

Board of Directors' Meeting of August 22, 2006 Website Summary

Investment Management Strategic Plan

Decision

The Board of Directors approved the Investment Management Strategic Plan for 2006-2008.

Rationale

The Investment Management Strategic Plan allows the Finance Committee and the Board of Directors to approve the strategy for managing the investment portfolio from a total portfolio and multi-year perspective. Implementation of the plan, in compliance with the investment policy, can then be delegated to management.

With the nearing completion of the key elements of the 2005-2007 plan, being the asset mix transition and core manager structure, the current annual update shifts the focus to implementation of the satellite mandates in the portfolio. Satellite mandates are planned for real estate, mortgages, global bonds and low volatility global equities.

The updated strategic plan is consistent with achievement of the goals and objectives in the investment policy and the risk tolerance of the WCB.

Annual Investment Policy Review

Decision

The Board of Directors approved amendments to the investment policy, effective October 1, 2006.

Rationale

The investment policy was completely redrafted and approved by the Board of Directors in 2005. The Finance Committee terms of reference require an annual review of the policy.

One of the principles guiding the content of the investment policy was that the boundaries for management are clearly set by having a comprehensive permitted investments and constraints application in the policy. This gives the Board of Directors a very clear understanding of the types of investments that may be utilized in the portfolio.

It was clear when the policy was approved that minor amendments would be required as management implements the core/satellite manager structure and new satellite mandates are included in the fund. Rather than approve a wide open policy upfront, it is a better practice to make required amendments over time. This ensures that management clearly explains the purpose of the amendments and the reasons for expanding the permitted investments and the addition of new investment vehicles to the portfolio.

The amendments (Policy 01-04, Part II, Application 4, Question 3) are as follows:

1. The inclusion of commercial mortgages as a permitted investment. This will permit the implementation of a satellite mandate of commercial mortgages within the fixed income asset class. The rationale for adding a commercial mortgages satellite mandate is outlined in the 2006-2008 Investment Management Strategic Plan.
2. An amendment clarifying that a constraint on bonds rated below A- does not apply to federal and provincial issued bonds.
3. A constraint of a maximum 20% allocation to bonds issued by non-Canadian issuers. The permitted investments do not currently distinguish between Canadian and non-Canadian issuers. This is now a relevant constraint with the implementation of a new satellite mandate of global bonds being explored.
4. A constraint of a maximum 20% allocation to commercial mortgages is now a relevant constraint with the addition of mortgages as a permitted investment and an implementation of a new satellite mandate of mortgages being explored.