



INVESTMENT BYLAW

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1.1 Definitions

In this Bylaw, the following terms when capitalized have the meaning ascribed to them below unless a different meaning is expressly stated:

- (a) “**Agent**” means a person, other than an AHS employee, Senior Officer or member of the Alberta Health Services Board, who is authorized to bind or purports to bind AHS, or who, directly or indirectly, controls AHS funds.
- (b) “**AHS Representative**” means an AHS employee, Senior Officer, Agent and member of the Alberta Health Services Board.
- (c) “**Alberta Health Services**” or “**AHS**” is the regional health authority for the Province of Alberta.
- (d) “**Alberta Health Services Board**” or “**Board**” means the governance board of Alberta Health Services, appointed by the Minister of Health and Wellness.
- (e) “**Cash and Cash Equivalents**” means Cash, short-term Securities with maturities of less than one (1) year at the time of issuance, Pooled Funds with investment policies considered to be Cash and Cash equivalent as recommended by the Investment Manager and money market Mutual Funds.
- (f) “**CEO**” means the person employed as the President and Chief Executive Officer for AHS.
- (g) “**Conflict of Interest Bylaw**” means the current AHS Conflict of Interest Bylaw approved by the Board and the Minister of Health and Wellness of Alberta.
- (h) “**Enactments**” means the *Regional Health Authorities Act*, R.S.A. 2000 c. R-10 and all regulations thereunder, as may be amended from time to time, or any successor legislation enacted by the Alberta Legislature to govern Alberta Health Services.
- (i) “**Fixed Income**” means:
 - (i) bonds issued by the Government of Canada, any province, or corporations; and
 - (ii) Securities with maturities greater than one (1) year at the time of issuance, including:
 - a. Pooled Fund units as defined in 1.7.3 (b);
 - b. Mutual Funds, as defined in 1.7.3 (c);
 - c. preferred shares; and
 - d. and insured mortgages.
- (j) “**Investment Manager**” means the company, organization, or AHS Representative to whom AHS has given the responsibility to manage AHS’ investment portfolio.
- (k) “**Mutual Funds**” as defined in the *Securities Act*, R.S.A. 2000 c. S-4 means;

- (i) an issuer whose primary purpose is to invest money provided by its security holders and whose securities entitle the holder to receive on demand, or within a specified period after demand, an amount computed by reference to the value of a proportionate interest in the whole or in part of the net assets, including a separate fund or trust account, of the issuer, or
 - (ii) an issuer that is designated as a Mutual Fund under Section 10 or in accordance with the regulations.
- (l) **“Pooled Funds”** means Mutual Funds that are exempt from the registration prospectus requirements of the *Securities Act* R.S.A. 2000 c. S-4.
- (m) **“Securities”** means securities as defined in the *Securities Act*, R.S.A. 2000 c. S-4.
- (n) **“Senior Officer”** includes the CEO, vice president of AHS, any other executive directly accountable to the CEO, and any other person so designated by the CEO or the Alberta Health Services Board.

1.2 Compliance

Alberta Health Services shall comply with, and this Bylaw is subject to, any and all requirements and provisions in the Enactments, or any other Acts of the Alberta Legislature, and regulations made pursuant thereto, and any directives issued by the Minister of Health and Wellness. If there is a conflict between this Bylaw and the Enactments, then the Enactments prevail.

1.3 Arm’s Length

Alberta Health Services shall not enter into investment transactions with persons or entities in respect of which it is not dealing at arm’s length.

1.4 Disclosure

- 1.4.1** For the purposes of this Section 1.4, **“AHS Representative”** includes any person or entity that is not at arm’s length with AHS.
- 1.4.2** If an AHS Representative reasonably suspects or is advised that he or she is or may be found to be in a non-arm’s length relationship (the **“NAL Relationship”**) in or respecting a transaction that is being considered, negotiated or agreed to by AHS, that AHS Representative must forthwith disclose the NAL Relationship as a perceived, potential, or real conflict of interest in accordance with the procedures and requirements contained in the Conflict of Interest Bylaw upon becoming aware of the NAL Relationship. If the AHS Representative is not an AHS employee, Agent, Senior Officer or member of the Board, disclosure of the NAL Relationship must be made to AHS’ compliance officer.
- 1.4.3** Notwithstanding Section 1.4.2 above, if AHS enters into a transaction with an AHS Representative, full disclosure of the transaction and the relationship with the AHS Representative must be made by any AHS Representative who knows of the transaction with the AHS Representative by disclosing that information to the compliance officer within one day after which such information is known. The

compliance officer shall forthwith report that information to the CEO. The compliance officer will further report the information both to the Governance Committee and the Audit & Finance Committee of AHS at their first meetings after the date he or she is advised of that information.

- 1.4.4** With respect to any meeting of the Board at which the Board calls for its members to vote on a transaction in which a member has a Private Interest (as defined in the Conflict of Interest Bylaw), or a perceived, potential, or real conflict of interest, the procedures and requirements contained in the Conflict of Interest Bylaw must be followed by the affected member.

1.5 Investment Philosophy

It is the immediate and continuing goal of the Board to provide prudent, diversified and professional management of AHS' investment portfolio. AHS shall exercise care and adhere to those prudent investment standards in making investment decisions that, in the overall context of an investment portfolio of a similar value and scope as AHS' investment portfolio, a reasonable and prudent person would apply to investments made on behalf of another person with whom there exists a fiduciary relationship respecting such investments, without exposing the investments to undue risk of loss or impairment while maintaining a reasonable expectation of fair return or appreciation.

1.6 Investment Objectives

1.6.1 Ethical Standards

- (a) Without limitation, AHS may not invest directly in entities that seek to or do profit from the development or production of tobacco products, alcohol, or asbestos. To avoid creating an actual, potential, or perceived conflict of interest, AHS should also avoid investing directly in entities that seek to or do profit from the development or production of pharmaceuticals, or medical equipment.
- (b) Subsection 1.6.1 (a) does not apply to investments made before this Bylaw comes into force.

1.6.2 Priority of Investment Objectives

- (a) Preservation of Capital - The risk of permanent capital impairment should be minimized. Preservation of capital is paramount, as its replenishment can not be assured.
- (b) Liquidity - AHS' investments shall not hinder its ability to meet payment of its financial liabilities as and when they become due. AHS shall ensure that its liquidity needs are met through an appropriate level of investment in fully marketable Securities. For the purpose of this Bylaw, the permitted classes of assets and the amount of exposure to each asset class must follow the requirement set out in Section 1.7.1 below.
- (c) Return - AHS shall require on its investments a minimum annual rate of return greater than the rate of return on its operating bank account(s). This rate of

return can be a combined measurement of income flows and unrealized and realized capital gains or losses based on a rolling four (4) year average.

1.6.3 Fund Categories

Funds should be managed and segmented into the following categories:

- (a) Restricted Non-Government Funds - funds designated for specific expenditures by non-government entities (e.g. donations, endowments);
- (b) Restricted Government Funds - funds designated for specific expenditures by government entities (i.e. Federal and Provincial governments); and
- (c) Unrestricted Funds – funds not required for specific expenditures.

1.7 Portfolio Diversification and Asset Quality Constraints

1.7.1 General Principles and Requirements

- (a) Investments should be made with a primary view to preserve capital with secondary objectives to meet liquidity requirements and earn a reasonable rate of return in the long-term within the investment parameters outlined in this Bylaw.
- (b) The investment portfolio shall be comprised of the following classes of assets:

Asset Class	Percentage of Total Investment Portfolio That May Be Invested in the Asset Class	
	Minimum	Maximum
Cash and Cash Equivalents and Fixed Income (with current maturities less than one year)	0%	100%
Fixed Income (with current maturities greater than one year)	0%	80%
Equities	0%	40%

- (c) AHS' Investment Manager shall determine the optimum split between classes of assets set out above, based on prevailing market conditions, and AHS' objectives as described in Section 1.6.2.

1.7.2 Cash and Cash Equivalent Investments

- (a) AHS may invest in the following Cash and Cash Equivalents:
 - (i) (a) short-term Securities with maturities less than one (1) year at the time of issuance issued or fully guaranteed by the Government of Canada or any province;
 - (b) Banker's Acceptances issued by a Schedule I Bank, pursuant to the

Bank Act S.C. 1991.c.46; or
(c) Guaranteed Investment Certificates issued by a Schedule I Bank, pursuant to the *Bank Act* S.C. 1991.c.46.

- (ii) short-term Securities with maturities less than one (1) year at the time of issuance provided that they are rated R1 by Dominion Bond Rating Service or equivalent by at least two different rating agencies whenever possible at the time of purchase;
 - (iii) money market Mutual Fund units where the investment policy of the fund ensures that at least ninety percent (90%) of the assets of the fund consist of Securities that are issued or guaranteed by the Government of Canada or any province having a term no greater than one (1) year; and
 - (iv) Pooled Fund units recommended by the Investment Manager where the investment policy of the fund is classified as Cash and Cash Equivalent by the Investment Manager.
- (b) AHS shall not invest more than ten percent (10%) of Cash Equivalents in any one issuer other than investments in Cash Equivalents of the Government of Canada or any province, or Cash Equivalents guaranteed by the Government of Canada or any province.

1.7.3 Fixed Income Investments

- (a) Fixed Income investments shall comply with the following terms, conditions, and criteria:
- (i) AHS may not invest in any Fixed Income investments, with the exception of debt issued by the Government of Canada or any provincial government, if the debt rating of the issuer is below BBB, as determined by Dominion Bond Rating Service or equivalent;
 - (ii) AHS may invest in bonds guaranteed by or debt of the Government of Canada or any province, or corporate issued bonds, provided that no more than forty percent (40%) of AHS' total investment portfolio be invested in corporate issued bonds and no more than ten percent (10%) of AHS' total investment portfolio may have a debt rating of BBB, as determined by Dominion Bond Rating Service or equivalent.
- (b) Pooled Fund units recommended by the Investment Manager where the investment policy of the fund is classified as a Fixed Income fund by the Investment Manager; and
- (c) Mutual Fund units where the simplified prospectus or investment policy of the fund is classified as a Fixed Income fund.

1.7.4 Equity Investments

- (a) AHS may invest in Securities listed on any Canadian or a major foreign stock exchange, provided that:

- (i) investments listed on foreign stock exchanges shall be limited to no more than twenty-five percent (25%) of the total value of the Securities purchased by AHS;
 - (ii) AHS does not engage in short selling of Securities; and
 - (iii) if AHS invests in Securities, AHS shall not directly or indirectly hold more than five percent (5%) of the aggregate of the equities and debt of the entity in which the investment is made.
- (b) AHS may invest in Pooled Fund units recommended by the Investment Manager where the investment policy of the fund is classified as an equity fund by the Investment Manager.
 - (c) AHS may invest in Mutual Fund units where the simplified prospectus or investment policy of the fund is classified as an equity fund.

1.7.5 Additional Bylaws Respecting Investments

- (a) AHS may be a depositor in the Government of Alberta's Consolidated Cash Investment Trust Fund, provided that it shall first obtain the approval of the Minister of Finance of the Province of Alberta.
- (b) AHS may enter into swap or forward contracts and purchase financial futures or options as may be permitted by the Enactments.
- (c) AHS may invest funds that are required to meet liabilities and operating requirements during the next three hundred and sixty five (365) days in one or more of the following:
 - (i) interest-bearing accounts managed by a deposit-taking institution in Canada;
 - (ii) Securities that are issued or guaranteed by the Government of Canada or any province and having a term no greater than one (1) year;
 - (iii) Securities that are issued by a deposit-taking institution in Canada and having a term no greater than one (1) year; or
 - (iv) money market Mutual Fund units where the investment policy of the fund ensures that at least ninety percent (90%) of the assets of the fund consist of Securities that are issued or guaranteed by the Government of Canada or any province, having a term no greater than one (1) year.
- (d) AHS shall not make direct investments in real estate or mortgages, except for mortgages that are insured mortgages.
- (e) AHS shall not borrow for the purposes of financing the purchase of Securities.

1.8 Investment Portfolio Review and Monitoring

1.8.1 Investment Manager

AHS shall appoint a qualified and competent Investment Manager to manage and administer AHS' investment portfolio. The Investment Manager shall report to the chief financial officer of AHS from time to time as directed by him or her, and to the Audit & Finance Committee as more fully described below. The Investment Manager shall ensure that the AHS investment portfolio managed or administered by the Investment Manager complies with this Bylaw.

1.8.2 Review of Investment Portfolio

The Audit & Finance Committee shall meet with the Investment Manager from time to time, and no less frequently than on an annual basis to:

- (a) review AHS' investment portfolio;
- (b) discuss the short and long-term economic and investment outlook, objectives, AHS' investment objectives, and the investment strategy to be followed by the Investment Manager;
- (c) review the shift in the asset mix since the previous meeting between the committee and the Investment Manager and shifts expected to be made in the immediate future; and
- (d) consider, assess, and give directions to the Investment Manager concerning new investments, reinvestment, and expenditure of accumulated earnings of AHS' investment portfolios.

1.8.3 Board Monitoring and Review of Investment Portfolio

- (a) The Audit & Finance Committee shall on a quarterly basis review such reports to be prepared by the Investment Manager summarizing the activities and performance of AHS' investment portfolio.
- (b) The Board may from time to time prescribe the content and frequency of additional investment portfolio reporting to AHS, the Audit & Finance Committee, and to the Board.

1.9 Board Approval

1.9.1 Each investment decision of AHS must be approved or ratified by resolution of the Board and recorded in the minutes of the meeting at which it was approved or ratified, except for:

- (a) interest-bearing accounts managed by a deposit-taking institution in Canada;
- (b) Securities that are issued or guaranteed by the Government of Canada or any province;

- (c) Securities that are issued by a deposit-taking institution in Canada; or
- (d) money market Mutual Fund units where the investment policy of the fund ensures that at least ninety percent (90%) of the assets of the fund consist of Securities that are issued or guaranteed by the Government of Canada or any province.

1.9.2 The minutes recording an investment decision shall contain the following at a minimum:

- (a) a description of the investment;
- (b) the amount of money invested or to be invested and the purpose for which the money is or is to be invested;
- (c) the terms and conditions of the investment; and
- (d) the nature of the involvement in the investment transaction of any person or entity in respect of which AHS is not dealing at arm's length.

1.10 Coming into Effect

This Investment Bylaw is effective upon approval of the Minister of Health and Wellness and replaces the Investment Bylaw approved by the Minister of Health and Wellness on April 20, 2010.

Adopted by the members of the Alberta Health Services Board this 2 day of February, 2012.

"Original signed by"

Catherine Roozen, Interim Chair

Approved in accordance with the Enactments, this 19 day of March, 2012.

"Original signed by"

Fred Horne, Minister of Health and Wellness