

# **JOINT HEALTH SCIENCE BENEFITS TRUST**

## **STATEMENT OF INVESTMENT POLICIES AND PROCEDURES**

### **Objective**

This Statement of Investment Policies and Procedures (the “SIPP”) outlines the principles by which the assets of the Joint Health Science Benefits Trust (the “Trust”) are to be managed and invested. This SIPP will be reviewed annually and will be amended where necessary or confirmed that it shall continue to remain in effect for the following year. A current version of the SIPP will be kept on file with the Plan Administrator.

### **Plan Responsibilities**

The Trust is an employee life and health trust (ELHT) as defined by section 248 (1) of the Income Tax Act of Canada (ITA) and was established to provide designated employee benefits as defined by section 144.1 of the ITA for beneficiaries of the Trust in accordance with the Plan Document (the “Plan”). The administration and investment of the assets of the Trust (the “Fund”) is managed by the Trustees who ensure that the Fund is managed in accordance with this SIPP.

### **Plan Liabilities**

The Plan pays extended health care (EHC), dental, life, accidental death and dismemberment (AD&D) and long term disability (LTD) benefits. Within the Fund reserves will be established to ensure that the future obligations of the Plan may be met. The reserves include:

- an amount set aside for EHC, dental, life and AD&D incurred but not reported claims (IBNR), which are of a short term duration (less than one year);
- an amount set aside for continuation to disabled members of EHC, dental benefits, life and AD&D benefits which are a long term duration (five years to seven years); and
- an amount set aside for LTD claims (open and IBNR) which are of a long-term duration (five years to seven years).

### **Trust Fund Goals**

The primary goals of the Fund are to:

- Accumulate assets sufficient to support the benefits to which Plan beneficiaries become entitled;
- Achieve long term investment results which compare favorably to the returns available from the investment markets in which the assets are invested; and
- Invest in a mix of assets that optimizes the investment returns while maintaining an acceptable level of investment risk.

### **Investment Policy**

#### **1. Investment Vehicle and Investment Manager**

The Trustees have elected to invest the assets of the Trust in the Healthcare Investment Unit Trust (the “Investment Vehicle”) which will invest in certain pooled funds (the “Pooled Funds”)

managed by the British Columbia Investment Management Corporation (“bcIMC”, the “Investment Manager”. The Trustees are entitled to appoint one trustee to sit on the board of trustees of the Investment Vehicle.

## 2. Plan Assets and Contributions

The Trust will begin receiving contributions effective April 1, 2017 and will have no assets until then. Similarly, liabilities will only begin to develop after April 1, 2017. The Plan’s assets available for investment will form from the contributions received by the Trust that are in excess of the benefits and expenses being paid from the Plan. The majority of the Plan’s liabilities are expected to be of long term duration as the Plan begins to mature. Consequently, the assets of the Plan will be invested to support these longer duration liabilities. Ongoing contributions are expected to support any short term duration liabilities.

## 3. Available Categories of Investments

The Healthcare Investment Unit Trust makes the following investment classes available to the Trust: Short Duration, Universe Bonds, Canadian Equities, Global Equities, Emerging Market Equities, Infrastructure and Real Estate. Each investment class is made up of units in the appropriate Pooled Fund or Funds except Real Estate which is held pursuant to a derivative arrangement due to the tax status of the Trust.

## 4. Diversification and Investment Risk Guidelines

Investment risk guidelines are implicit in the asset mix adopted hereunder having reference to nature of the Plan liabilities described herein and the policies and procedures of the Pooled Funds. It is expected that the Investment Manager will spread investment risk within each investment class to the extent dictated by prudence.

## 5. Asset Mix

The initial asset mix is as follows:

	<b>Target Allocation</b>	<b>Alternative Allocation *</b>
Short Duration Class	2%	n/a
Universe Bonds Class	18%	n/a
Canadian Equities Class	10%	n/a
Global Equities Class	22%	n/a
Emerging Market Equities Class	8%	n/a
Infrastructure Class	25%	Universe Bond Class
Real Estate Class	15%	Universe Bond Class
<b>Total</b>	<b>100%</b>	

The Investment Vehicle is expected to use reasonable efforts to implement this asset mix as quickly as possible, while allowing the Investment Manager to apply discretion on timing and other tactical asset mix decisions.

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\* To the extent that the trustees of the Investment Vehicle are unable to allocate the entirety of the Target Allocation in respect of a less liquid Investment Class (including the Infrastructure Class and the Real Estate Class), the unallocated amount will be allocated in accordance with the Alternate Allocation set out above.

As the Plan liabilities develop, the asset mix will be reviewed taking into account the nature and duration of the Plan's liabilities and the funded position of the Plan.

**6. Liquidity**

As the Trust is only beginning to collect contributions, liquidity is not expected to be of concern since contributions are expected to exceed benefit payments for a number of years as assets and liabilities accumulate. However, the Trustees will review the liquidity requirements of the Plan as the Trust assets and liabilities begin to grow.

**7. Quality of Investments**

The assets of the Fund will be invested in securities, which meet the generally accepted standards of quality, which a prudent person would apply in investing the assets of another.

The Investment Manager is expected to invest the assets of the Pooled Funds with the care, skill, prudence and diligence that a prudent investment professional would exercise in the investment of those assets.

**8. Cash/Securities Lending**

Subject to section 12 of this Policy lending of cash or securities held by the Fund is permitted to the extent that such lending complies with the Investment Manager's policies and procedures. Such policies and procedures must be provided to the Trustees each year.

**9. Derivatives**

Derivatives are defined as financial instruments which derive their value from that of another financial instrument or combination of financial instruments. The Investment Manager is permitted to use derivatives to the extent that such use complies with the Investment Manager's policies and procedures. Such policies and procedures must be provided to the Trustees each year.

**10. Voting Rights**

The Investment Manager has the authority to exercise voting rights in respect of securities held by the Fund and must exercise these rights in accordance with the Investment Manager's policies and procedures. Such policies and procedures must be provided to the Trustees each year.

**11. Valuation of Investments Not Regularly Traded**

The Trustees shall accept the Investment Manager's fair market valuation of investments not regularly traded, based on generally accepted principles practiced by investment managers.

**12. Related Party Transactions**

The Fund assets may not be directly loaned to, directly invested in the securities of, or directly involved in a transaction with a Related Party. An investment in the Pooled Funds or in any securities traded on a public exchange shall not be considered an investment in, loan to or a transaction with a Related Party.

For the purposes of this Policy, a Related Party means:

1. a Trustee of the Plan;
2. an employee of the Trustees of the Plan;

3. a person responsible for investing any of the Plan's assets, or any officer, director or employee thereof;
4. an officer or employee of any of the participating Unions;
5. an employer that participates in the Plan, any party not at arms' length from an employer that participates in the Plan or an employee, officer or director thereof;
6. a member of the Plan;
7. the spouse or child of any person referred to in any of paragraphs (1) to (6);
8. a corporation that is directly or indirectly controlled by a person referred to in any of paragraphs (1) to (7);
9. an entity in which a person referred to in paragraph (1), (2) or (5) or the spouse or a child of such a person, has a substantial investment.

### **13. Monitoring of Compliance**

The Trustees are responsible for monitoring the compliance of the Investment Vehicle with these investment guidelines. The Investment Vehicle shall provide a quarterly report to the Trustees confirming compliance with these guidelines of full particulars of any non-compliance as well as any material change to the policies and procedures of any Pooled Fund.

## **Performance Objectives**

### **PRIMARY MEASURE**

The primary investment objective of the Trustees is to achieve a real return of 5.3% after investment fees over time.

### **SECONDARY MEASURES**

The secondary investment objective is to achieve a return after fees over rolling 4-year periods in excess of the return determined by applying the Fund's policy asset mix to the following benchmarks:

	<b>Benchmark</b>
Short Duration Class	FTSE TMX Canada 91 Day T-Bill Index
Universe Bonds Class	FTSE TMX Canada Universe Bond Index
Canadian Equities Class	S&P/TSX Capped Composite Index
Global Equities Class	MSCI World ex-Canada Net Index
Emerging Market Equities Class	MSCI Emerging Markets Net Index
Infrastructure Class	Absolute Return of 7.25% per annum
Real Estate Class	Canadian CPI plus 4%

Further, the goal for each asset class is to achieve a return after fees over rolling 4-year periods in excess of the returns on each of the above benchmarks.

## **Performance Review**

The performance of the Investment Vehicle (and thus the underlying Investment Manager) will be reviewed by the Trustees semi-annually. The Investment Vehicle's report will include:

- A review of the performance of the Fund relative to the objectives stated above;
- A brief review of the transactions (both asset mix changes and significant security transactions) since the last meeting;
- A comparison of such transactions with the forecasts and strategy outlined at the previous review meeting;
- The Investment Manager's outlook for the economy both in the short term (less than one year) and the long term (one year or more) and their resulting forecasts of rates of return for each of the relevant asset classes;
- The investment strategy the Investment Manager intends to pursue up to the time of the next review meeting; and
- A review of the investment objectives and their continuing suitability.

If the Investment Vehicle (and thus the underlying Investment Manager) has failed to meet its objectives as described in this Policy, the Trustees shall decide what corrective action, if any, is appropriate in the circumstances.

## **Conflicts of Interest**

A conflict of interest exists whenever a participating Employer, the Union, a member of the Union, a Trustee, or any directly related party may benefit from knowledge of, participation in, or by virtue of, an investment policy or investment decision of the Trustees.

Should an actual or perceived conflict of interest arise, the party to the conflict shall immediately disclose the conflict to the Trustees. The party to the conflict will abstain from decision making with respect to the area of conflict, unless otherwise determined permissible by unanimous decision of the Trustees.

The Trustees are the sole arbiters in determining whether a conflict of interest exists and shall take the necessary measures to remedy the situation.

Where an actual or perceived conflict of interest arises, the nature and substance of the conflict will be disclosed to all affected parties within 30 days after the conflict has arisen.

This Policy shall be reviewed at least once per year.

Signed on behalf of the Trustees:

Signature \_\_\_\_\_

Signature \_\_\_\_\_

Name \_\_\_\_\_

Name \_\_\_\_\_

Date Initially Adopted: [ \* ], 2017

Dates Reviewed:

Dates Reviewed: