Public Employees
Benefits Agency

Public Employees Group Life Insurance Plan

Statement of

investment policies

and goals

December 2020

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SECTION 1 – OVERVIEW

1.01 Purpose of Statement

The purpose of the Statement of Investment Policy and Goals (the Policy) is to provide a framework for management of the Public Employees Group Life Insurance Plan (the Plan) assets within levels of risk acceptable to the Public Employees Benefits Agency (PEBA). The Policy provides the investment managers with a written statement of specific quality, quantity, and rate of return standards for the Public Employees Group Life Insurance Fund (the Fund).

A major goal of this Policy statement is to establish on-going communication between PEBA and the investment manager. Effective communication will contribute to management of the portfolio in a manner that is consistent with market conditions and with PEBA's objectives. Consultation between the two parties will take the form of regular meetings supplemented, from time to time, by informal contact requested by either party.

This Policy is based on the "prudent person portfolio approach" to ensure the prudent investment and administration of the assets of the Fund within the parameters set out in applicable legislation.

1.02 Background of the Plan

The Plan provides life insurance and accidental death and dismemberment coverage to eligible employees and dependents. It is continued under Section 64(2) of *The Financial Administration Act, 1993.*

1.03 Plan Profile

To establish an appropriate Policy for the investment and administration of Plan assets, it is important to understand the nature of the obligations being funded. Accordingly, this section of the Policy summarizes various aspects of the Plan that impact investment return requirements and risk tolerance.

The Plan provides eligible employees and dependants with life insurance and accidental death and dismemberment coverage.

Insurance premiums, paid partly by employees and partly by participating employers, are adjusted periodically to ensure solvency of the Plan. Since the employers' premiums are based on purchasing a fixed amount of insurance, the residual risk remains with the employees. That is, the employees bear most of the underwriting and investment risks.

The Fund is a special purpose fund that was established to account for the premiums, claims, investments, and administrative expenses of the Plan.

Plan liabilities relate to totally disabled employees whose insurance remains in force until age 65, without further premium payments by the employee, plus the liability for the paid-up life insurance for existing retirees. Claims for life insurance and accidental death and dismemberment coverage for active employees and dependents are paid from current premiums from active employees and employers.

1.04 Plan Objective

The Fund's purpose is to receive and accumulate members' premiums and investment earnings. Claims for life insurance and accidental death and dismemberment are paid from the Fund.

1.05 Investment and Risk Philosophy

(a) Investment Philosophy

The Plan has a long term investment horizon and can accept a low to moderate degree of investment risk. Accordingly, the Fund has a bias to fixed income investments.

(b) Risk Philosophy

The Plan has a low to moderate tolerance for risk. Factors suggesting a higher risk tolerance include the Plan's current actuarial surplus, the ability to adjust premiums based on claims experience, and a long term investment horizon. Also, the Plan maintains a policy of adjusting benefits for cost-of-living increases. The main factor supporting a lower risk tolerance is the cyclical and unpredictable nature of claims. Premiums can only be adjusted based on hindsight. Sufficient cash, cash income from investments, and liquidity of investments is required to fund any deficiency of premiums against claims. This assessment implies a long term asset mix that includes equities and fixed income investments, with a bias towards the latter.

In summary, a long term investment horizon is appropriate in light of the long term nature of the liabilities, the growing pool of assets, and the current financial position of the Plan.

The investment managers invest relative to a Benchmark Portfolio. The return from the benchmark portfolio represents an achievable return for the Plan, given the capital market conditions in which it is invested. The specific weights for each asset class are set based on the risk tolerance of the Plan. Risk tolerance is assessed through a detailed review of the Plan and the investment markets that considers:

- Investment time horizon;
- Liquidity needs;
- Regulatory environment including tax issues;
- Other unique plan-specific factors; and
- Historical and prospective risk (volatility) and return of various asset classes and benchmark portfolios.

1.06 Administration

Day-to-day administration is provided by PEBA. Investment management and custody of the Plan's assets have been delegated as set out in Section 4.01 of this Policy.

1.07 Distinction of Responsibilities

PEBA is responsible for administering the Plan and has delegated authority for investment management and the performance of certain administrative duties to an insurance company on a cost plus basis. The insurance company may utilize sub-advisors in the management of the Plan's investments.

With respect to claims, the insurance company's role is primarily administrative. The Plan bears the risk related to the insurance operation.

Among other responsibilities, PEBA is responsible for:

(a) Establishing the investment policy and objectives;

(b) Establishing an investment management structure;

(c) Selecting the investment manager(s) from those available through the insurance company;

(d) Monitoring investment performance; and

(e) Communicating with the insurance company.

In general, PEBA has a fiduciary responsibility to manage the Fund prudently.

SECTION 2 – ASSET MIX AND DIVERSIFICATION POLICY

2.01 Portfolio Return Expectations

The investment managers selected by the Plan are expected to achieve a satisfactory long term rate of return through a diversified portfolio within their mandate, consistent with acceptable risks and prudent management. The long term investment goal of the Fund is to achieve a minimum annualized rate of return of five per cent, this is consistent with the discount rate required to meet the projected policy payouts. This return objective is consistent with the overall investment risk level that the Fund could assume and normally will be assessed over longer time periods (i.e., over 10 years or more).

To achieve this long term investment goal, the Fund has adopted an asset mix that has a bias to fixed income investments. The Fund employs active management, which provides the opportunity to outperform specific investment benchmarks.

2.02 Expected Volatility

The volatility of the Fund is directly related to its asset mix; specifically, the balance between Canadian fixed income, and Canadian and foreign equities. Since the investment managers do not have the authority to make any type of leveraged investment on behalf of the Fund, the volatility of the Fund should be similar to the volatility of the Benchmark Portfolio set out in Section 4.02 of this statement.

2.03 Asset Mix

(a) Total Fund Asset Mix

Taking into consideration the Plan's Investment and Risk Philosophies (Section 1.05), the following asset mix has been established:

	Minimum (%)	Benchmark (%)	Maximum (%)
Equities			
Canadian Equities	6	12	20
U.S. Equities	6	12	18
Non-North American Equities	6	12	18
Total Foreign Equities	**12**	**24**	**30**
Total Equities	**25**	**36**	**45**
Fixed Income			
Bonds	40	60	70
Mortgages	0	0	20
Short-Term Investments	3	4	20
Total Fixed Income		**64**	
Total Fund		**100**	

2.04 Management Structure

(a) Philosophy

A balanced management structure has been adopted for management of Plan assets. The insurance company is expected to manage asset mix within the guidelines in Section 2.03.

This structure employs a mix of active and passive management styles. Active management has been adopted for a portion of the assets as it provides the opportunity to outperform common market indices over the long term, with minimum degree of excess risk. Passive management has been adopted for a portion of the assets as it minimizes the risk of underperformance relative to a benchmark index and is generally less expensive than active management.

SECTION 3 – PERMITTED AND PROHIBITED INVESTMENTS

3.01 General Guidelines

Fund investments must comply with the requirements and restrictions imposed by the applicable legislation, including but not limited to the requirements of *The Financial Administration Act*, *1993*, *The Pension Benefits Act, 1992*, which refers to the *Pension Benefits Standards Act* (Canada) on investment related issues, the *Income Tax Act* (Canada) and Regulations, and all subsequent amendments.

3.02 Permitted Investments

Plan assets are invested in a group of investment funds. PEBA, using external assistance as considered necessary, has reviewed the investment fund guidelines and determined that the following investment funds are appropriate vehicles for investment of Plan assets:

(a) The Great-West Life Assurance Company Canadian Equity Investment Fund No. 3;

(b) The Great-West Life Assurance Company U.S. Equity Index Fund 18.28G;

(c) The Great-West Life Assurance Company International Equity Fund No. 17.01 SP;

(d) The Great-West Life Assurance Company International Opportunity Fund 8.07JPMF;

(e) The Great-West Life Assurance Company Money Market Fund No. 1;

(f) The Great-West Life Assurance Company Mortgage Investment Fund No. 1; and

(g) The PEBA Bond Fund.

The PEBA Bond Fund was created exclusively for the assets of the Public Employees Group Life Insurance Plan and the Public Employees Disability Income Plan.

3.03 Prior Permission Required

Investments in any investment fund or securities other than as those listed in Section 3.02 requires prior permission.

3.04 Prohibited Investments

The investment manager shall not:

(a) Invest in companies for the purpose of managing them;

(b) Purchase securities on margin or engage in short sales; or

(c) Make any investment not specifically permitted by this Policy.

3.05 Securities Lending

Securities lending is permitted within investment funds that permit securities lending. The insurance company shall disclose whether funds employ securities lending.

SECTION 4 – MONITORING AND CONTROL

4.01 Delegation of Responsibilities

Overall responsibility for the Plan's assets rests with the administrator. The administrator, through PEBA, makes recommendations on investment policy, appointment of trustees, custodians, investment managers, actuarial and consulting services, and Plan changes. PEBA is also charged with ensuring the Plan conforms to legislation and monitoring investment performance.

In completing the above duties a number of responsibilities have been delegated:

(a) The investment manager and/or insurance company will:

(i) Invest the assets of the Fund in accordance with this Policy;

(ii) Notify PEBA, in writing of any significant changes in the investment managers' ownership, investment philosophies and procedures, key personnel, and organizational structure;

(iii) Notify PEBA, in writing, of any legal or regulatory proceedings or charges of which the investment manager and/or insurance company may be aware, against the investment managers' and/or insurance company's firm, investment personnel, and/or sub-advisors or those firms' investment personnel;

(iv) Notify PEBA of any concerns they may have with investment managers and/or investment funds held by the Fund;

(v) Meet with PEBA as required and provide quarterly written reports regarding its past performance, its future strategies and other issues as requested;

(vi) File quarterly compliance reports (see Section 4.03);

(vii) Maintain safe custody over the assets of the Fund;

(viii) Execute the instructions of PEBA; and

(ix) Record income and provide monthly financial statements as required.

(b) The investment consultant will:

(i) Assist in the development and implementation of this Policy and provide related research;

(ii) Monitor the investment performance of the Fund and the investment manager on a semi-annual basis;

(iii) Support PEBA on matters relating to investment management and administration of the Fund; and

(iv) Meet with PEBA as required.

4.02 Performance Measurement

The Fund's performance shall be measured quarterly and, in accordance with industry convention, return calculations shall be as follows:

- Time weighted rates of return; and
- Total returns, including realized and unrealized gains and losses and income from all sources.

Measurement against performance objectives for the investment manager will normally be assessed over rolling four-year periods.

Total Fund Benchmark

The primary objective for the Fund is to earn a rate of return that exceeds the rate of return earned on a benchmark portfolio. The benchmark consists of the following market index total returns weighted as indicated:

Combined Fund Benchmark	%
S&P/TSX Capped Composite Index	12
S&P 500 net 15% Index (CAD)	12
MSCI EAFE Index (CAD)	12
FTSE Canada Universe Bond Index	60
FTSE Canada 91-Day T-Bill Index	4
Total	**100**

[(1)] *Effective December 1, 2000*

The Fund's secondary objective is to exceed the benchmark index in each of the actively managed asset classes in which the investment manager invests. For passively managed asset classes, the investment manager returns are expected to fall within an acceptable tracking error range (+/- 10 basis points for U.S. equities).

The market indices referred to in this section may be changed to match the specific investment mandates for the investment managers selected to manage the portfolio, recognizing that at all times the Fund must be managed in accordance with the asset mix guidelines set out in Section 2 and permitted and prohibited investments set out in Section 3.

4.03 Compliance Reporting by Investment Manager

The insurance company is required to complete and sign a compliance report each quarter. The compliance report should indicate whether or not the investment managers' investment funds were in compliance with their investment policies during the quarter. Copies of the compliance report must be sent to PEBA and to the Fund's investment consultant. The format for the compliance report is included under the appendix.

In the event that an investment manager is not in compliance with its investment fund investment policy, the insurance company is required to advise the Executive Director, Investment Services promptly, detailing the nature of the non-compliance and recommending an appropriate course of action.

The Plan invests in several investment funds, which have separate investment policies. Should a conflict arise between the provisions of this Policy and the provisions of an investment fund's investment policy, the investment manager is required to notify the Executive Director, Investment Services immediately in writing, detailing the nature of the conflict and the investment manager's recommended course of action. Any changes to investment fund policies must be communicated to the Executive Director, Investment Services in writing.

4.04 Standard of Professional Conduct

The insurance company is expected to comply, at all times and in all respects, with the Code of Ethics and Standards of Professional Conduct as promulgated by the Chartered Financial Analyst (CFA) Institute or a code internal to the investment manager that has been reviewed by PEBA and deemed appropriate.

The insurance company shall ensure the investment managers manage the assets with the care, diligence and skill that a prudent person skilled as a professional investment manager would use in dealing with insurance plan assets, using all relevant knowledge and skill that it possesses or ought to possess as a prudent investment manager.

4.05 Soft Dollars

A variety of brokers should be used to gain maximum utilization of the services available. It is the responsibility of the investment managers to ensure that the distribution of commissions paid is representative of the services rendered.

The Fund does not use soft dollars to pay for any goods or services. The investment managers may use soft dollars to pay for research and other investment-related services with disclosure to PEBA, provided they comply with the Soft Dollar Standards as set forth by the CFA Institute.

4.06 Suppression of Terrorism

The insurance company must ensure the investment managers comply at all times and in all respects with all applicable Federal Suppression of Terrorism Regulations.

SECTION 5 – ADMINISTRATION

5.01 Conflicts of Interest

(a) Responsibilities

This standard applies to the administrator, including all PEBA staff, as well as to all agents employed by them, in the execution of their responsibilities to the Fund (the "Affected Persons").

An "agent" is defined to mean a company, organization, association, or individual, as well as its employees, who are retained by the administrator to provide specific services with respect to the investment, administration, and management of the Fund.

(b) Disclosure

In the execution of their duties, the Affected Persons shall disclose any material conflict of interest relating to them or any material ownership of securities, which could impair their ability to render unbiased advice or to make unbiased decisions, affecting the administration of the Fund.

Further, it is expected that no Affected Person shall make any personal financial gain (direct or indirect) because of his or her position. However, normal and reasonable fees and expenses incurred in the discharge of their responsibilities are permitted if documented and approved by the administrator.

No Affected Person shall accept a gift, gratuity, or other personal favour, other than one of nominal value, from a person with whom the individual deals in the course of performance of his or her duties and responsibilities for the administrator.

It is incumbent on any Affected Person who believes that he or she may have a conflict of interest, or who is aware of any conflict of interest, to disclose full details of the situation to the attention of the administrator immediately. The administrator, in turn, will decide what action is appropriate under the circumstances.

No Affected Person who has or is required to make a disclosure that is determined to be in conflict as contemplated in this Policy shall participate in any discussion, decision, or vote relating to any proposed investment or transaction in respect of which he or she has made or is required to make disclosure.

5.02 Related Party Transactions

PEBA employees may not enter into a transaction with a related party unless the investment is exempted under section 17 of Schedule III of the Pension Benefits Standards Regulations.

"Related party" is defined in section 1 of Schedule III to the Pension Benefits Standards Regulations, 1985 (Canada). A related party is a person who is the administrator of the Plan including any officer, director, or employee of the administrator. It also includes the investment managers and their employees, a union representing employees of the employer, a member of the Plan, a spouse or child of the persons named previously, or a corporation that is directly or indirectly controlled by the persons named previously, among others. Related party does not include government or a government agency.

Under the preceding conflict of interest guidelines, it is incumbent on any person to notify the administrator if a conflict arises. Such conflict includes related party transactions.

5.03 Selecting Investment Managers

In the event that a new investment manager(s) must be selected or an additional investment manager(s) added to the existing investment managers, PEBA will undertake an investment manager search. The criteria used for selecting an investment manager will be consistent with the Investment and Risk Philosophy set out in Section 1.05 and the Management Structure Philosophy set out in Section 2.04.

5.04 Monitoring of the Investment Manager

To enable PEBA to fulfill its responsibility of monitoring and reviewing the investment managers, the investment consultant will assist PEBA as required, on an ongoing basis, in considering:

(a) The investment managers' staff turnover, consistency of style and record of service;

(b) The investment managers' current economic outlook and investment strategies;

(c) The investment managers' compliance with this Policy, where the insurance company is required to complete and sign a compliance report; and

(d) Investment performance of the assets of the Plan in relation to the rate of return expectations outlined in this Policy.

5.05 Performance Reporting by Investment Manager and/or Insurance Company

On a calendar quarterly basis, the insurance company and/or investment managers will provide a performance report and strategy review for the portfolio(s) under management.

Regular meetings between the insurance company and/or investment manager(s) and PEBA will be scheduled. Prior to each meeting, it is expected a report, including a general economic and capital markets overview, will be distributed. The report should address the following issues:

(a) Review the previous period's strategy and investment results;

(b) Discuss how the condition of the capital markets affects the investment strategy of their respective portfolios;

(c) Economic and market expectations;

(d) Anticipated changes in the asset mix within the limits provided in this Policy; and

(e) Discuss compliance and proxy deviations or exceptions.

An important element of the success of this Policy is the link between the insurance company and/or investment manager(s) and PEBA. It is expected that the insurance company and/or investment managers will communicate with PEBA and the investment consultant whenever necessary between regularly scheduled meetings.

5.06 Dismissal of an Investment Manager and/or Insurance Company

Reasons for considering the termination of the services of an investment manager and/or insurance company include, but are not limited to, the following factors:

(a) Performance results, which over a reasonable period of time, are below the stated performance benchmarks;

(b) Changes in the overall structure of the Fund such that the investment managers' and/or insurance company's services are no longer required;

(c) Legal or regulatory proceedings against the investment manager and/or insurance company or its investment personnel, or any sub-advisor firm or that firm's investment personnel;

(d) Change in personnel, firm structure, and/or investment philosophy, style, or approach which might adversely affect the potential return and/or risk level of the portfolio; and

(e) Failure to adhere to this Policy.

5.07 Immediate Termination of an Investment Manager

If, in the opinion of PEBA, and in consultation with the investment consultant, an event with an investment manager is anticipated to have a material negative effect on future investment performance, PEBA may take the following steps to immediately terminate the services of such investment manager:

(a) Notify the Associate Deputy Minister of PEBA of the circumstances;

(b) Provide the Associate Deputy Minister with a written recommendation for termination and the recommended course of action;

(c) Receive approval for the above recommendations from the Associate Deputy Minister, in writing; and

(d) Implement the approved actions.

5.08 Voting Rights

The administrator has delegated voting rights acquired through Fund investments to the custodian of the securities, to be exercised in accordance with the investment managers' instructions. The investment managers are expected to vote all proxies in the best interests of the beneficiaries of the Plan.

The administrator may take back voting rights of assets held in segregated portfolios for specific situations.

For private placements, voting rights will be delegated to the investment managers, or voted directly by a representative of the administrator.

The investment managers should disclose their proxy voting policies and any changes thereto and report annually on:

(a) Whether all eligible proxies were voted on the Plan's behalf; and

(b) If the proxy guidelines were followed and report on any deviations.

5.09 Valuation of Investments not Regularly Traded

The following principles will apply for the valuation of investments that are not traded regularly:

(a) Equities

Average of bid-and-ask prices from two major investment dealers, at least once every calendar quarter.

(b) Bonds

Same as for equities.

(c) Mortgages

At fair market value.

(d) Others

Securities that are not publicly traded and for which no external transaction or other evidence of market value exists, will be valued at cost.

5.10 Policy Review

This Policy may be reviewed and amended at any time, but it must be formally reviewed by the administrator, at least once in every calendar year.

APPENDIX A
COMPLIANCE REPORT

Public Employees Group Life Insurance Plan
GLC Asset Management Group Ltd.
Compliance Report for the Period from ______________________________ to ______________________________

		Guidelines (%)	Policy Complied with Yes/No*	Range Low	Range High
Asset Mix (at Market Value)					
Money Market Fund		3 – 20			
Fixed Income Investment fund		40 – 70			
Mortgage Investment fund		0 – 20			
Equity Investment fund	Canadian Equities	6 – 20			
	U.S. Equities	6 – 18			
	Non-North American Equities	6 – 18			
	Total Foreign Equities	12 – 30			
	Total Equities	25 – 45			
Constraints					
Permissible Investments	Compliance	GWL Money Market Fund No.1			
		PEBA Bond Fund			
		GWL Canadian Equity Investment Fund No.3			
		GWL U.S. Equity Index Fund 18.28G			
		GWL International Equity Fund No.17.01SP			
		GWL International Opportunity Fund 8.07JPMF			
		GWL Mortgage Investment Fund No. 1			
Investment fund Policies	Disclosure	Changes to Investment fund policies have been disclosed to the Executive Director of Investment Services			
Conflicts of Interest	Disclosure	Conflicts of interest have been disclosed to the Executive Director of Investment Services			
Firm Proceedings	Disclosure	Changes in senior personnel, firm structure and investment philosophy, style or approach have been communicated to the Executive Director of Investment Services.			
		Legal or regulatory proceedings against GLC Asset Management Group Ltd. or its investment personnel, or any sub-advisor firm or that firm's investment personnel have been communicated to the Executive Director of Investment Services.			
Statutory Requirements	Compliance	Meets requirements for eligible investments outlined in *The Pension Benefits Act, 1992*			
		Meets requirements for eligible investments outlined in the *Income Tax Act* (Canada)			
CFA Institute Code of Ethics and Standards of Professional Conduct	Compliance	GLC Asset Management Group Ltd and investment managers' Standard of Professional Conduct has been complied with by all employees and it is comparable to CFA Institute's Code of Ethics and Standards of Professional Conduct.			
Suppression of Terrorism	Compliance	In compliance with Federal Suppression of Terrorism Regulations			

* Provide actual weight or range where appropriate. If policy not complied with, comment on specifics.

I believe this to be a factual representation of compliance with the Statement of Investment Policies and Goals throughout the reporting period.

____
Signature and Title

GLC Asset Management Group Ltd.
____
Company Name