

**THE PUBLIC TRUSTEE OF MANITOBA**

**STATEMENT OF INVESTMENT  
POLICIES AND OBJECTIVES**

**SEPTEMBER, 2006**

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**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 Trustee of Manitoba (“PT”) has responsibility.

**II. MANDATE OF THE PUBLIC TRUSTEE OF MANITOBA**

The PT’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 PT.
- 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 PT receives guidance as to its duties and obligations as a Trustee:

a) ***The Public Trustee Act***

Section 10 provides that The PT has all the powers and, is subject to all the duties and obligations conferred upon a Trustee under *The Trustee Act*.

Section 11 gives The PT 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 PT’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 PT is appointed Substitute Decision Maker of property for a vulnerable adult, authority may be granted to The PT 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 PT in trust for a minor.

d) ***The Infants' Estates Act:***

Under section 7, the Court may appoint The PT as guardian of the estate of a child.

e) **Powers of Attorney:**

Where The PT is granted a Power of Attorney by a client, the grant contains the following authority:

- a) invest any of my money in The PT'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 PT 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 PT 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 PT.

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

## **V. INVESTMENT RESPONSIBILITIES**

The PT 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 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 PT's investment policy for clients,
- b) to review and recommend appropriate Common Fund investments to The PT,
- c) to review the investment performance of the Common Fund,
- d) to review and advise The PT on current investments for clients, where requested,
- e) to review the advisory services of any investment broker with whom The PT 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 Trustee; (ex officio)
- b) The Chief Financial Officer; (ex officio)
- c) Assistant Deputy Minister, Treasury Division, Department of Finance, or his or her designate;
- d) One or more members of the public with significant experience in investment and finance (appointed by The Public 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 affecting investment reviews;
- c) discussing practical issues related to accounting and income tax, etc.;
- d) discussing issues or problems that arise with respect to the broker employed by The PT on behalf of clients;
- e) reviewing brokerage accounts for clients or trusts;
- f) discussing securities issues;
- g) reviewing interest rates and strategy for GIC and bond purchases; and
- h) resolving other related issues for clients or trusts; and
- i) meeting at least once in every quarter.

Members of the Internal Investment Committee are:

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

## **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 or annually thereafter for:

- (i) all client accounts with equity holdings; and
- (ii) all client accounts over \$150,000.00 and all children's trusts over \$75,000.00.

#### **4. Independent Investment Firms**

1. To ensure that client assets are properly segregated and recorded. The PT maintains accounts with independent investment firms for the following services:
  - a) to conduct and record necessary purchases, trades, redemptions and income distributions on behalf of The PT; and
  - b) to provide information on existing client or trust investments.
2. A firm's performance will be reviewed on an ongoing basis by the Internal Investment Committee as to the quality of the overall servicing of the accounts.

#### **5. Public Trustee**

The Public 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 the monthly maturity list and gives the securities clerk instruction as to appropriate investment actions;
- b) reviews and monitors all client RRSP, RRIF, Pension Funds, etc.;
- c) provides advice and direction to account officers, securities clerk, accounting clerks, income tax clerks, legal officers and management on investment matters etc., as required.

## **VI. INVESTMENT VEHICLES**

### **1. The Common Fund**

- a) The Common Fund is an important vehicle for The PT, 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 approve the sale of investment securities 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 with the Minister of Finance of the Province through trust deposit receipts.
- h) All cash collected by The PT 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 PT, 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 PT has the discretion to maintain a client's relationship with the client's personal advisor. These circumstances include:
  - (i) where The PT anticipates commiteeship will be of short duration; or
  - (ii) where, in the opinion of The PT, the client has a substantial and complex portfolio.

The existing advisor may be consulted with respect to portfolio alterations, and purchases and/or trades may be conducted through the existing advisor. Where the advisor provides unsolicited recommendations, these recommendations may be followed only with the approval of the Chief Financial Officer.

- c) When The PT assumes administration of a deceased estate, equities 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 PT 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 PT 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 PT 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. **Book Based System**

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

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.

## **VII. INVESTMENT STRATEGIES**

### **1. Clients**

#### **a) Client Portfolios**

1. All cash collected by The PT 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 will 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) the requirement for long-term capital appreciation;
  - f) time frame or expected time frame of The PT’s authority (investment horizon).
3. Each quarter or annually, the Investment Officer will review each IR account that is complex or contains an equity portfolio. The Investment Officer and the Chief Financial Officer will then conduct a joint review of these accounts. The Investment Officer will maintain a review diary showing each account review date and review results.
4. The Investment Officer and the Chief Financial Officer will utilize the on-line IR System and the Equity Component 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.



**b) Purchase of Investments**

1. If the Chief Financial Officer and the Investment Officer decide that the client has met the fixed income investment or equity investment, criteria (page 14, 3 & 4), the Investment Officer will purchase those fixed income instruments or equities after consultation and direction from the Chief Financial Officer.
2. When the Investment Officer and the Chief Financial Officer make a decision with respect to appropriate segregated investments, the Investment Officer will follow through forthwith on segregated investment purchases.

**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, 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 after consultation and direction from the Chief Financial Officer.

## 2. **Trusts**

1. All cash collected by The PT 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 PT is approximately 8 years. This relatively short horizon, when combined with The PT'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 VI (4).

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 will 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 PT assumes administration of a deceased estate, equities 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.

**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%)	5-8 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	8 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