interest Income		\$2,633	\$2,633	\$0
Total Operating Revenue		\$815,031	\$832,216	\$17,185

Revenue Lever: Overall Enrolment & Enrolment Mix

Bachelors Enrolment (Headcounts)

	FY2018		Variance	
	(Fall 2017)	Targets ⁽¹⁾		Actuals
Regulated programs		22,167	22,242	75
Deregulated programs		1,991	2,221	230
Total Bachelors Enrolment		24,158	24,463	305





Graduate New Registrations (Headcounts - Annualized)

	FY2018		Variance	
	(Fiscal Year)	Targets		Actuals (p)
Total Masters		2,002	1,967	-35
Masters Non-Thesis (excl. Management)		1,028	996	-32
Masters Thesis		974	971	-3
Doctoral		728	778	50
Total Graduate New Admits		2,730	2,745	15

⁽¹⁾ Regulated targets are derived from overall targets minus deregulated targets

(p) projected: FY2018 new registrations to graduate programs are projected based on headcounts as at October 15 census and the assumption that Winter 2018 new registrations will be consistent with Winter 2017

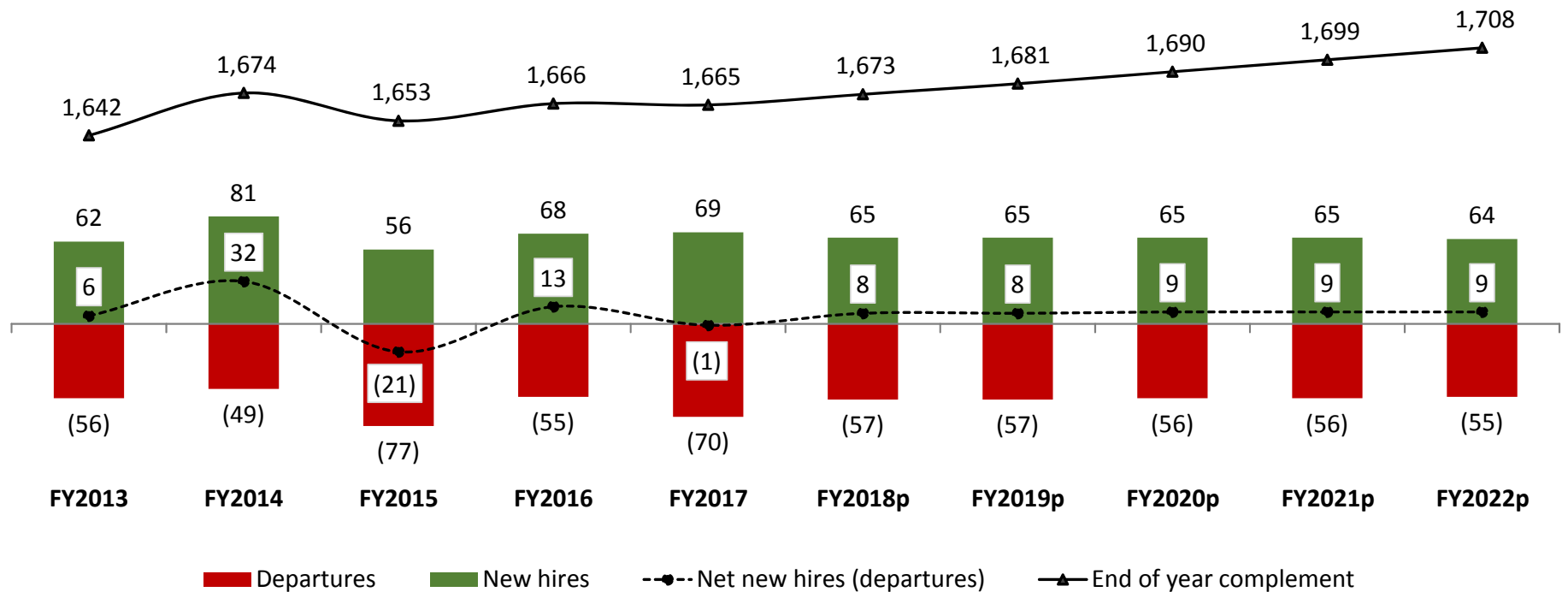
FY2018 Updated Operating Expenses = \$842.2M (↑ \$17.2M)

	FY2018			Variance
	(\$'000)	Budgeted	Nov. Update	
Total Salary Expenditures		\$626,043	\$641,378	 \$15,335
Non-Salary Expenditures		\$154,295	\$161,237	 \$6,942
Interfund Transfers		\$44,622	\$39,537	 (\$5,085)
Total Operating Expenses		\$824,960	\$842,152	 \$17,192

Note: Chart colour for expenses is inverted as a decrease denotes a positive outcome, and an increase denotes a negative outcome

Expense Lever: Academic Staff (and Benefits)

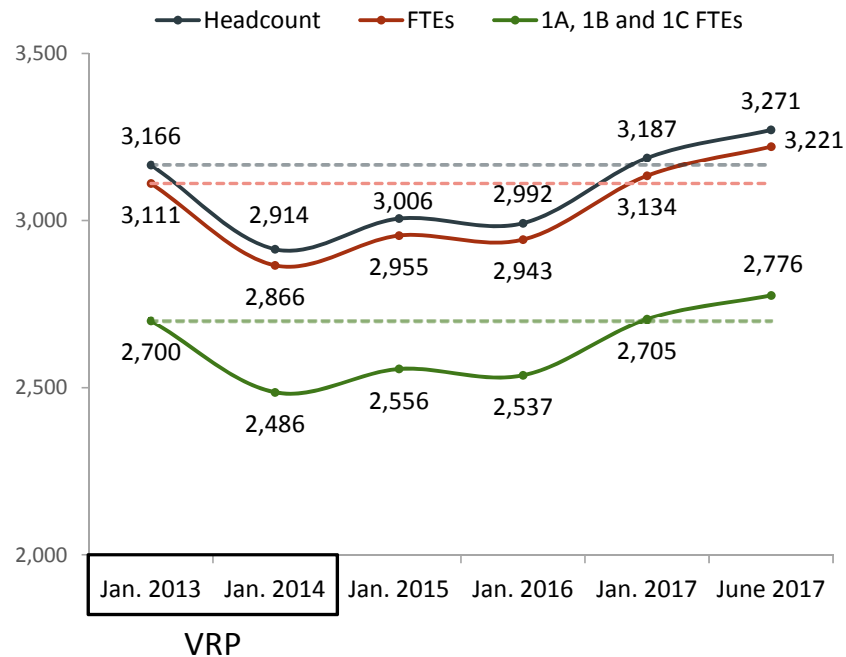
Tenured and Tenure-Track Faculty: Net new hires (departures) and end-of-year complement



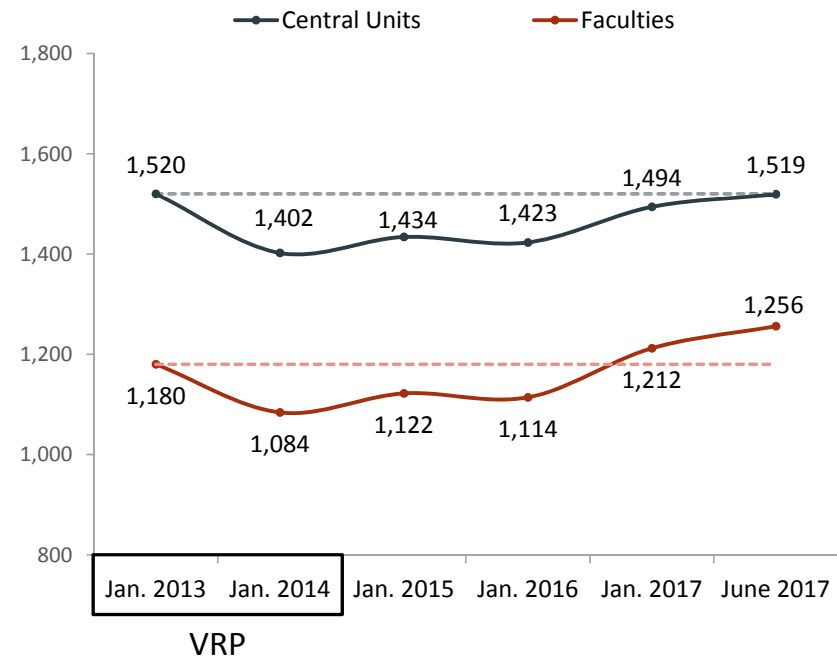
p=projected
 Note: Excludes librarians

Expense Lever: Administrative and Support Staff (and Benefits)

Administrative and Support Staff



**Administrative and Support Staff
(1A, 1B and 1C FTEs)**



VRP: Voluntary retirement program in 2013/2014; dotted lines represent pre-VRP staffing levels

Note: Headcount and FTE numbers are January 31st snapshots from respective years

Uncertainties and Risks for FY2019: McGill-controlled

▶ **McGill-controlled:**

- ▶ Managing to overall, as well as deregulated, enrolment targets
- ▶ Graduate enrolment increases
- ▶ Managing to mix of students by fee type (e.g., Quebec, Canadian non-resident Quebec, International, French citizens)
- ▶ Preparedness for further deregulation or privatization – common vision for McGill’s student mix
- ▶ R2R and administrative and support staff position control
- ▶ Bicentennial campaign impact on operating budget
- ▶ Bond payback planning
- ▶ New building projects
- ▶ New program development coherence and accountability
- ▶ Incremental allocations

Uncertainties and Risks for FY2019: Ministry-controlled and Macro

▶ **Ministry-controlled:**

- ▶ Stability of government commitments: grant and tuition indexation, general reinvestment as announced in March 2017
- ▶ Changes to funding policy – including funding formula
- ▶ New building projects
- ▶ Potential change in government (Fall 2018 provincial elections)

▶ **Macro:**

- ▶ Canadian dollar exchange rate
- ▶ Interest rates
- ▶ Global political landscape and its effect on international student mobility