



Financial Services Commission of Ontario
Commission des services financiers de l'Ontario

SECTION: Statement of Investment Policies and Goals (SIP&G)
INDEX NO.: S700-400
TITLE: Obligation to Sell Assets
PUBLISHED: Bulletin 5/4 (Winter 1995)
EFFECTIVE DATE: When Published [No longer applicable - Jan. 2001]

Taken from the "Your Questions Answered" column published in the PCO Bulletin. Please see the disclaimer at the beginning of the directory.

Our Statement of Investment Policies and Goals stipulates that only bonds with a "single A" rating or better may be purchased for the pension fund. If a holding is subsequently downgraded to "BBB" or lower, must we promptly sell it?

If the Statement of Investment Policies and Goals ("SIP&G") specifies what the minimum credit rating should be "at the time the investment is made," there is no obligation to sell a bond that is subsequently downgraded. If the SIP&G is silent about "the time the investment is made," it is then a matter of judgment and prudence whether the bond should be sold. If the SIP&G explicitly states that no bond below a certain rating should ever be held, then there does not appear to be any alternative but to sell the bond. However, if in the opinion of the investment manager such action would be imprudent, the investment manager can recommend to the plan administrator that the SIP&G be amended accordingly. Amending a SIP&G in such a case requires filing the amendment within 90 days of its adoption as prescribed by subsection 68(2) of Regulation 909.