



FINANCIAL BYLAW

Improving Healthcare Together



FINANCIAL BYLAW

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INVESTMENT BYLAW

SECTION 1 - INTERPRETATION

1.0 Definitions

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

- a) **“Act”** means the *Health Quality Council of Alberta Act*, S.A. 2011, c. H-7.2, and any regulations made under the Act;
- b) **“Agent”** means such persons or person authorized by the board of directors or by the Chief Executive Officer to bind the Health Quality Council of Alberta or who, directly or indirectly, controls the Health Quality Council of Alberta’s funds;
- c) **“Audit & Finance Committee”** means a committee of the board of directors established to oversee the management of the financial affairs of the Health Quality Council of Alberta including those matters specified by section 4 of this Investment Bylaw;
- d) **“Board”** means the board of directors established under section 4 of the Act;
- e) **“Bylaw”** means this Bylaw;
- f) **“Cash and Cash Equivalents”** means cash, short-term securities with maturities of less than one (1) year at the time of issuance and money market mutual funds;
- g) **“Chair”** means the Member designated as the Chair by the Minister and includes a Member acting as Chair under the General Bylaw;
- h) **“CEO”** means the person appointed as Chief Executive Officer of the Council;
- i) **“Code of Conduct”** means the Health Quality Council of Alberta Code of Conduct established pursuant to section 11 of the *Alberta Public Agencies Governance Act*, S.A. 2009, c A-31.5;
- j) **“Council”** means the Health Quality Council of Alberta;
- k) **“Employee”** means any individual employed by the Council;
- l) **“Executive Committee”** means a committee established by the Board;
- m) **“Executive Director”** means such person as is employed by the Council as the immediate subordinate of the CEO and is formally recognized by the Board as the Executive Director of the Council;
- n) **“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:
 - 1. pooled fund units;

2. mutual funds;
 3. preferred shares; and
 4. insured mortgages.
- o) **“Investment Manager”** means the company, organization, or individual to whom the Board has given responsibility to manage the Council’s investment portfolio;
 - p) **“Investment Portfolio”** means securities in one or more of the following asset classes:
 - i. Cash and cash equivalents and fixed income investments with current maturities not exceeding one (1) year;
 - ii. Fixed income investments with current maturities exceeding one (1) year;
 - iii. Equities.
 - q) **“Member”** means a member of the Board;
 - r) **“Minister”** means the Minister assigned responsibility for the Act under the *Government Organization Act*;
 - s) **“Mutual Fund”** means such issuer as is considered to be a mutual fund pursuant to section 1(jj) of the *Securities Act, R.S.A. 2000 c. S-4*;
 - t) **“Non-Arm’s Length”** means a relationship or transaction where there is direct or indirect control or significant influence by one party over another party;
 - u) **“Officer”** means an Officer of the Board appointed pursuant to clauses 3.2 of the Council’s General Bylaws;
 - v) **“Pooled Funds”** means such Mutual Funds as are exempt from the obligation to register a prospectus pursuant to Part 11 of the *Securities Act R.S.A. 2000 c. S-4*;
 - w) **“Resolution”** means a resolution passed by a simple majority of the votes cast by the Members who voted in respect of that Resolution or signed by all Members entitled to vote on that Resolution;
 - x) **“Schedule 1 Bank”** means a chartered bank listed as a Schedule 1 Chartered Bank under the *Bank Act, SCC 1991, c. 46*;
 - y) **“Security”** means any instruments or document considered to be a “security” pursuant to section 1(ggg) of the *Securities Act, R.S.A. 2000 c. S-4*.

SECTION 2 – COMPLIANCE and GENERAL INVESTMENT GUIDELINES

2.0 Compliance

In relation to Investments made by or on behalf of the Council, the Council, the Board and Members shall comply with this Bylaw, subject to any and all legislative requirements, and any directives issued by the Minister. If, on the coming-into-force of this Bylaw, it is determined that the Council,

the Board or a Member or Members is or are not in compliance with any provision of this Bylaw , the Board or the Council or both shall immediately take steps to ensure compliance.

2.1 Arm's Length

The Council shall not enter into investment transactions with persons or entities in respect of which it is not dealing at arm's length.

2.2 Disclosure

2.2.1 For purposes only of this Section 2.2, a “**Council Employee**” includes any Employee, Officer, Agent or Member whether an individual or other legal entity.

2.2.2 If a Council Employee reasonably suspects or is advised that he, she or it may be found to be in a non-arm's length relationship (“**NAL Relationship**”) in relation to a transaction that is being considered, negotiated or agreed to by the Council, that Council Employee 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 Code of Conduct. Disclosure of the perceived or actual NAL Relationship must be made to an Officer, the CEO, the Executive Director or their respective designate.

2.2.3 Notwithstanding Section 2.2.2 above, if the Council enters into a transaction with a Council Employee, full disclosure of the transaction and the relationship with the Council Employee must be made by any Council Employee who knows of the transaction with the Council Employee by disclosing that information to an Officer or the CEO or such other person as is designated by the Board or by the CEO to receive such information no later than (1) day after which such information is made known to the Council Employee. The recipient of that disclosure shall report that information to the next meeting of the Executive Committee and of the Audit & Finance Committee.

2.2.4 The disclosure obligations in this section are a supplement to and do not replace or displace the rules and procedures established by the Code of Conduct.

2.3 Investment Philosophy

It is the immediate and continuing goal of the Board to ensure prudent, diversified and professional management of the Council's investment portfolio. The Board shall exercise care and adhere to prudent investment standards in making investment decisions that, in the overall context of an investment portfolio of a similar value and scope as the Council's 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 return or appreciation in value.

2.4 Investment Objectives

2.4.1 Ethical Standards

- a) Without limitation, the Council may not invest directly in entities that seek to or do profit from the development, production, and sale of tobacco products, alcohol, cannabis or asbestos. To avoid creating an actual, potential or perceived conflict of interest, the Council should also avoid investing directly in entities that seek to or do profit from the development or production of pharmaceuticals or medical equipment.
- b) Section 2.4.1 a. does not apply to investments made before this Bylaw comes into force.

2.4.2 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 cannot be assured.
- b) **Liquidity** – Council investments shall not hinder its ability to meet payment of its financial liabilities as and when they become due. The Council 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 3.0.1 below.
- c) **Return on Investment** – the Council shall require a minimum rate of return on its investments greater than the rate of return on its operating bank account. 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.

2.4.3 Fund Categories

Funds should be managed and segmented into the following categories:

- a) Unrestricted Government Funds – funds not required for specific expenditures, e.g. for general operating expenditures;
- b) Restricted Government Funds – funds designated for specific expenditures by either Alberta Health, Alberta Health Services or other provincial government entities;
- c) Restricted Non-Government Funds – funds designated for specific expenditures by non-government entities.

SECTION 3 – INVESTMENT PORTFOLIO GUIDELINES AND RESTRICTIONS

3.0 General Principles and Requirements

3.0.1 The Council investment portfolio may be comprised of the following classes of assets, with the maximum percentage of the total investment portfolio that may be invested in any one asset class indicated below:

- a) Cash and Cash Equivalents,
(with current maturities less than one year) 100%
- b) Fixed income,
(with current maturities exceeding one (1) year) 0%
- c) Equities 0%

3.0.2 The Council’s CEO or designate shall, subject to Audit & Finance Committee oversight, annually determine the optimum split between classes of assets set out above, based on prevailing market conditions, and the Council’s objectives set out in Section 2.4.2.

3.1 Investment Portfolio Asset Classes

3.1.1 Cash and Cash Equivalents Investments

- a) The Council may invest in the following Cash and Cash Equivalents:
 - i. As a depositor under Section 40 of the *Financial Administration Act*, provided that it shall first obtain the approval of the Minister of Treasury Board and Finance of the Province of Alberta;
 - ii. Short term securities with maturities of less than one (1) year at the time of issuance, issued or fully guaranteed by the Government of Canada or any province;
 - iii. Banker’s acceptances issued by a Schedule 1 Bank, pursuant to the *Bank Act S.C. 1991.c.46*;
 - iv. Guaranteed investment certificates issued by a Schedule 1 Bank, pursuant to the *Bank Act S.C. 1991.c.46*.
 - v. Short-term securities with maturities of less than one (1) year at the time of issuance, provided that they are rated R1 by the Dominion Bond Rating Service “DBRS” or equivalent by at least two (2) different rating agencies whenever possible at the time of purchase;
 - vi. Money market mutual fund units where the investment policy of the fund ensures that at least ninety percent (90%) of the fund assets 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

- vii. 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) The Council 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.

3.1.2 **Fixed Income Investments**

- a) Subject to the limits in 3.0.1, fixed income investments shall comply with the following terms, conditions and criteria:
 - i. Council 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 the DBRS or equivalent;
 - ii. Council 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 the Council's total investment portfolio be invested in corporate issued bonds and no more than ten percent (10%) of the Council's total investment portfolio may have a debt rating of BBB, as determined by the DBRS 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.

3.1.3 **Equity Investments**

- a) Subject to the limits in 3.0.1, the Council may invest in Securities listed on any Canadian Stock Exchange, provided that:
 - i. The Council does not engage in short selling of Securities, and
 - ii. If the Council invests in Securities, the HQCA 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) The Council 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) The Council may invest in Mutual Fund units where the simplified prospectus or investment policy of the fund is classified as an equity fund.

3.2 General Investment Limitations

3.2.1 The Council 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:

- 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 having a term no greater than one (1) year;
- c) Securities that are issued by a deposit-taking institution in Canada and having a term no greater than one (1) year; or
- d) Money market mutual fund units where the investment policy of the fund ensures that at least ninety per cent (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.

3.2.2 The Council shall not borrow for the purposes of financing the purchase of Securities.

SECTION 4 – INVESTMENT PORTFOLIO REVIEW and MONITORING

4.0 Investment Manager

The Council may appoint a qualified and competent Investment Manager to manage and administer the Council's investment portfolio. The Investment Manager shall report to the Council's CEO or designate from time to time as directed by her or him, and to the Audit & Finance Committee as specified by this Bylaw. The Investment Manager shall ensure that the Council investment portfolio managed or administered by the Investment Manager complies with this Bylaw.

4.1 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:

- 4.1.1 Review the Council's investment portfolio;
- 4.1.2 Discuss the short and long-term economic and investment outlook, objectives, the Council's investment objectives, and the investment strategy to be followed by the Investment Manager;
- 4.1.3 Review the shift in asset mix since the previous meeting between the committee and the Investment Manager and shifts expected to be made in the immediate future; and
- 4.1.4 Consider, assess and offer direction to the Investment Manager concerning new investments, reinvestment and expenditure of accumulated earnings within the Council's investment portfolios.

4.2 Board Monitoring and Review of Investment Portfolio

- 4.2.1 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 Council's investment portfolio.
- 4.2.2 The Board may, from time to time, prescribe the content and frequency of additional investment portfolio reporting to the Audit & Finance Committee and to the Board.

SECTION 5 – BOARD GOVERNANCE

5.0 Board Approval

Each recommended investment decision of the Investment Manager must be approved by the Audit & Finance Committee **AND** be ratified by a resolution of the Board and recorded in the minutes of the meeting at which it was approved or ratified, except for:

- 5.0.1 Interest-bearing accounts managed by a deposit-taking institution in Canada;
- 5.0.2 Securities that are issued or guaranteed by the Government of Canada or any province;
- 5.0.3 Securities that are issued by a deposit-taking institution in Canada.

5.1 Board Meeting Minutes

The Board meeting minutes recording an investment decision shall contain the following information, at a minimum:

- 5.1.1 A description of the investment;
- 5.1.2 The amount of money invested or to be invested and the purpose for which the money is to be invested;
- 5.1.3 The terms and conditions of the investment, and
- 5.1.4 The nature of the involvement in the investment transaction of any person or entity in respect of which the Council is not dealing at arm's length.

SECTION 6 – COMING INTO EFFECT

This Investment Bylaw is effective upon approval by the Minister of Health, and replaces the Investment Bylaw approved by the Minister of Health and Wellness on November 16, 2006.

Adopted by members of the Health Quality Council of Alberta Board this 28th day of October, 2020.

<Original signed by B. Windwick>

Brent Windwick, Q.C., Chair

Approved in accordance with the Enactments, this 26th day of January, 2021.

<Original signed by T. Shandro>

Tyler Shandro, Minister of Health