

# JOINT HEALTH SCIENCE BENEFITS TRUST

## STATEMENT OF INVESTMENT POLICIES AND PROCEDURES

**Effective Date: July 1, 2020**

### **A. 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.

### **B. 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.

### **C. 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).

### **D. 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.

### **E. 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 (“BCI”, 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 began receiving contributions effective April 1, 2017. Similarly, liabilities began to accrue from April 1, 2017. The Plan’s assets available for investment are 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 Investment Vehicle makes the following investment classes available to the Trust: Short Duration, Universe Bonds, Credit, 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. Not all investment classes can be invested in immediately, particularly the less liquid investment classes. The Investment Vehicle has adopted an allocation policy (“Allocation Policy”) to provide for the orderly allocation of investment opportunities among all of the co-investors who invest through the Investment Vehicle. Accordingly the asset mix specifies both a target allocation and an alternative allocation where appropriate.

**4. Diversification and Investment Risk Guidelines**

Investment risk guidelines are implicit in the adopted long-term asset mix having reference to the nature of the Plan liabilities 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. Long-Term Asset Mix**

The long-term asset mix is as follows:

	<b>Target Allocation</b>	<b>Alternative Allocation *</b>
Short Duration Class	2%	n/a
Universe Bonds Class	8%	n/a
Credit Class	10%	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>	

\* 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.

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

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 only recently began collecting 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. Investment Vehicle Policies**

The Trustees expect that the Investment Vehicle shall, in concert with the Investment Manager, adopt policies the effect the following:

- That the Investment Vehicle shall be invested in securities which meet the generally accepted standards of quality that a prudent person would apply in investing the assets of another.
- That the Investment Vehicle and Investment Manager shall invest the assets with the care, skill, prudence and diligence that a prudent investment professional would in seeking to maximize the value of the funds in accordance with the Investment Vehicle's policies.
- That lending of cash and securities shall be made in accordance with policies and procedures appropriate for institutional investors.
- That derivatives shall be used in appropriate circumstances and that the use of derivatives will be governed by policies and procedures appropriate for institutional investors.
- That voting of securities shall be exercised in accordance with policies and procedures appropriate for institutional investors.
- That subject to section 8 the assets within the Investment Vehicle shall be valued according to policies and procedures appropriate for institutional investors.
- That the assets of the Investment Vehicle shall not be invested or loaned to a related party as appropriately defined for institutional investors.
- The Investment Vehicle shall provide its investment-related policies to the Trustees annually or whenever there are changes in investment-related policies.

## **8. Valuation of Investments Not Regularly Traded**

The Trustees shall accept the Investment Vehicle's fair market valuation of investments.

## **9. Related Party Transactions**

The following provisions shall be read in conjunction with the conflict of interest provisions of the Trustee Code of Conduct. 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 Investment Vehicle shall not be considered an investment in, loan to or a transaction with a Related Party for purposes of this SIPP.

For the purposes of this SIPP, 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.

## **10. Monitoring of Compliance**

The Trustees are responsible for monitoring the compliance of the Investment Vehicle with its own policies and procedures. At least semi-annually, the Investment Vehicle shall provide a report to the Trustees confirming compliance with the Investment Vehicle's own policies and procedures and particulars of any non-compliance.

## **F. Performance Objectives**

### **PRIMARY OBJECTIVE**

The primary investment objective of the Trustees is to earn an investment return consistent with a balanced, long-term investment strategy.

### **SECONDARY OBJECTIVE**

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 long-term 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
Credit Class	50% S&P/LSTA U.S. Leveraged Loan 100 Index + 25% The BofA ML US Corporate Index (CAD Hedged) + 25% The BofA ML BB-B US Cash Pay High Yield Constrained Index (CAD Hedged)
Canadian Equities Class	S&P/TSX Capped Composite Index
Global Equities Class	MSCI World ex-Canada Net Index (CAD)
Emerging Market Equities Class	MSCI Emerging Markets Net Index (CAD)
Infrastructure Class	Absolute Return of 7% per annum
Real Estate Class	Absolute Return of 6.8% per annum

To the extent that an asset mix change is being implemented over time, the Trustees' secondary investment objective shall be calculated using an appropriate transitional asset mix rather than the Fund's long-term asset mix.

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.

### **G. Performance Review**

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

- A review of the performance of the Fund relative to the objectives stated above;
- A review of changes in the asset mix and the difference between the actual asset mix and the long-term asset mix;
- Fees and expenses charged to the Fund in addition to fees charged by the Investment Manager;
- An update on outstanding queues under the Allocation Policy for future changes in illiquid asset classes; and
- Confirmation of compliance with the Investment Vehicle's policies and procedures and the Investment Manager's policies and procedures.

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

### **H. 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, in which case the conflict of interest provisions of the Code of Conduct shall apply.

As provided for in the conflict of interest provisions of the Code of Conduct, 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.

This SIPP shall be reviewed at least once per year.

Signed on behalf of the Trustees:

Signature \_\_\_\_\_

Signature \_\_\_\_\_

Name \_\_\_\_\_

Name \_\_\_\_\_