

Compensation Fund Investment Policy

Policy #: 004
Created: July 2016
Amended: November 2023

1.0 Policy Statement:

This policy provides the general investment goals and objectives of the Compensation Fund as well as parameters and reporting requirements that should be adhered to in order to meet these objectives.

The Compensation Fund Members have a fiduciary responsibility to the fund and its financial management.

2.0 Purpose and Scope:

The Funeral Services Compensation Fund (The Fund) was established in 1990 to reimburse consumers who had suffered a loss as a result of a prepaid contract written by an establishment licensed under the under the *Funeral Directors and Establishments Act*, the obligations of which have now been transferred to the *Funeral, Burial and Cremation Services Act, 2002*.

Funding comes from contributions made from licensees and through a return on the investments. The claims are submitted by consumers and approved by the Compensation Fund Committee. The Fund pays up to a maximum of \$40,000 to each claimant in respect of each transaction for one or more claims against any one participant. The Fund also uses its assets to pay for its administration and operation.

3.0 Financial Objectives:

The Financial objectives of the Fund are:

- 3.1.1 To preserve and protect capital.
- 3.1.2 To achieve a total rate of return sufficient to sustain any claims that the Fund may incur.

The Fund has no other financial objectives, as its mandate is to ensure consumers are protected when dealing with a licensee under the *Funeral, Burial and Cremation Services Act, 2002*.

4.0 Investment Objectives:

The investment objective of this portfolio is to provide for current income while preserving and growing the real value of the invested capital. The Fund's objective will be to outperform the established benchmark portfolio by 0.50% per annum over a four-year moving average period.

5.0 Authorized Investment Ranges:

The Fund portfolio will be managed according to the following parameters and as detailed in the investment strategy provided in Appendix A:

Asset Classes	Target (%)	Min (%)	Max (%)
Money Markets	5	0	15
Fixed Income	55	20	70
Equities	40	25	50

6.0 Reporting:

Investment Reporting

At least twice each year, the Portfolio Manager shall present, at a meeting of the Compensation Fund Committee, reports on the investment performance and actual investment strategy employed since the previous reports. In addition, the Portfolio Managers shall include a statement on the investment strategy to be employed in the next period in view of existing or anticipated economic and investment market conditions, in the following terms:

- a. Change in minimum total return over a five-year period;
- b. Change in asset mix within the above constraints;
- c. Extent to which the average term of fixed income securities should be lengthened or shortened;
- d. Changes in weightings of equities in the various groups of the TSE300 Index or other relevant index; and
- e. Any change which the Fund Manager may wish to recommend in the investment policy.

Compliance Reporting

The Portfolio Manager must submit a compliance report each quarter to the Compensation Fund Committee. This report must indicate whether or not the Portfolio Manager's portfolio was in compliance with this policy during the quarter. In the event that a portfolio is not in compliance with this policy, the Portfolio Manager must detail the nature of the non-compliance and recommend an appropriate course of action to remedy the situation to the Compensation Fund Committee who will inform the Board of Directors (the Board).

Should a Portfolio Manager wish to deviate from the asset mix guidelines, he/she must contact, in advance, the Compensation Fund Committee, who will seek the Board's approval. Should there be a sudden change in market conditions that causes the asset mix to be offside, the Portfolio Manager will immediately contact the Compensation Fund Committee for approval to remain offside or to take corrective action. The Compensation Fund Committee will then inform the Board of actions taken.

7.0 Other Policy Items

Delegation of Voting Rights

In the absence of specific written instructions from the Compensation Fund Committee to the contrary, Portfolio Managers are empowered to exercise all rights, including voting rights, acquired through investments in the investment pool. Portfolio Managers will exercise these acquired rights with the intent of fulfilling the investment policies and objectives of these funds.

Permitted Loans

Assets of the investment pool may not be loaned except at arm's length as provided for under this investment policy and its allowed investments. The Trustee under a properly approved contract with the Board may loan securities held by the investment pool. The investments of the funds may be loaned for the purpose of generating revenue for the funds, provided that there is full indemnity by the Portfolio Manager against all losses as a result of the custodian's securities lending program. Such loans must be secured by cash and/or readily marketable government bonds and treasury bills having a market value of at least 105% of the market value of the loaned securities. This market-to-market relationship must be calculated at least daily.

Conflict of Interest Guideline

For the purpose of this statement, any known or perceived conflict of interest of a Consultant, Portfolio Manager, Custodian or party to a decision must be reported to the Chair of the Compensation Fund Committee within three working days.

8.0 Amendment, Modification or Variation

This policy may be amended, varied or modified after consultation and approval by the Compensation Fund Committee.