

**Alberta WCB
Policies &
Information**

Chapter:

GENERAL POLICIES

Subject:

INVESTMENT POLICY

Authorization:

Date:

BoD Resolution 2018/07/42

November 27, 2018

APPLICATION 3: INVESTMENT OBJECTIVES

- 1. *What is WCB’s fundamental investment objective?***

The fundamental investment objective is to earn a rate of return above the actuarial required real rate of return. This is the real rate of return that needs to be earned for sufficient funds to be available to pay the Board’s liability.
- 2. *How does the expected rate of return for the portfolio compare to the actuarial required real rate of return?***

The investment portfolio’s policy target asset mix has an expected real rate of return that exceeds the actuarial required real rate of return.

The actuarial required real rate of return makes provision for adverse deviation in the liability by setting the probability of earning the required rate at between 60% and 80%. The higher the probability used the higher the provision for adverse deviation. The portfolio expected rate of return is calculated using a probability of 50%.
- 3. *Will the portfolio be actively or passively managed?***

The investment portfolio will include active management where there are perceived opportunities to exploit market inefficiencies.
- 4. *What is the target for additional return generated from active management?***

The target for additional return from active management is 70 basis points (.70%) per annum, gross of fees and expenses.
- 5. *How is the additional return target determined?***

The target for additional return is dependent upon several factors including:

 1. The asset mix and believed opportunities for adding value through active management in each asset class.
 2. The degree of sophistication employed in managing the portfolio and the approach to investing in return-seeking and/or total portfolio risk reducing strategies.
 3. The relative priority of the Board of Directors between risk reduction versus seeking additional return.

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| 6. <i>How is WCB's risk tolerance quantified?</i> | The policy target asset mix and associated risk and return characteristics are determined through an asset/liability study. Through this process the trade-off between risk and return is evaluated and WCB's risk tolerance is quantified by the expected volatility of the policy target asset mix. |
| 7. <i>Will the portfolio volatility be monitored and reported?</i> | The volatility of the portfolio will be monitored and reported to the Finance Committee and Board of Directors to monitor experienced volatility compared to expected volatility. |
| 8. <i>Will the portfolio be actively managed to target lower volatility?</i> | The investment portfolio will include active management to target lower volatility than the volatility experienced by the passive policy asset mix. |
| 9. <i>When is this policy application effective?</i> | This policy application (Application 3 – Investment Objectives) is effective January 1, 2019, except when noted otherwise in a specific policy section(s). |

Previous versions

- [Policy 0104 Part II - April 2018](#)
- [Policy 0104 Part II - January 2018](#)
- [Policy 0104 Part II - January 2017](#)
- [Policy 0104 Part II - January 2016](#)
- [Policy 0104 Part II - August 2015](#)
- [Policy 0104 Part II - January 2015](#)
- [Policy 0104 Part II - January 2014](#)
- [Policy 0104 Part II - November 2011](#)
- [Policy 0104 Part II - November 2010](#)
- [Policy 0104 Part II - November 2009](#)
- [Policy 0104 Part II - November 2008](#)
- [Policy 0104 Part II - October 2007](#)
- [Policy 0104 Part II - October 2005](#)
- [Policy 0104 Part II \(1st Issue\) - June 1998](#)