

Financial Statements

## **JOINT HEALTH SCIENCE BENEFITS TRUST**

For the year ended December 31, 2020

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## INDEPENDENT AUDITORS' REPORT

### TO THE BOARD OF TRUSTEES OF JOINT HEALTH SCIENCE BENEFITS TRUST

#### *Opinion*

We have audited the financial statements of Joint Health Science Benefits Trust (the "Trust"), which comprise:

- the statement of financial position as at December 31, 2020;
- the statement of changes in net assets for the year then ended;
- the statement of changes in benefit obligations for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2020, and its results of operations for the year then ended in accordance with Canadian accounting standards for pension plans ("ASPP").

#### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASPP, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust's financial reporting process.

#### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ♦ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ♦ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ♦ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- ♦ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Smythe LLP*

Chartered Professional Accountants

Vancouver, British Columbia  
April 13, 2021

# JOINT HEALTH SCIENCE BENEFITS TRUST

Statement of Financial Position  
As at December 31

	Notes	2020	2019
<b>Assets</b>			
Cash		\$ 5,664,017	\$ 4,588,533
Investment	3	108,294,612	65,151,549
Accrued interest and other receivables		111,257	77,917
Contributions receivable		9,804,419	9,572,781
Equipment		9,969	17,772
		123,884,274	79,408,552
<b>Liabilities</b>			
Benefits and accounts payable		292,239	247,484
Due to Healthcare Benefit Trust	4	5,122,257	5,149,526
Net assets available for benefits		118,469,778	74,011,542
Plan benefit obligations	5	85,477,000	69,631,000
Surplus		\$ 32,992,778	\$ 4,380,542

Economic dependence (Note 6)

See accompanying notes to financial statements.

Approved on behalf of the Board of Trustees:



Trustee



Trustee

# JOINT HEALTH SCIENCE BENEFITS TRUST

Statement of Changes in Net Assets  
For the year ended December 31

	Notes	2020	2019
<b>Increase in Assets</b>			
Contributions and income:			
Contributions	7	\$ 97,906,687	\$ 90,780,414
Investment income	8	6,073,258	4,127,730
Changes in fair value of investment		3,429,977	1,967,482
		107,409,922	96,875,626
<b>Decrease in Assets</b>			
Disbursements and expenses:			
Benefits paid	9	60,288,304	65,911,873
Operating expenses	10	2,663,382	2,560,681
		62,951,686	68,472,554
Contributions and income less disbursements and expenses		44,458,236	28,403,072
Increase in plan benefit obligations		15,846,000	24,847,000
Increase in Net Assets		28,612,236	3,556,072
Surplus, beginning of year		4,380,542	824,470
Surplus, end of year		\$ 32,992,778	\$ 4,380,542

See accompanying notes to financial statements.

# JOINT HEALTH SCIENCE BENEFITS TRUST

Statement of Changes in Benefit Obligations  
For the year ended December 31

	Notes	2020	2019
Plan benefit obligations, beginning of year		\$ 69,631,000	\$ 44,784,000
Long-term disability service cost and incurred but not reported (IBNR)		30,172,000	27,807,000
Disabled claims payments		(13,817,000)	(10,915,000)
Long-term disability administration expenses		(481,000)	(317,000)
Changes in incurred but not reported		(866,000)	732,000
Interest cost		4,034,000	2,811,000
Experience loss/(gain)		(3,196,000)	4,729,000
Plan benefit obligations, end of year	5	\$ 85,477,000	\$ 69,631,000

See accompanying notes to financial statements.

# JOINT HEALTH SCIENCE BENEFITS TRUST

Notes to Financial Statements  
Year ended December 31, 2020

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## 1. Description of the Trust:

The Joint Health Science Benefits Trust (the Trust) was established by agreement between the Health Science Professionals Bargaining Association (HSPBA) and the Health Employers Association of British Columbia (HEABC). The HSPBA and Health Sector Employers are equal partners in delivering health and welfare benefits to their employees. The Trust provides Long-term Disability (LTD), Group Life, Dependent Life, Extended Health Care (EHC), Dental and Accidental Death & Dismemberment (AD&D) coverage. The Trust formally assumed responsibility for providing employee benefits programs on April 1, 2017.

The HEABC appoints a portion of the trustees to the Trust, while the remaining trustees are appointed by the HSPBA. The HEABC and HSPBA have equal representation on the Board of Trustees.

The Trust is funded by participating employers and employees with contributions held in trust to pay for benefits for employees and eligible dependents. Employer contributions are set as a percentage of straight time payroll.

The Healthcare Benefit Trust (HBT) has been engaged as the third-party administrator of the Trust.

On March 11, 2020, the COVID-19 outbreak of the novel strain of the coronavirus ("COVID-19") was officially declared a pandemic by the World Health Organization and has resulted in emergency measures to contain the spread of the virus. This has impacted general economic conditions, including temporary closures of businesses and uncertainty in employment in certain industries. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the Trust are not known at this time. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak. The full extent of the impact that COVID-19, including government and/or regulatory responses to the outbreak, will have on the Trust's operation remains uncertain and difficult to predict at this time.

## 2. Significant accounting policies:

### (a) Basis of presentation:

These financial statements have been prepared in accordance with the Canadian Accounting Standards for Pension Plans (ASPP). For accounting policies that are not related to the Trust's investment or benefit obligations, the Trust has complied with International Financial Reporting Standards (IFRS). The financial statements were authorized for issue by the Board of Trustees on April 13, 2021.

# JOINT HEALTH SCIENCE BENEFITS TRUST

Notes to Financial Statements  
Year ended December 31, 2020

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## 2. Significant accounting policies (continued):

### (b) Financial instruments:

#### (i) Recognition and measurement:

Financial assets are classified and measured in one of the following categories based on the business model used to manage the asset: fair value through profit and loss (FVTPL), fair value through other comprehensive income (FVOCI) or amortized cost. Financial liabilities are classified and measured as either FVTPL or amortized cost. All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments classified as FVTPL in which case transaction costs are expensed as incurred.

The Fund has not classified any of its financial instruments as FVOCI.

#### (ii) Fair value through profit and loss:

Financial instruments classified as FVTPL are subsequently measured at fair value at each reporting period with changes in fair value recognized in the statement of changes in net assets in the period in which they occur. The Trust's investment is categorized as FVTPL and are comprised of units of the Healthcare Investment Unit Trust (HIUT). The HIUT units are valued based on closing net asset values at the date of the statement of financial position.

#### (iii) Amortized cost:

Financial assets and liabilities categorized at amortized cost are recognized initially at fair value plus any directly attributable transaction costs. Subsequent measurement is at amortized cost, less any impairment losses. Interest income and expense are recognized by applying the effective interest rate. Cash, accrued interest and other receivables, contributions receivable and benefits and accounts payable are categorized as amortized cost.

### (c) Equipment:

Equipment is recorded at historical cost and amortized using the straight-line method over their estimated useful lives, commencing when they are put into use, as follows:

Asset	Estimated useful lives
Computer hardware	4 years

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# JOINT HEALTH SCIENCE BENEFITS TRUST

Notes to Financial Statements  
Year ended December 31, 2020

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## 2. Significant accounting policies (continued):

### (d) Plan benefit obligations:

Liabilities are recorded for future benefit payments on claims reported prior to the fiscal year end and on claims that have been incurred prior to the fiscal year end but not reported by that time. These liabilities are actuarially determined based on historical claims experience, current and expected future rates of investment return, and the time value of money. The liabilities include a provision for the future cost of investigation and settlement of those claims incurred prior to the fiscal year-end.

Changes to these liabilities based on changes to the underlying actuarial assumptions are recorded in the period during which the change is made.

The provision for plan benefits and claims are estimates subject to variability because all events affecting the ultimate settlement of claims have not taken place and may not take place for some time. Estimates may vary because of receipt of additional claim information and significant changes from historical trends in severity and/or frequency of claims.

### (e) Revenue recognition:

Contributions from the employers and employees are recorded in the statement of changes in net assets available for benefits on an accrual basis.

Investment income is recognized on an accrual basis.

### (f) Benefits:

Benefit payments to members are recorded on an accrual basis in the statement of changes in net assets available for benefits when the member becomes entitled to payment.

### (g) Use of estimates:

The preparation of financial statements in accordance with ASPP requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of income and contributions and disbursements and expenses during the reporting period. Areas of significant estimation include plan benefit obligations, which are further described in note 5. Actual results could differ from these estimates as additional information becomes available in the future.

### (h) Taxation:

The Trust is an Employee Life and Health Trust, which is subject to income tax pursuant to subsections 104(2) and 122(1) of the *Income Tax Act (Canada)*. The Trust is only taxed on net investment income and net taxable capital gains to the extent that its deductible expenses do not exceed such income.

# JOINT HEALTH SCIENCE BENEFITS TRUST

Notes to Financial Statements  
Year ended December 31, 2020

### 3. Investment:

The investment of the Trust comprises of units of the HIUT, a pooled investment vehicle. The HIUT was created to allow for the pooling of investment for the Trust and three other trusts. The HIUT has appointed the British Columbia Investment Management Corporation (BCI) to manage its investment.

### 4. Due to Healthcare Benefit Trust:

HBT has been engaged as administrator of the Trust. HBT is considered a related party by virtue of its capacity as administrator. In exchange for these administration services, a fee (Note 10) is incurred based on members enrolled for benefits coverage and additional services.

As part of HBT's administrative duties, certain expenses during the year are paid for on behalf of the Trust. All contributions are initially received by HBT and subsequently remitted to the Trust. The due to related party balance of \$5,122,257 (2019 - \$5,149,526) is payable to HBT and relates to benefits and operating expenses paid and administration fees payable. The amount is unsecured, non-interest bearing and was fully repaid to HBT in January 2021.

### 5. Plan benefit obligations:

	2020	2019
Long-term disability:		
Admitted claims	\$ 53,161,000	\$ 41,028,000
Incurred but not reported claims	14,710,000	13,684,000
Group life, accidental death and dismemberment, dental and extended healthcare:		
Disabled extended healthcare	10,798,000	7,887,000
Disabled dental	1,582,000	1,170,000
Disabled group life/accidental death and dismemberment	1,733,000	1,503,000
Incurred but not reported claims	3,493,000	4,359,000
	<u>\$ 85,477,000</u>	<u>\$ 69,631,000</u>

Plan benefit obligations represent the present value of future benefit payments payable by the Trust. An actuarial valuation is performed annually by George & Bell Consulting Inc., with the effective date being consistent with the year-end of the Trust. The actuarial liabilities are determined using accepted actuarial practices in accordance with the standard of practice established by the Canadian Institute of Actuaries (CIA). Liabilities primarily cover benefits payable to claimants on LTD, including both reported and unreported claims at December 31, 2020.

# JOINT HEALTH SCIENCE BENEFITS TRUST

Notes to Financial Statements  
Year ended December 31, 2020

## 5. Plan benefit obligations (continued):

In addition to LTD benefits, actuarial liabilities also provide for the following:

- Incurred but not reported claims of active employees for EHC, dental, group life and AD&D.
- Future costs for EHC, dental, group life and AD&D for existing disabled claimants (collectively, disabled non-income benefits).

These liabilities are only recognized in respect of certain types of participating employees.

In determining the obligations of the Trust, the cost of claims, future changes in claims costs, the time value of money (to discount future claims to present value) and expenses to administer the benefits, are included in the determination. These liabilities are dependent on economic and demographic experience. To determine the obligations, assumptions about future economic and demographic experience are necessary.

Demographic assumptions are largely derived based on past experience. Economic assumptions, on the other hand, are based more on current market conditions than experience. Demographic and economic assumptions will change over time. It is possible that such changes could cause a material change in the actuarial present value of future benefit payments. The following long-term assumptions were used in the actuarial valuation:

	2020	2019
Discount rate	5.3%	5.6%
Expense assumption	3.0%-4.0%	4.0%
IBNR assumption:		
Group life and AD&D	\$ 100,000	\$ 100,000
LTD <sup>1</sup>	6.6-100.0%	6.0-100.0%
Dental <sup>2</sup>	0.1-14.0%	0.1-16.0%
EHC <sup>2</sup>	0.8-23.7%	0.9-29.5%
Disabled non-income benefits <sup>3</sup>	27.7%	33.3%
		1.5% and
Assumed indexing rates	2.0%	2.0%

1. Percentage of payroll in the prior four quarters.
2. Percentage of claims paid to date with an incurral date from the prior four quarters plus expenses.
3. Ratio of LTD IBNR liability to reported LTD liability applied to the corresponding liability for reported active claims.

The rate of terminations of active disability claims and the Canadian Pension Plan (CPP) approval rate are also critical assumptions used in the actuarial valuation.

Long-term economic and actuarial assumptions and methods are reviewed periodically. Management believes that the valuation methods and assumptions are, in aggregate, appropriate for the valuation.

# JOINT HEALTH SCIENCE BENEFITS TRUST

Notes to Financial Statements  
Year ended December 31, 2020

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## 5. Plan benefit obligations (continued):

The actuarial valuation involves making assumptions about the future. Actuarial assumptions are approved by the Board of Trustees. The rationales for key assumptions are:

- Discount rate: this has been set equal to the Trust's best estimate of investment return of 5.3% (2019 – 5.6%). Should the discount rate increase or decrease by 1% this would impact the actuarial liability by (\$4,100,000) or \$4,600,000 (2019 - (\$2,800,000) or \$3,200,000), respectively.
- Rate of terminations of active disability claims: based on adjustments for the Trust's experience applied to the aggregate female non-Quebec termination table published in the CIA Report entitled "Canadian Group Long-Term Disability Termination experience 2004-2008." A risk could arise that the Trust's future termination experience is worse than the assumed termination rates.
- CPP approval rate: the CPP approval rate assumption is based on age and duration since disability. Where CPP is approved, retroactive CPP to a maximum of 18 months is assumed. A risk could arise that the Trust's future CPP approval experience is worse than the assumed CPP approval rates.

## 6. Economic dependence:

The Trust received approximately 96% (2019 - 97%) of its participant contributions from the Health Authorities and is dependent upon the ability of the Health Authorities to meet future contribution rate payments.

## 7. Contributions:

	2020	2019
Employer	\$ 87,749,208	\$ 81,397,293
Employee	10,157,479	9,383,121
Total	\$ 97,906,687	\$ 90,780,414

# JOINT HEALTH SCIENCE BENEFITS TRUST

Notes to Financial Statements  
Year ended December 31, 2020

## 8. Investment income:

	2020	2019
Interest from cash	\$ 73,517	\$ 130,356
Investment expenses	(217,089)	(151,275)
Investment income from HIUT	6,232,525	4,163,753
Withholding taxes	(15,695)	(15,104)
	\$ 6,073,258	\$ 4,127,730

## 9. Benefits paid:

	2020	2019
AD&D/Group life	\$ 400,250	\$ 467,700
Dental	16,156,952	20,032,541
EHC	31,436,256	35,996,155
LTD	12,294,846	9,415,477
	\$ 60,288,304	\$ 65,911,873

## 10. Operating expenses:

	Notes	2020	2019
Actuarial		\$ 95,251	\$ 76,104
Administration fees	4	509,925	442,620
Audit and tax		18,585	16,275
Claims adjudication, administration, and office		1,826,014	1,743,263
Consulting		118,150	159,924
Depreciation		7,803	8,122
Legal		63,842	70,422
Insurance		18,500	18,500
Trustee operations		5,312	25,451
		\$ 2,663,382	\$ 2,560,681

# JOINT HEALTH SCIENCE BENEFITS TRUST

Notes to Financial Statements  
Year ended December 31, 2020

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## 11. Fair value of financial instruments:

Fair value hierarchy:

The Trust's financial instruments consist of cash, investment, accrued interest and other receivables, contributions receivable, and benefits and accounts payable.

The fair value of a financial instrument is the estimated amount that the Trust would receive or pay to settle a financial asset or financial liability as at the reporting date. The investment is carried at fair value in the financial statements. The carrying value of cash, accrued interest and other receivables, contributions receivable, and benefits and accounts payable approximates fair value due to their short-term to maturity.

The Trust has categorized the inputs used to value its financial instruments held at fair value into a three-tier fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The hierarchy of inputs is summarized below:

- Quoted prices (unadjusted) in active markets (Level 1).
- Inputs other than quoted prices included in Level 1 that are observable either directly (i.e., prices) or indirectly (i.e., derived from prices) (Level 2).
- Inputs that are not based on observable market data (unobservable inputs) (Level 3).

2020	Valuation technique			Total
	Level 1	Level 2	Level 3	
Investment:				
HIUT	\$	\$108,294,612	\$	- \$ 108,294,612

  

2019	Valuation technique			Total
	Level 1	Level 2	Level 3	
Investment:				
HIUT	\$	- \$ 65,151,549	\$	- \$ 65,151,549

# JOINT HEALTH SCIENCE BENEFITS TRUST

Notes to Financial Statements  
Year ended December 31, 2020

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## 12. Financial risk management:

The Trust has exposure to financial risks associated with its financial instruments and benefit obligations. Analysis of sensitivity to specified risks is provided where there may be an effect on the financial position. These financial risks include credit risk, liquidity risk and market risks (currency, interest rate and other price risk). Sensitivity analysis is performed by relating the reasonably possible changes in the risk variables at December 31, 2020 to financial instruments outstanding on that date.

### (a) Credit risk:

The Trust is exposed to credit risk resulting from:

- The possibility that parties may default on their financial obligations;
- If there is a concentration of transactions carried out with the same party; and
- If there is a concentration of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The Trust does not directly hold any collateral as security for financial obligations.

The maximum exposure of the Trust to credit risk at December 31 is as follows:

	2020	2019
Cash	\$ 5,664,017	\$ 4,588,533
Accrued interest and other receivables	111,257	77,917
Contributions receivable	9,804,419	9,572,781
	<u>\$ 15,579,693</u>	<u>\$ 14,239,231</u>

### *Cash and investment:*

Credit risk associated with cash is minimized substantially by ensuring that these assets are invested in financial obligations of: governments; major financial institutions that have been accorded investment grade ratings by a primary rating agency; and/or other creditworthy parties. The Trust's investment in the HIUT is similar to equity instruments. While the Trust has no direct credit risk arising from its investment in the HIUT, the Trust is exposed to the credit risks of the HIUT's underlying investments. BCI ensures that these underlying investments meet the Trust's investment policy.

# JOINT HEALTH SCIENCE BENEFITS TRUST

Notes to Financial Statements  
Year ended December 31, 2020

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## 12. Financial risk management (continued):

### (a) Credit risk (continued):

#### *Contributions and other receivables:*

The Trustees believe credit risk with respect to receivables is limited due to the credit quality of the parties extended credit. Credit risk associated with amounts receivable from the Health Authorities, which represent the Trust's largest receivables, is minimal as the Health Authorities form part of the government reporting entity of the Province of British Columbia.

### (b) Liquidity risk:

Liquidity risk is the risk that the Trust will not be able to meet its obligations as they come due.

The Trust meets its liquidity requirements by holding assets that can be readily converted into cash, which are monitored and updated as required.

### (c) Market risks:

The Trust is exposed to market risks through the fluctuation of financial instrument fair values or cash flows due to changes in market factors. The significant market risks to which the Trust is exposed are interest rate risk, currency risk, and other price risk.

#### (i) Interest rate risk:

Interest rate risk refers to the risk that the fair value of financial instruments or cash flows associated with the instruments will fluctuate due to changes in market interest rates.

The interest rate exposure of the Trust arises from its interest-bearing assets and its fixed income investments including bonds and mortgages, which are held indirectly through the HIUT.

The Trust's cash includes amounts on deposit with financial institutions that earn interest at market rates. The Trust manages its exposure to the interest rate risk of its cash by maximizing the interest income earned on excess funds while maintaining sufficient liquidity necessary to conduct operations on a day-to-day basis. Fluctuations in market rates of interest on cash do not have a significant impact on the Trust's results of operations.

# JOINT HEALTH SCIENCE BENEFITS TRUST

Notes to Financial Statements  
Year ended December 31, 2020

## 12. Financial risk management (continued):

(c) Market risks (continued):

(i) Interest rate risk (continued):

Maturity position - December 31, 2020:

	Demand	Less than twelve months	One to five years	Over five years	Total
Cash	\$ 5,664,017	\$ -	\$ -	\$ -	\$ 5,664,017
Underlying fixed income investments held through pooled investment vehicles	2,397,152	6,774,214	29,993,003	23,150,721	62,315,090
	\$8,061,169	\$6,774,214	\$29,993,003	\$23,150,721	\$ 67,979,107

Maturity position – December 31, 2019

	Demand	Less than twelve months	One to five years	Over five years	Total
Cash	\$ 4,588,533	\$ -	\$ -	\$ -	\$ 4,588,533
Underlying fixed income investments held through pooled investment vehicles	287,890	12,345,980	13,510,141	11,947,531	38,091,542
	\$ 4,876,423	\$12,345,980	\$13,510,141	\$11,947,531	\$ 42,680,075

The weighted average yield of these financial instruments is 1.19% (2019 - 1.76%) at December 31, 2020. The weighted average term to maturity of interest bearing investments is 92 months (2019 – 69 months). Should prevailing market interest rates increase or decrease by 2%, with all other variables held constant, this would decrease or increase, respectively, the December 31 carrying value of the Trust's investments by (\$8,316,946) or \$9,865,365 (2019 - (\$4,027,546) or \$4,598,341).

# JOINT HEALTH SCIENCE BENEFITS TRUST

Notes to Financial Statements  
Year ended December 31, 2020

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## 12. Financial risk management (continued):

(c) Market risks (continued):

(ii) Currency risk:

Currency risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. The functional currency of the Trust is the Canadian dollar.

At December 31, 2020, the Trust had \$27,381,971 (2019 - \$27,837,362) of investments denominated in foreign currencies held indirectly through the HIUT. If the Canadian dollar had appreciated or depreciated by 2% against the underlying foreign currencies of these investments at that date, with all other variables held constant, the fair value of the investments would have decreased or increased, respectively, by \$547,639 (2019 - \$556,747).

The investment manager of the HIUT monitors the Trust's foreign currency exposure and manages this risk through diversification and consideration of global asset mix.

The underlying foreign currencies in which investments are denominated are:

	2020	2019
China	\$ 5,181,401	\$ 1,674,589
European Union	1,274,394	2,268,001
Hong Kong	2,687,520	1,349,396
Japan	347,326	1,651,318
Singapore	14,476	86,864
Switzerland	131,172	627,129
United Kingdom	201,839	1,088,161
United States	10,639,123	16,349,795
Other	6,904,720	2,742,106
	<u>\$ 27,381,971</u>	<u>\$ 27,837,359</u>

# JOINT HEALTH SCIENCE BENEFITS TRUST

Notes to Financial Statements  
Year ended December 31, 2020

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## 12. Financial risk management (continued):

### (c) Market risks (continued):

#### (iii) Other price risk:

Other price risk refers to the risk that the fair value of financial instruments or cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Trust is indirectly exposed to other price risk through the underlying equity investments of the HIUT.

The long-term investment policy has a target asset allocation of 20% fixed income investments, 40% equities, and 40% private market investments, which includes infrastructure and real estate. To the extent that the Trustees are unable to allocate the entirety of the target allocation in respect to private market investments, the unallocated amount will be allocated to fixed income investments in the form of nominal bonds. Risk and volatility of investment returns are mitigated through diversification of investments in different countries, business sectors, and corporation sizes.

At December 31, 2020, the Trust's total investments exposed to other price risk is \$45,979,522 (2019 - \$26,060,007) and excludes fixed income funds, which are otherwise subject to interest rate risk. The Trustee's best estimate of the effect on net assets as at December 31, 2020, of a reasonably possible increase or decrease of 10% in the equity and private markets, with all other variables held constant, would amount to an increase or decrease of approximately \$4,597,952 (2019 - \$2,606,001) respectively. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

### (d) Sensitivity analyses:

The sensitivity analyses included herein should be used with caution as the changes are hypothetical and are not predictive of future performance. The above sensitivities are calculated with reference to year-end balances and will change due to fluctuations in the balances in the future. In addition, for the purpose of the sensitivity analyses, the effect of a variation in a particular assumption on the fair value of the financial instruments was calculated independently of any change in another assumption. Actual changes in one factor may contribute to changes in another factor, which may either magnify or counteract the effect on the fair value of the financial instrument.

## 13. Capital management:

The Trust's capital is comprised of its net assets. The Trust's objective for managing capital, including member contributions, is to ensure that the assets are invested soundly and effectively to meet the future obligations of the Trust. These assets are invested jointly with three other trusts in a common investment vehicle, the HIUT, for investment with BCI.

# JOINT HEALTH SCIENCE BENEFITS TRUST

Notes to Financial Statements  
Year ended December 31, 2020

## 14. Involvement with structured entities:

The table below describes the types of structured entities that the Trust does not consolidate, but in which it holds an interest.

Entity	Nature and purpose	Interest held by the Trust
Healthcare Investment Unit Trust	To invest in assets on behalf of third party investors and generate long-term capital appreciation	Investment in units issued by the HIUT

The table below sets out interests held by the Trust in unconsolidated structured entities. The maximum exposure to loss is the carrying amount of the investment in the underlying pooled investment vehicle.

December 31, 2020	Total net assets of pooled fund	Carrying amount included in investments	Percentage interest held
Healthcare Investment Unit Trust	\$1,618,209,940	\$108,294,612	6.69%

December 31, 2019	Total net assets of pooled fund	Carrying amount included in investments	Percentage interest held
Healthcare Investment Unit Trust	\$1,289,732,108	\$65,151,549	5.05%

## 15. Amounts held in trust:

During the period from June 1, 2014 to March 31, 2016, the HBT collected contributions from members of the HSBPA, which were held in trust by the HBT. During the year ended December 31, 2020, the Trustees approved the transfer of these funds, totaling \$10,743,656, into the JHSBT which was then invested in the HIUT. This portion of the investment, referred to as the Member Premium Component Investment, has been classified as amounts held in trust by JHSBT and is excluded in its entirety from these financial statements.

During the year ended December 31, 2020, the Member Premium Component Investment increased \$1,206,423 from investment income of \$1,230,832 net of investment management fees of \$22,763 and withholding taxes of \$1,646. The fair value of the Member Premium Component Investment held in trust was \$11,950,079 as at December 31, 2020 (2019 - \$nil).