

POLICY 2.31 – Major Strategic Opportunities Fund

Policy Category:	Financial
Subject:	Major Strategic Opportunities Fund
Approving Authority:	Board of Governors
Responsible Officer:	Vice-President (Operations & Finance)
Responsible Office:	Financial Services
Related Procedures:	N/A
Related University Policies:	N/A
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I. PREAMBLE

Western has been investing in its future by allocating one-time resources in support of various strategic initiatives for a number of years. Such investments are essential for Western’s aspirational goals of achieving global excellence.

With the ever-increasing pace of change facing the universities, it will also be necessary for Western to be strategic as well as entrepreneurial, and to seek and seize new major initiatives which have the potential of having transformational impact on the institution. Without limiting the scope of such transformational opportunities, the following are illustrative examples which could fall into such categories:

- Securing a major national or international research facility of significant scope,
- Establishing strategic and deeper collaborative academic and research partnerships with international partner; and funding of research initiatives,
- Strategic acquisition of properties.

Through prudent fiscal management of its non-endowed funds, Western has a unique opportunity to establish a Major Strategic Opportunities Fund in support of new transformative opportunities. The Fund will NOT be used to support the general operations of the university including the routine strategic initiatives supported through the operating budget.

Although the Fund will not be endowed, it will be managed similar to an endowment so that the fund continues to support major strategic opportunities in perpetuity. Like an endowment, efforts will be made to maintain the purchasing power of the Fund over the long-term. Efforts will be made to gradually grow the Fund so that it can respond to future opportunities requiring larger investments. Allocations from the Fund will be subject to an annual limit and a minimum reserve requirement. Major investments that exceed the annual spending limit will be funded through multi -year allocations. Only under rare and exceptional circumstances will allocations be allowed that take the Fund below the minimum capital reserve on temporary basis. Such “temporary encroachment” on capital will have to be made up within a defined and reasonable period of time.

II. PURPOSE AND SCOPE

The purpose of this policy is to document the principles and guidelines for the establishment, use and ongoing funding of a Major Strategic Opportunities Fund (the “Fund”). The Fund will be established with a portion of the cumulative net returns from the investment of non-endowed funds in the University’s various investment pools, invested in accordance with the Statement of Investment Objectives, Policies and Governance (MAPP 2.26). The Fund will be for “the strategic use and long-term benefit of the University”.

In 1984, the Board of Governors established an investment policy, which called for the core portion of non-endowed funds to be invested in the same manner as the endowed funds. Non-endowed funds include specific purpose donations, ancillary revenues (such as the Residences and Hospitality Services), government grants, capital revenues, tuition fees and research grants and contracts. Although particular fund sources are expended over time, at a macro level they are replaced with new funds through ongoing activities. As a result, Western has a significant base or “core portion” of non-endowed funds that can be invested. This allows Western to earn returns on the non-endowed funds that exceed the returns that would have been earned by investing all non-endowed funds in short term money market instruments over time.

This policy is expected to demonstrate prudent long-term management of the Fund and provide a framework for supporting the strategic objectives of the University. The authority and responsibilities for decision-making for allocations from the Fund rests with the Board of Governors.

III. POLICY

- 1.00 The Fund will be invested as outlined in the University’s Statement of Investment Objectives, Policies & Governance (MAPP 2.26).
- 2.00 The cumulative balance of the Fund will be segregated within Internally Restricted Net Assets (IRNA) to support the strategic objectives of the university as identified in the University’s Strategic Plan, as may be amended from time to time.
- 3.00 The Fund will receive its pro-rata share of the annual returns/losses from the investment of non-endowed funds in the University’s Operating & Endowment Portfolio. If available, the amount of any additional contribution to the Fund will be determined by the Board of Governors (based on a recommendation from the President) on an annual basis, on or before April 30th.
- 4.00 The Fund will be subject to a minimum reserve requirement of \$100 million and annual allocations from the Fund will be limited to a minimum of \$10 million and a maximum of \$50 million.
- 5.00 All allocations from the Fund will require approval of the Board of Governors. Requests must be recommended by/and have the prior approval of the President, the Vice-President (Academic) and the Vice-President (Operations & Finance) before proceeding to the Board of Governors. For clarity, there is no requirement for an annual allocation from the Fund.
- 6.00 Where applicable, the allocation and spending of the Fund will be done in accordance with the approval process applicable to the intended allocation and use of the Fund, such as the capital project approval process (MAPP Policy 2.15).
- 7.00 Allocations from the Fund will not be made to fund general operations of the University.
- 8.00 A summary report on allocations, contributions, reserve level and remaining Fund balance will be completed on an annual basis as at April 30.

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- 9.00 The Major Strategic Opportunities Fund Policy will be reviewed at least every five years. Any changes to this policy will require approval of the Board of Governors.