

THE PUBLIC GUARDIAN AND TRUSTEE OF MANITOBA

**STATEMENT OF INVESTMENT
POLICIES AND OBJECTIVES**

MAY, 2018

TABLE OF CONTENTS

Section	Page
I. Purpose of the Investment Policy	4
II. Mandate of The Public Guardian and Trustee of Manitoba	4
III. Legal Requirements and Guidelines	5
1. a) The Public Trustee Act	5
b) The Trustee Act	5
2. a) The Mental Health Act	5
b) The Vulnerable Persons Living with a Disability Act	6
c) The Insurance Act	6
d) The Infants' Estates Act	6
e) Powers of Attorney	6
3. Court Ordered Trusts	6
IV. Investment Orientation and Objectives	7
V. Investment Responsibilities	8
1. External Investment Committee	8
2. Internal Investment Committee	9
3. Investment Review	9
4. Independent Investment Firms	10
5. Public Guardian and Trustee	10
6. Chief Financial Officer	10
7. Investment Officer	11
VI. Investment Vehicles	12
1. The Common Fund	12-13
2. Existing Stock and Bond Portfolios	13-14
3. Fixed Income Investments	14
4. Equities	14-15
5. Corporate Class	15
6. Electronic/Book based System	16

VII. Investment Strategies	17
1. Clients	17
a) Client Portfolios	17
b) Purchase of Investments	18
c) Retention and Sales of Existing Investments	18
2. Trusts	19-20
3. Deceased Estates	20
APPENDIX A	21
APPENDIX B	22
APPENDIX C	23
External Investment Committee Member Ratification of Investment Policy	24

I. PURPOSE OF THE INVESTMENT POLICY (“the Policy”)

The primary purpose of this Policy is to document a prudent investment framework for the management of client and trust assets over which The Public Guardian and Trustee of Manitoba (PGT) has responsibility.

II. MANDATE OF THE PUBLIC GUARDIAN AND TRUSTEE OF MANITOBA

The PGT’s mandate is to provide efficient and effective service for a fee to the people of Manitoba by:

- administering the estates of people who are not mentally capable of doing so and making personal decisions on their behalf.
- administering the estates of people who have granted a Power of Attorney to The PGT.
- administering the estates of people who have died in Manitoba with no one else capable or willing to act as administrator.
- administering trust monies on behalf of people who are under 18 years of age and administering testamentary and inter vivos trusts.

III. LEGAL REQUIREMENTS AND GUIDELINES

1. Under the following statutes, The PGT receives guidance as to its duties and obligations as a Trustee:

a) ***The Public Guardian and Trustee Act***

Section 5 (4) provides that The PGT has all the powers and, is subject to all the duties and obligations conferred upon a Trustee under *The Trustee Act* or by law.

Section 22 (1) gives The PGT power to establish a common fund and the power to invest all monies in the common fund, where those monies are not subject to an express investment trust or direction.

b) ***The Trustee Act***

Section 68 grants all trustees the authority to invest in any kind of property; real, personal or mixed. The standard of the care imposed by this section is that which “a person of prudence, discretion and intelligence would exercise in administering the property of others”, (the “prudent investor” standard).

Section 79 creates a potential defence for a trustee acting bona fide in accordance with investments made as a result of a developed general policy of investing. The presence of section 79 demonstrates the importance of investment policy development.

2. The following provisions govern The PGT’s authority and jurisdiction to receive and invest money:

a) ***The Mental Health Act***

Under clause 80(1)(a), a Committee of property may:

- a) receive, deposit and invest money.

- b) ***The Vulnerable Persons Living With a Mental Disability Act:***
Where The PGT is appointed Substitute Decision Maker of property for a vulnerable adult, authority may be granted to The PGT under clause 92(2)(f) of the Act to:
 - f) receive, deposit and invest money.

- c) ***The Insurance Act:***
Under section 198, an insurer who admits liability may pay insurance money to The PGT in trust for a minor.

- d) ***The Infants' Estates Act:***
Under section 7, the Court may appoint The PGT as guardian of the estate of a child.

- e) **Powers of Attorney:**
Where The PGT agrees to act as attorney under a Power of Attorney granted by a client, the grant will contain the following authority:
 - a) invest any of my money in The PGT's Common Fund, or in any other type of security, in a manner and at a rate of interest and on security as my attorney sees fit.
 - b) vary my investments in whole or in part.

3. Court Ordered Trusts

The Court of Queen's Bench may order monies to be paid to The PGT to be held in trust for a child, or in some cases for an adult. The Court may impose investment terms for the trust.

IV. INVESTMENT ORIENTATION AND OBJECTIVES

The PGT utilizes a conservative investment management orientation. All trust property must be invested in a manner that reflects the prudent investor standard and the high duty of care required to fulfil the responsibilities of The PGT.

The PGT recognizes that the prudent investor standard may be interpreted and implemented in a variety of ways depending on a trustee's long term objectives for its clients. The PGT's long-term objectives as a prudent investor are threefold:

- a) to minimize any risk of loss of capital;
- b) where possible, to provide income sufficient to meet the individual client's or trust's ongoing income needs; and
- c) for clients or trusts with higher risk tolerances or longer term investment horizons, the potential for capital appreciation over time.

The PGT's conservative investment management orientation will utilize investments in The PGT's Common Fund and, in certain cases, where beneficial to the client diversify a portfolio across other asset classes, according to the needs and the objectives of the individual client or trust.

V. INVESTMENT RESPONSIBILITIES

The PGT carries out investment responsibilities through seven (7) distinct areas of responsibility:

1. External Investment Committee
2. Internal Investment Committee
3. Investment Review
4. Independent Investment Firms
5. Public Guardian and Trustee
6. Chief Financial Officer
7. Investment Officer

1. **External Investment Committee**

The External Investment Committee has the following responsibilities:

- a) to review and provide strategic advice on The PGT's investment policy for clients,
- b) to review and recommend appropriate Common Fund investments to The PGT,
- c) to review the investment performance of the Common Fund,
- d) to review and advise The PGT on current investments for clients, where requested,
- e) to review the advisory services of any investment firm with whom The PGT may have contracted to provide investment advice,
- f) to meet at least once in every quarter, unless the Committee agrees that for that quarter, there are no duties to perform.

Members of the External Investment Committee are:

- a) The Public Guardian and Trustee; (ex officio)
- b) The Chief Financial Officer; (ex officio)
- c) The Investment Officer; (ex officio)
- d) Assistant Deputy Minister, Treasury Division, Department of Finance, or his or her designate;
- e) One or more members of the public with significant experience in investment and finance (appointed by The Public Guardian and Trustee).

2. Internal Investment Committee

The Internal Investment Committee is charged with the responsibility of:

- a) supervising and giving feedback to the Investment Officer regarding investment policy;
- b) discussing individual client issues as they may arise in investment reviews;
- c) discussing practical issues related to accounting and income tax, etc.;
- d) reviewing on an on-going basis external investment programs that may benefit PGT clients or trusts;
- e) reviewing investment strategies;
- f) resolving other related issues for clients or trusts; and
- g) meeting at least once in every quarter.

Members of the Internal Investment Committee are:

- a) The Public Guardian and Trustee
- b) Chief Financial Officer
- c) Senior Accountant
- d) Investment Officer
- e) Securities Clerks

3. Investment Review

- a) The Investment Officer conducts investment reviews of individual client and trust accounts, within three (3) months of account opening and quarterly, semi annually or annually thereafter for:
 - (i) all client accounts with external investment holdings with the exception of income assets if it is deemed to be invested solely in the PGT common fund, high end savings accounts, money market accounts, term deposits and Canada Savings Bonds.
 - (ii) The frequency of the review is determined by: the asset size; type and complexity of the asset(s); care and maintenance of the client that may require funds from the investment(s) on an on-going basis.

- (iii) In the case of Common Fund only holdings an annual system report will be generated to review client Common Fund account balances over \$150,000.00 to determine if it is advantageous for the client to diversify the income into external income holdings to compliment the Common Fund rate with higher fixed term deposit/bond rates in the market.

4. Independent Investment Firms

1. The PGT maintains accounts with independent investment firms for the following services:
 - a) to conduct necessary purchases, trades, redemptions and income distributions on behalf of PGT clients as approved by PGT; and
 - b) to provide information and advice on existing client or trust investments.

5. Public Guardian and Trustee

The Public Guardian and Trustee may execute any of the duties of the Chief Financial Officer where he/she is unable to perform those duties.

6. Chief Financial Officer

In addition to the duties and responsibilities outlined in this policy, the Chief Financial Officer:

- a) provides an analysis and reports to the External Investment Committee regarding Common Fund performance;
- b) makes recommendations to the External Investment Committee for all Common Fund purchases; and
- c) purchases and sells securities for the Common Fund through the services of an Investment dealer or the Province of Manitoba Treasury Division.
- d) makes recommendation to the External Investment Committee regarding the Common Fund bond mix.

7. Investment Officer

In addition to the duties and responsibilities outlined in this policy, the Investment Officer:

- a) reviews and manages on an on-going basis all client investments and related financial assets;
- b) acts as a financial consultant on all investment / asset related matters such as pensions, tax sheltered plans, mutual funds, life insurance and mortgages to the PGT staff,
- c) Provide advice to PGT and CFO on investment matters.

VI. INVESTMENT VEHICLES

1. The Common Fund

- a) The Common Fund is an important vehicle for The PGT, as it provides a steady rate of return for clients by virtue of the ability to invest a large pool of money with reduced administration costs.
- b) The Common Fund is invested in short and medium term secure investments with diverse maturity dates. The diversity will be maintained on an ongoing basis. Allowable investments are shown on an approved credit list attached as Appendix "A." It is the responsibility of the Chief Financial Officer to ensure the Common Fund balance remains within the approved credit list. If the Common Fund balance, as described in the following points, inadvertently becomes out of balance the fund will be rebalanced as soon as regular maturities or changes in cash flow allow.
- c) The External Investment Committee provides guidance for Common Fund investments. In exercising this guidance, the Committee must consider the approved credit list, current and future projected market rates of return, maturity dates, and any risk associated with the investment. The External Investment Committee may provide advice and direction in the event of a sale of investment securities in the common fund as required prior to maturation.
- d) (20%) of the Common Fund must be invested in obligations of the Government of Canada.
- e) All other investments in the Common Fund will be in Provincial Government Bonds with no less than a A credit rating.
- f) No more than 25% of the Common Fund may be invested in securities that have a maturity date in excess of five (5) years from the date of investment.

- g) To maintain short-term liquidity, no less than (5%) of the Common Fund will be invested in trust deposit receipts with the Minister of Finance of the Province.
- h) All cash collected by The PGT for all accounts will be initially deposited in the Common Fund.

2. Existing Stock and Bond Portfolios

- a) When a person becomes a client of The PGT, he or she may have a portfolio of stocks and/or bonds, and/or other investments. The Investment Officer will complete a review of the portfolio within three (3) months of account opening date and formulate an opinion regarding whether or not all or part of the portfolio should be retained or liquidated. In general, recognizable individual client investment philosophies and directives will be respected and maintained, unless the client has financial needs that conflict with the orientation of his or her existing portfolio.
- b) The PGT has the discretion to maintain a client's relationship with the client's personal advisor. These circumstances include:
 - (i) where The PGT anticipates commiteeship will be of short duration; or
 - (ii) where, in the opinion of The PGT, the client has a substantial and complex portfolio.

The existing advisor may be consulted with respect to portfolio alterations, and purchases and/or trades. Where the advisor provides unsolicited recommendations, these recommendations will be taken under advisement and either be approved or declined by the Investment Officer and Chief Financial Officer.

- c) When The PGT assumes administration of a deceased estate, external investment assets, especially which fluctuate with the markets will normally be liquidated as soon as possible and deposited in the Common Fund. In exceptional cases, where the will directs or where all heirs at law agree, equities may be retained until distribution.

3. Fixed Income Investments

- a) The PGT may invest a portion of client or trust funds in fixed income instruments outside the Common Fund.
- b) This form of investment will be considered only for:
 - (i) clients with an appropriate time horizon for the chosen investment;
 - (ii) clients with assets exceeding \$150,000.00 with a minimum of \$25,000.00 to invest; and
 - (iii) trusts with assets exceeding \$75,000.00 with a minimum of \$25,000.00 to invest and an investment horizon of at least five years.
- c) The purpose of this type of fixed income investment is to diversify the client's fixed income exposure beyond the Common Fund, and provide long-term interest rate stability.

4. Equities

- a) If a client or trust account qualifies for equity investments, The PGT may invest a portion of client or trust funds in eligible equity investments.
- b) The purpose of equity investment is to achieve long-term capital appreciation.
- c) This form of investment will only be considered for clients:
 - i) who have sufficient income to meet ongoing needs;
 - ii) with assets exceeding \$250,000.00;
 - iii) with investment horizons estimated to be greater than 10 years; and
 - iv) where annual encroachment does not exceed 10% of portfolio value.
- d) This form of investment will only be considered in exceptional situations for trusts:
 - i) who have sufficient income to meeting ongoing needs;
 - ii) with assets exceeding \$75,000.00 and a minimum\$15,000.00 to invest;
 - iii) with investment horizons greater than 5 years; and
 - iv) annual encroachment does not exceed 10% of portfolio value.
- e) The PGT may not purchase equity investments if such purchases will cause the equity component to exceed 15% of the overall portfolio.

- f) Eligible equity investments include:
 - i) iShares Cdn Composite Index Fund - XIC;
 - ii) preferred and common shares of Canadian corporations listed on the TSX which, at the time of purchase, the common shares of such corporation are eligible for inclusion in the S&P/TSX 60 index (if a company is subsequently dropped from the index, this would not disqualify the shares from being retained, subject to review);
 - iii) equity based mutual funds.
- g) Equity purchases must be recommended by the Investment Officer and approved by the Chief Financial Officer prior to purchase.

5. **Corporate Class Investments**

- a) If a client qualifies for a corporate class investment, The PGT may invest a portion of the client funds for the purpose of achieving more tax efficient income without adversely affecting government programs.
- b) Under the corporate class asset the recommended split between income and equity will be 80/20.
- c) This form of investment will only be considered for clients:
 - i) who have sufficient income to meet ongoing needs;
 - ii) where the client's life expectancy is not limited;
 - iii) with assets exceeding \$250,000.00;
 - iv) who are in a personal care home (PCH) paying close to the lowest per diem rate per day as set out by Manitoba Health;
 - v) who are in receipt of the Federal Government pension income with little to no other income sources.

6. **Electronic / Book Based System**

The PGT does not as a rule hold stock certificates in safekeeping. All securities are held with the client's chosen investment firm. These securities are registered in the name of the client or trust but remain under the control of The PGT.

Exceptions to this rule include accounts with:

- a) a small number of shares;
- b) shares of negligible value;
- c) shares of a non-marketable nature (defunct)
- d) where the client has no external investment account

VII. INVESTMENT STRATEGIES

1. Clients

a) Client Portfolios

1. All cash collected by The PGT for a client is immediately deposited in the Common Fund. Where a client has assets in the Common Fund in excess of \$150,000.00, the Investment Officer and the Chief Financial Officer may conduct a segregated investment review (“IR”) to determine if some portion of these assets should be invested outside the Common Fund.
2. Factors to be considered on a client’s IR include the following:
 - a) the age of the client;
 - b) the medical prognosis for the client;
 - c) the client’s budget;
 - d) whether or not the client has sufficient income to meet his or her needs and/or is accumulating income;
 - e) whether or not the client is in a personal care home or private residence
 - f) is in receipt supplemental government income programs
 - g) the requirement for long-term capital appreciation;
 - h) time frame or expected time frame of The PGT’s authority (investment horizon).
3. Depending on the complexity of the holdings the Investment Officer will determine whether the review will be done quarterly, semi-annually or annually. The Investment Officer will review each IR account that is complex or contains external holdings that are deemed to have ongoing market risk. The Investment Officer and the Chief Financial Officer will then conduct a joint review of these accounts. The Investment Officer will maintain a record showing each account review date and review results with approvals in the IR system.
4. The Investment Officer and the Chief Financial Officer will utilize the on-line IR System and the Investment Guidelines.

5. When the Investment Officer and the Chief Financial Officer make a decision with respect to the purchase or sale of appropriate segregated investments, the Investment Officer will follow through on the transaction.

6. Purchase of Investments

1. If the Chief Financial Officer and the Investment Officer decide that the client has met the criteria for an external investment purchase as outlined in policy, the Investment Officer will purchase those investments as recommended by the Investment Officer and approved by the Chief Financial Officer.

c) Retention and Sales of Existing Investments

1. When making decisions to maintain or sell existing investments, the Investment Officer will use his/her expertise, consult with the Adult Services Administrator and may consult with the client's investment firm. Specific client information such as potential tax consequences, the affect on per diem rates, government programs, and the client's investment horizon should be factored into the decision prior to making the recommendation to the Chief Financial Officer. **Note:** Equity and Fixed Income Investment criteria will not override the decision making process for existing investments.
2. If the Investment Officer and the Chief Financial Officer decides that specific investments should be sold, the Investment Officer will sell those securities as approved by the Chief Financial Officer.

2. **Trusts**

1. All cash collected by The PGT in trust for children or adults must be invested and administered in accordance with terms of a Court Order (if such Order exists). If the terms of the trust do not impose any specific investment direction, the following principles will apply.
2. The average investment horizon for children's trusts administered by The PGT is approximately 8 years. This relatively short horizon, when combined with The PGT's long term objectives as a prudent investor, dictate an investment strategy using exclusively Common Fund investments.

The External Investment Committee examined the risks versus potential gain of equity investment for children. The Committee concluded that in general for children's trusts, the potential of long-term capital appreciation with equity investment was outbalanced by:

- (a) the risk associated with such investments; and
- (b) management expenses associated with pooled equity investments.

Equity investment will be considered only in exceptional circumstances, as outlined in (4) d.

3. All cash received in trust for children or adults will be deposited immediately in the Common Fund.
4. Within three (3) months of receiving the trust, the Investment Officer and the Chief Financial Officer conduct an Investment Review to determine if some portion of the trust should be invested outside the Common Fund.
5. The IR will be conducted according to the criteria contained in the on-line Investment Review system for Trusts and the Equity Component Guidelines.

6. If, as a result of the IR, the Investment Officer and the Chief Financial Officer decide that a portion of the trust may be invested outside the Common Fund, the procedure outlined for following through with fixed income or equity investments for clients applies.

3. Deceased Estates

When The PGT assumes administration of a deceased estate, external investment assets that fluctuate with the markets will normally be liquidated as soon as possible and deposited in the Common Fund. In exceptional cases, where the will directs or where all heirs at law agree, marketable securities may be retained until distribution.

APPENDIX A

**PUBLIC TRUSTEE
APPROVED LIST OF INVESTMENTS**

<u>Name</u>	<u>Limit</u>	<u>Maximum Term</u>
1. Federal Government and Guaranteed	No limit (not less than 20%)	10 Years
2. Province of Manitoba - Minister of Finance	No limit (not less than 5%)	1 Year
3. Provincial Government, Limited To Provincial contribution to GDP, except Manitoba Direct and Guaranteed		
*AAA (Minimum Rating)	No limit (not more than 75%)	5-8 Years
AA (Minimum Rating)	No limit (not more than 75%)	5-8 Years
A (Minimum Rating)	25.0 Million (not more than 10%)	5-8 Years
4. Chartered Canadian Banks and Guaranteed	(no Credit Exceeding 10%)	
AAA (Minimum Rating)		5 Years
AA (Minimum Rating)		3 Years
5. Municipal City of Winnipeg	10 Million	10 Years
6. Other – Approved by Investment Committee	(No Credit exceeding 5%) (Not greater than 25%)	
AAA	25.0 Million	5 Years
AA	10.0 Million	5 Years

Review Required **Client Investment Display** **Review Status**

Date Review Prepared: Review Frequency:

Account: Client: Officer:

Date of Birth: Client Type:

Date of Order: Form of Authority:

<u>Assets:</u>		<u>Income:</u>	
Cash Balance	\$0.00	Pension	\$0.00
Bond Balance	\$0.00	OAS	\$0.00
Stock Balance	\$0.00	CPP	\$0.00
Real Estate Balance	\$0.00	Annuities/RIF's	\$0.00
Tax Sheltered Balance	\$0.00	Investment Income	\$0.00
Other Assets Balance	\$0.00	Employment Income	\$0.00
Total	\$0.00	Capital Gains	\$0.00
		Support Pymts/Other	\$0.00
		Non-taxable income	\$0.00
		Total	\$0.00

Address:

Broker Information **Expenses:**

Broker Name: Broker Account: Monthly Budget:

 Total: **Net Income**:

Investment Considerations Living Situation, special needs, health, etc

Client Investment Review

Date Review Started:

Account: Client: Officer:

<u>Assets:</u>		<u>Income:</u>	
Cash Balance	\$0.00	Yearly Income	\$0.00
Bond Balance	\$0.00	Budgeted Expenses	\$0.00
Stock Balance	\$0.00	Estimated Net Income	\$0.00
Tax Sheltered Balance	\$0.00		

Address:

Investment Considerations (Living Situation, special needs, health, etc)

<u>Investment Objectives (By %)</u>			<u>Investment Horizon:</u>	
Cash	Bond	Stock	Years:	
Actual: <input type="text"/> 0	<input type="text"/> 0	<input type="text"/> 0	Years:	<input type="text"/>
Target: <input type="text"/> 0	<input type="text"/> 0	<input type="text"/> 0	Last Set:	<input type="text"/>
			Last Set By:	<input type="text"/>

NOTE: Encroaching

Review Comments:

Review Required		Trust Investment Display		Review Status	
Date Review Prepared	<input type="text"/>	Review Frequenc	<input type="text"/>		
Account	<input type="text"/>	Client	<input type="text"/>	Officer	<input type="text"/>
Date of Birth	<input type="text"/>	Client Type	<input type="text"/>		
Date of Order	<input type="text"/>	Form of Authority	<input type="text"/>		
Date of Majority	<input type="text"/>	Min Capital Amt	<input type="text"/>		
Assets:	Cash Balance	\$0.00	Income:	Est. Yearly Income	\$0.00
	Bond Balance	\$0.00		Fees	\$0.00
	Stock Balance	\$0.00		Maintenance Pymts	\$0.00
	Real Estate Balance	\$0.00		Net Estimated Yearly Income	\$0.00
	Tax Sheltered Balance	\$0.00			
	Other Assets Balance	\$0.00			
	Total	\$0.00			
Broker Information					
		Broker Name	<input type="text"/>	Broker Account	<input type="text"/>
					Update Broker
Investment Considerations (Trust conditions, health, parent requirements, etc)					
<input type="text"/>					
Perform Review	Save Changes	Cancel Changes	Exit	View History	View Notes

Trust Investment Review					
Date Review Started:	<input type="text"/>				
Account	<input type="text"/>	Client	<input type="text"/>	Officer	<input type="text"/>
Assets:	Cash Balance	\$0.00	Income:	Est. Yearly Income	\$0.00
	Bond Balance	\$0.00		Fees	\$0.00
	Stock Balance	\$0.00		Maintenance Pymts	\$0.00
	Tax Sheltered Balance	\$0.00		Net Estimated Yearly Income	\$0.00
Investment Considerations (Trust conditions, health, parent requirements, etc)					
<input type="text"/>					
Investment Objectives (By %)			Investment Horizon:		
	Cash	Bond	Stock	Years:	<input type="text"/>
Actual	<input type="text"/>	<input type="text"/>	<input type="text"/>	Last Set:	<input type="text"/>
Target	<input type="text"/>	<input type="text"/>	<input type="text"/>	Last Set By:	<input type="text"/>
NOTE: Encroaching					
Review Comments:					
<input type="text"/>	<input type="text"/>				
Expand					
<input type="text"/>	<input type="text"/>				
Reviewed	Save	Cancel Changes	Exit	View History	

External Investment Committee Member Ratification of Investment Policy

**Director of Capital Markets
Dept. of Finance:**

Garry Steski

Signature

Date

**Director Pensions, Treasury
Manitoba Telecom Services Inc.:**

Gord Mackay

Signature

Date

Public Guardian and Trustee:

Doug Brown

Signature

Date

Chief Financial Officer:

Richard Sohor

Signature

Date

Investment Officer:

Jori Carroll

Signature

Date