employee benefits

STATEMENT OF INVESTMENT POLICIES AND PROCEDURES FOR THE TRUST FUND OF

BC CONSTRUCTION ASSOCIATION GROUP BENEFIT PLAN

May 2024

PURPOSE

An important goal of the trust fund of the BC Construction Association Group Benefit Program (the "Fund") is to accumulate funds to cover current operation expenses and liabilities relating to claims incurred but unreported (incurred but not reported reserves or IBNR) and the Hour Bank as well as to hold a contingency reserve (CR). The Fund's ability to meet this goal is affected by the level of contributions and by the prudent and effective management of the Fund's assets.

The Trustees, as administrator of the Fund, are responsible for achieving this goal, and so have prepared this Statement of Investment Policies and Procedures ("Statement") in an effort to ensure continued prudent and effective management.

BENEFITS

The BC Construction Association Group Benefit Program ("Program") provides the following Benefits: Dental, Extended Health Care (EHC), Vision, Group Life, Optional and Dependent Life, Short Term Disability (STD), Long Term Disability (LTD), and Critical Illness (CI).

The Dental, EHC (below a $25,000 individual pooling limit), Vision, and STD are self-insured benefits. Group Life, Optional Life and Dependent Life are underwritten on a refund accounting basis. The remainder of the benefits, AD&D, LTD and CI are on a fully insured non-refund arrangement.

BENEFIT OBLIGATIONS AND FUND BALANCES

The audited financial statements on the Plan report the following liabilities and reserves:

Reserve for incurred but not reported claims (IBNR) for the self-insured
The liability for the Hour Bank. The Plan's liability is with respect to active members.

The Contingency Reserve (CR) to be held by the Trust, calculated based on a pre-determined methodology, reviewed by plan actuary

An additional fund account Retained for the Provision of Fund Benefits (Retained Balance), which fluctuates from year to year.

ASSETS AVAILABLE FOR INVESTMENTS

The assets supporting the IBNR, the Hour Bank liability, the CR and the balance of the Retained for the Provision of Fund Benefits need to be invested in a manner that reflects the nature of the liabilities. A portion of the available assets may be required to provide benefits in the near term, but a major proportion may be held as a reserve which may not be needed in the foreseeable future.

Since the annual cash flow is generally sufficient to pay all self-insured cash claims, the IBNR (subject to annual minor modifications) and the Hour Bank liability can be considered to be held for the long term.

With respect to the CR, we estimate that only 50% will be needed by the Trust to subsidize premiums in the mid (5 to 10 years) time horizon leaving 50% of the CR to be invested as long term.

The Retained Balance will be 100% invested short term (1 to 5 years).

A breakdown in terms of investment time horizon is as follows:

	Short Term	**Mid Term**	**Long Term**
IBNR			100%
Hour Bank Liability			100%
Contingency Reserve		50%	50%
Retained Balance	100%		

Based on a review of the quarterly financial statements, the Finance Committee may authorize movement of funds to or from the Investment Manager to comply with the allocation parameters set out in this Statement. Any such action will be presented to the board in the quarterly Finance Committee Report.

INVESTMENT OBJECTIVES

(A) Short Term Investments

The short term investment component of the Fund is maintained in the Trust banking accounts and the insurer accounts, which are held for claims. As these funds are provided for short term cash flow requirements a majority of these funds are not held by the Investment Manager, and are to be dealt with prudently by the staff as ongoing management of working capital. The Fund has the discretion to allocate a portion of these funds to the Investment Manager to invest in short term strategies which provide an enhanced yield.

(B) Mid Term Investments

For funds that may not typically be required for 5 to 10 years, a diversified portfolio of bonds with a duration similar to the FTSE TMX Canada Universe Bond Index may be considered. The fund may also invest in sub investment grade bonds if the risk/return characteristics of the asset class our favourable. The mid term investment component is expected to outperform, net of investment management fees, the FTSE TMX Canada Universe Bond Index over a moving three-year annualized period by 0.3% per year.

(C) Long Term Investments

For funds that are not anticipated to be required in the near future (typically greater than 10 years), a balanced fund approach may be suitable. The investment objectives for the long term investment component of the Fund are divided into three parts, as follows:

(1) Part 1:

Achieve a rate of return over a four-year moving time period, net of investment management fees, at least equal to the higher of:

a) the rate of inflation (Consumer Price Index) plus 3.5%; and
b) 5.5%

(2) Part 2:

Achieve a rate of return, net of investment management fees that exceed the following benchmark portfolio by 0.5%. The benchmark portfolio and reference indices are defined as follows:

	Weight (%)	**Reference Index**
Fixed Income Securities	35	FTSE TMX Canada Universe Bond Index
Canadian Equities	22	S&P/TSX Composite Index
U.S. Equities	22	S&P 500, total return in Canadian $
Non-North American Equities	21	MSCI EAFE, total return in Canadian $

Allowable Investment Ranges:

At all times, the market value of individual asset classes with respect to the long term investment component of the Fund will be within the following minimum and maximum aggregate investment limits:

	Minimum (%)	Maximum (%)
Fixed Income Securities	25	55
Canadian Equities	15	30
U.S. Equities	15	30
Non-North American Equities	15	30
Total Equities	45	75
Private Assets	0	15

(3) Part 3

Achieve a rate of return that ranks within the top 40% of other comparable measured funds, as published by a recognized external measurement service, over four-year moving time periods. If the long term investment component of the Fund is being managed by different Fund Managers as a result of the Trustees allocating the Fund to more than one pooled or mutual fund, each such pooled or mutual fund selected would be expected to achieve a rate of return that ranks within the top 40% among comparable or similar pooled or mutual funds (such as the same asset class), as published by a recognized external measurement service, over four-year moving time periods.

PORTFOLIO CONSTRAINTS FOR LONG TERM INVESTMENTS

The combined cash and bond investments in the securities of any one issuer will not be more than 10% of the total market value of all cash and bond investments held by the Fund, unless the issuer is the Government of Canada or a Province in Canada, or unless such securities are guaranteed by one of those entities.

No single equity investment will represent more than 10% of the market value of all equities held by the Fund.

All investments will be made in accordance with applicable legislation.

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PERMITTED INVESTMENT CATEGORIES

Fixed Income:	Bonds, debentures, mortgage loans, mortgage-backed securities, preferred shares, asset-backed securities and Maple Bonds.
Equities	Common shares, rights, warrants and securities convertible into common shares.
Cash	Cash on hand, demand deposits, Treasury Bills, short-term notes and bankers' acceptances, term deposits and Guaranteed Investment Certificates.
Private Assets	Primary strategies would include Infrastructure and Real Estate. Other Strategies could include: Renewables, Private Debt, Private Equity and Mortgages.
Pooled Funds	Any pooled funds and mutual funds consisting of investments that are Mutual Funds otherwise eligible under this Statement. Pooled Funds are governed by their own investment policies, the provisions of which may diverge from those in this policy. The Trustees (or Board/Committee), with the assistance of the Investment Manager, have reviewed the guidelines for the pooled funds in which the Fund is invested and determined they are appropriate investment vehicles for plan assets. A copy of the pooled fund policies is included as an appendix and the Investment Manager provides updates if any changes occur.
Futures Contracts	The Fixed Income Portfolio (Core Active Bond Fund) may utilize exchange traded futures for interest rate, foreign currency and bond exchange traded futures contracts. Positions will be limited to contracts trading on either the Montreal Exchange or the Chicago Mercantile Exchange Group. At all times, the total notional exposures from all futures transactions shall not exceed the notional value of the Core Active Bond Fund.

All of the above may be either Canadian or non-Canadian.

QUALITY CONSTRAINTS

The investment categories listed above will be subject to the following quality constraints:

- Investments in Canadian bonds and debentures will be rated AAA, AA, A and BBB by Dominion Bond Rating Services (DBRS), or equivalent ratings by a major, recognized bond rating agency. No more than 20% of the market value of the total Fixed Income portfolio may be invested in BBB rated bonds. The fund does have the ability to invest up to 15% of the market value of the fixed income portfolio in bonds rated lower than BBB.
- Investment in term deposits, guaranteed investment certificates and non-Canadian bonds and debentures will be made in accordance with the Standard of Practice established by the CFA Institute.
- Investment in non-Canadian bonds and debentures will be restricted to securities meeting local rating criteria comparable to those listed above for Canadian securities.
- Investments in Private Asset strategies will be restricted in each case to investments made by managers of at least $150 million of similar investments.
- Investments in Canadian and non-Canadian equities as well as income trust units will be made in accordance with the Standards of Practice established by the CFA Institute and will be restricted to shares listed on a prescribed stock exchange or other recognized trading facility, as prescribed in part XXXII of the Regulations under the Income Tax Act (Canada).
- Investments in short-term notes and Treasury Bills will be Rated R1 by DBRS or equivalent rating by a major, recognized bond rating agency.
- Investments in either mortgages or real estate pooled units will be restricted in each case to investments made by managers of at least $150 million of similar investments.
- Investment Managers are expected to exercise prudence in all investments and follow their internal policy norms as set from time to time.
- Where rating agencies differ in their ratings, use the majority rating. If all agencies are different, use an average rating. If only two agencies rate the issue, use the lower of the two ratings.
- If a bond falls below the minimum bond rating, the investment manager should provide a course of action within a reasonable time period and provide regular updates on the status of the investment as long as it is held.

CONFLICTS OF INTEREST

Any person providing services to the Fund must notify the Trustees in writing as soon as any actual or perceived conflict of interest arises. Conflicts of interest specifically include, but are not limited to, the selection of investments and the determination of the actual asset mix between investments.

Where an actual or perceived conflict of interest exists or may exist, the person with such conflict may not act with respect to any matter for which such conflict exists unless the Trustees expressly request the service being provided.

COMPLIANCE REPORTING BY THE INVESTMENT MANAGER

The investment manager is required to complete and sign a compliance report each quarter indicating whether or not the investment manager portfolio was in compliance with this policy during the quarter.

In the event that an investment manager is not in compliance with this policy, the investment manager is required to advise the Trustees immediately, detailing the nature of the non-compliance and recommending an appropriate course of action to remedy the situation.

Additional notation for non-compliance should also be contained in the quarterly compliance report.

For investment in any pooled funds, the investment manager must confirm that the pooled fund was in compliance with its pooled fund investment policy.

ANNUAL REVIEW

The Statement of Investment Policies and Procedures (SIPP) shall be reviewed by the Trustees on at least an annual basis, and the Trustees may revise any part of the SIPP they deem appropriate.

LENDING OF SECURITIES

The Fund may enter into securities loan agreements with the Custodian, provided the loaned investments are secured by cash or highly liquid investments having a market value of at least 105% of the loan, and provided that the 105% level of security is maintained daily. Where the Fund is invested in a pooled investment fund of a financial institution, the policy of such fund shall apply.

DELEGATION OF VOTING RIGHTS

The Fund Manager is delegated the responsibility of exercising all voting rights acquired through the Fund's investments. The Fund Manager will exercise acquired voting rights with the intent of fulfilling the investment objectives and policies of the Fund.

Where an issue to be voted upon is likely to be contentious, The Fund Manager shall notify the Trustees of the issue, and shall provide comments and a proposed voting position prior to voting. Unless the Fund Manager is informed otherwise by the Trustees, the vote shall be exercised as indicated in such notice.

Where the Fund is invested in a pooled investment fund of a financial institution, the policy of such fund shall apply.

VALUATION OF INVESTMENTS

In most cases securities held by the Fund will have an active market, in which case the valuation of those securities will be based on their market values.

If the security held by the Fund does not have an active market, then that security will be valued at least annually by the Custodian using a discount rate composed of an estimate of the risk-free rate of return, an estimate of expected inflation and a risk premium commensurate with the uncertainty of the investment's future income stream and selling price.

One of the criteria for selecting a pooled real estate fund is that the fund will be valued at least annually by an independent real estate valuation service.

QUALITATIVE EVALUATION

The Managers will be evaluated on the following qualitative criteria on at least an annual basis:

- overall adherence by a Manager to the Statement;
- consistency of a Manager's investment style, philosophy and process;
- stability of a Manager's professional staff;
- quality of a Manager's communication with the Trustees;
- competitiveness of fees;
- characteristics of a Manager's firm (e.g., ownership, growth in assets under management, client retention/loss, etc.); and
- consistency of key personnel and their role in the investment decision

BCCA Employee Benefit Trust

LONG TERM INVESTMENT FUNDS

Quarterly Compliance Report

Asset Mix Guidelines	Allowable Range (%)	Actual Exposure (%)	Policy Complied With (Yes/No)
LONG TERM INVESTMENT FUNDS			
Canadian Equities	15-30		
U.S. Equities	15-30		
EAFE Equities	15-30		
Total Equities	45-75		
Fixed Income	25-55		
Private Assets	0-15		
OTHER			
Maximum single equity holding	10		
Maximum invested in bonds of any one issuer except for federal and provincial bonds.	10		
Minimum bond rating BBB	N/A		
Maximum BBB bond exposure	20		
Pooled Funds			
All pooled funds held were in compliance with their respective pooled fund investment policies			

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

Leith Wheeler Investment Counsel Ltd.

Daren Atkinson
V.P. – Portfolio Manager

Company Name

BCCA Employee Benefit Trust
Statement of Investment Policies & Procedures (SIPP)
Review of Assets Available for Investment - August 31, 2023

SIPP Investment Guidelines	Short Term	Mid Term	Long Term
Hour Bank	0%	0%	100%
IBNR	0%	0%	100%
Contingency Reserve	0%	50%	50%
Retained	100%	0%	0%

Investments			
Short Term	Interest bearing bank, investment and insurer accounts		
Mid Term	Fixed Income	100%	
Long Term	Fixed Income/Equities	35%	65%

Plan Liabilities	Per FS	Short Term (BCCA)	Mid Term (Leith Wheeler)	Long Term (Leith Wheeler)	Total Fund
Hour Bank	450,628	0	0	450,628	450,628
IBNR	1,248,893	0	0	1,248,893	1,248,893
Contingency Reserve	6,506,000	0	3,253,000	3,253,000	6,506,000
Retained	1,062,843	1,062,843	0	0	0
	9,268,364	1,062,843	3,253,000	4,952,521	8,205,521
Investment Allocation			**40%**	**60%**	**100%**