

Ministry of Finance
BRIEFING DOCUMENT

To: Honourable Carole James
Minister of Finance

Date Requested: May 24, 2019
Date Required: June 14, 2019

Initiated by: Carl Fischer
Comptroller General

Date Prepared: June 4, 2019

Ministry Contact: Diane Lianga
Executive Director
Financial Reporting and
Advisory Services Branch

Phone Number: 778-698-5428
Email: diane.lianga@gov.bc.ca

Cliff #: 382347

TITLE: Accounting for B.C. First Nations Gaming Revenue Sharing and Financial Agreement

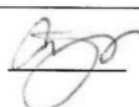
PURPOSE:

(X) DECISION REQUIRED

COMMENTS:

- The Province is negotiating a Gaming Revenue Sharing and Financial agreement with First Nations.
 - The agreement is for 25 years and transfers 7% of annual gaming revenue to First Nations.
 - The 7% of annual gaming revenues is expected to be approximately \$100 million per year.
 - The terms of the agreement need to be reviewed to determine how the payments would be accounted for by the province.
-

Executive Director approval: 

ADM approval: 

DATE PREPARED: June 4, 2019

TITLE: Accounting for B.C. First Nations Gaming Revenue Sharing and Financial Agreement

PURPOSE: s.13

BACKGROUND:

- The Province has committed to implement the United Nations Declaration on the Rights of Indigenous Peoples (A/RES/61/295), which affirms the rights of Indigenous peoples to the improvement of their economic and social conditions and which provides for governments to take effective measures to ensure such improvement.
- The Province released its "Draft Principles that Guide the Province of British Columbia's Relationship with Indigenous Peoples" (the "Principles") which address areas such as: "... the responsibility of government to change operating practices and processes to recognize these rights."
- Funding under this Agreement will be provided annually to the BC First Nations Gaming Revenue Sharing Limited Partnership (the "Partnership"). All First Nations in B.C. are eligible to become Limited Partners in the Partnership and thereby receive a stable, long-term source of funding to invest in their own communities' priorities under the umbrella of the Agreement's "Approved Purposes". The Partnership will receive 7% of annual provincial gaming revenue, representing the Province's contribution towards the costs for "Approved Purposes" under the agreement, for distribution to member First Nations.
- The funding for this agreement will be sourced from the B.C. gaming industry and was announced as part of Budget 2019.

DISCUSSION:

- The Public Sector Accounting Standards (PSAS) PS 3410 Government Transfers provides the guidance on how to account for non-exchange transactions. MIRR is the transferor in these transactions. Under PS 3410 an amount should be recorded as an expense by the transferor in the period the transfer is authorized, and all eligibility criteria are met. While a transfer may include stipulations, these do not impact the timing of recognition by the transferor.

- PSAB 3410 define Eligibility Criteria as "terms imposed by a transferring government that specify who qualifies to receive a transfer and the actions necessary to qualify for a transfer." To achieve annual expense recognition in multi-year agreements, the agreements must include eligibility criteria that are to be met annually.
- Appendix B to PS 3410 provides additional guidance on how to account for these transactions based on the type of transfer being provided. Under the standard, transfers are categorized as Entitlements, Shared Cost Agreements or Other Transfers (referred to as Grants by the Province).
- Additional guidance in PS 3200 - Liabilities is also considered when accounting for funding.

Ministry assessment

s.13

- The Agreement has terms that must be met annually in order for payments to be made. MIRR considers terms in Section 2.12 to be eligibility criteria and must be completed before payment and expense recognition can occur.

s.16

Page 4 of 7 to/à Page 5 of 7

Withheld pursuant to/removed as

s.16

s.16

OPTIONS:


- The revenue sharing arrangement could be recognized annually in the financial statements by:
 - Option #1: Establishing a legislated provision for a dedicated revenue that would be determined and authorized annually in the Estimates. s.13


s.13

RECOMMENDATION:

- Option #1: Establishing a legislated provision for a dedicated revenue that would be determined and authorized annually in the Estimates.

APPROVED / NOT APPROVED


Honourable Carole James
Minister of Finance


Date

Ministry of Finance
BRIEFING DOCUMENT

To: Honourable Carole James
Minister of Finance
and Deputy Premier

Date Requested: May 27, 2019

Initiated by: Duncan Jillings
Director, Property Taxation

Date Prepared: May 28, 2019

Ministry Contact: Shauna Sundher
Strategic Advisor
Tax Policy Branch

Phone Number: 778-698-9051
Email: shauna.sundher@gov.bc.ca

Cliff #: 382269

TITLE: Solar farm assessment and taxation issues for the 2020 tax year.

PURPOSE:

(X) For Information

COMMENTS: The Ministry of Municipal Affairs and Housing requests support from the Ministry of Finance to proceed with amendments to the *Assessment Act* and related regulations to ensure equity of the assessment and tax treatment of solar farm compared to other independent power producers.

DATE PREPARED: May 28, 2019

TITLE: Solar farm assessment and taxation issues for the 2020 tax year

ISSUE: The Ministry of Municipal Affairs and Housing requests support from the Ministry of Finance to proceed with amendments to the *Assessment Act*

BACKGROUND:

There is currently one small solar energy project operating in the province located in Kimberley. SunMine has a current capacity of 1.05 Mega-Watts (MW) s.13
s.13 . It is owned directly by the City of Kimberley and currently has a permissive exemption from property taxation.

Kimberley is now in the process of selling the SunMine assets to Teck Resources, and s.13

The sale is expected to close in 2019: if so, the project will be subject to property tax in 2020.

B.C. Assessment (BCA) has received inquiries from other potential solar project developers on how they will be assessed and taxed. BCA is working on how to value solar panels and facilities.

There are currently two issues that lead to unequal treatment of solar farms compared to other independent power producers (IPPs):

1. Valuation of improvements: Solar farms are valued at actual value, rather than special valuation rules for other IPPs.
2. What is included: Solar panels are taxable, but turbines, generators, and related controls used by wind farms and run-of-river facilities are not taxable.

s.13

DISCUSSION:

s.13

Amending the *Assessment Act* to include solar farms will put solar projects on a comparable footing with other IPPs. s.13

s.13

If the province moves forward with amendments to the *Assessment Act*, BCA would need to update the Electrical Power Group Manual to include cost rates and update factors for solar projects. These changes would need to be approved by BCA's Board.

The Ministry of Municipal Affairs and Housing has indicated they will be moving the necessary amendments to the *Assessment Act* forward in Fall 2019. They are asking for support from the Ministry of Finance in making the amendments.

s.13

OPTIONS:

s.13

RECOMMENDATION:

s.13

APPROVED / NOT APPROVED

Carole James
Minister and Deputy Premier

Date

Appendix 1

s.13

The *Assessment Act* Section 20.1 defines special valuation rules and B.C Reg 53/2016 sets depreciation rates for most IPPs. Solar farms do not seem to fall within this definition and were likely not contemplated at the time. The improvements of a solar project will default to be assessed under Section 19 of the Act at their actual or market value.

In addition, turbines, generators, and related controls used by wind farms and run-of-river facilities are excluded from the definition of improvements under B.C. Reg. 433/98 s1.2(1)(n). Solar panels do not fall within this definition and are currently assessable improvements.

Ministry of Finance

BRIEFING DOCUMENT

To: Honourable Carole James
Minister of Finance
and Deputy Premier

Date Requested: May 24, 2019

Date Required: May 31, 2019

Initiated by: Chris Dawkins
Assistant Deputy Minister
Policy and Legislation Division

Date Prepared: May 30, 2019

Ministry Contact: Timothy Prisiak
A/Director, Securities
Financial and Corporate Sector
Policy Branch

Phone Number: 778 698-5268

Email: Tim.Prisiak@gov.bc.ca

Cliff #: 382376

TITLE: s.13; s.16

PURPOSE:

(X) DECISION REQUIRED

DATE PREPARED: May 30, 2019

TITLE: s.13; s.16

ISSUE: s.13; s.16

BACKGROUND:

The CCMR Project

- In Canada, securities are regulated provincially – each province and territory has its own regulatory authority for securities. In BC the regulatory authority is the British Columbia Securities Commission (BCSC).
- During the past several decades, a number of Royal Commissions and blue-ribbon expert panels have published reports concluding Canada would benefit from a single national securities regulator.

- s.16

-

-

- s.13; s.16

-

-

s.13; s.16

The Council of Ministers, the Capital Markets Regulatory Authority (CMRA), and the Capital Markets Authority Implementation Organization (CMAIO)

- s.13; s.16
- Under the MOA, the Council of Ministers is tasked with overseeing the creation of the CMRA and the integration of all the staff from the Ontario Securities Commission (OSC) and the BCSC into the CMRA.
- s.13; s.16
- The MOA requires that certain CMRA decisions be subject to a Council vote.
- The Ontario Minister of Finance, Vic Fedeli, is the current provincial co-chair. The federal Minister of Finance, Bill Morneau, is the other co-chair.
- CMAIO is a federally organized not-for-profit corporation that was established to facilitate the transition to and implementation of the CMRA in 2015.

- The Board of CMAIO is composed of 15 members with representatives from many of the participating jurisdictions.
- CMAIO's staff are located in Toronto and the CMRA itself will also be headquartered in Toronto with several regional offices; one of which will be in BC.

Stakeholders Perceptions of the CCMR Project and CMAIO's Recent Activities

- Investor advocacy organizations including both the Foundation for the Advancement of Investment Rights (FAIR Canada) and the Canadian Association of Retired Persons (CARP) have both indicated they do not support the CCMR Project in its current form and do not feel it would provide better investor protection than the current system.
- The Investment Dealers Association of Canada has indicated to staff that the organization no longer considers this initiative to be a good use of any government's time and resources for improving Canada's regulatory regime.

s.13; s.16

DISCUSSION:

s.13; s.16

Page 11 of 36 to/à Page 15 of 36

Withheld pursuant to/removed as

s.13; s.16

s.13; s.16

APPROVED / NOT APPROVED

Honourable Carole James
Minister and Deputy Premier

Date

Page 17 of 36

Withheld pursuant to/removed as

s.13; s.16

Ministry of Finance

BRIEFING DOCUMENT

To: Honourable Carole James
Minister of Finance
and Deputy Premier

Date Requested: June 3, 2019

Date Required: June 5, 2019

Initiated by: Chris Dawkins
A/Assistant Deputy Minister
Policy and Legislation Division

Date Prepared: June 3, 2019

Ministry

Contact: Tiffany Norman
A/Director, Real Estate
Financial and Corporate Sector
Policy Branch

Phone Number: 778-698-5271

Email: Tiffany.Norman@gov.bc.ca

Cliff #: 382438

TITLE: Federal/Provincial Implications of Expert Panel on Money Laundering in
Real Estate recommendations

PURPOSE:

(X) FOR INFORMATION

Executive Director approval: _____

ADM approval: _____

DM approval: _____

DATE PREPARED: June 3, 2019

TITLE: Federal/Provincial Implications of Expert Panel on Money Laundering in Real Estate recommendations

ISSUE: Analysis of Expert Panel recommendations with federal and provincial impacts

BACKGROUND:

On May 9, 2019, the BC government released the Expert Panel's report (the report) entitled, Combatting Money Laundering in BC Real Estate. Although the Expert Panel's primary focus was on making recommendations to address regulatory gaps in the provincial regulatory framework, the report emphasizes that money laundering is a national issue that requires a combined federal and provincial response. For this reason, many of the 29 recommendations in the report target regulatory changes that would fall under the federal government's responsibility, or the responsibility of our provincial and territorial counterparts.

This note provides a high-level analysis of the recommendations included in the Expert Panel's report, specifically with respect to recommendations that the Minister may wish to raise during the upcoming Federal/Provincial/Territorial (FPT) meeting.

DISCUSSION:

Provincial Regulatory Improvements

The first 12 recommendations of the report focus on provincial regulatory improvements. While most of these recommendations are specific to BC (e.g., implementing the *Land Owner Transparency Act* as quickly as possible and implementing the recommendations of the *Real Estate Regulatory Structure Review* report), some of the recommendations would have implications for our provincial and territorial counterparts and could be raised at the upcoming FPT meeting.

These include:

Recommendation 2: The BC Minister of Finance should encourage other provincial finance ministers across the country to implement beneficial ownership of land registries that are consistent with best practices.

- The Expert Panel highlights disclosure of beneficial ownership as the "single most important measure that can be taken to combat money laundering." For

this reason, all recommendations relating to beneficial ownership should be raised at the FPT meeting.

Recommendation 4: The BC Minister of Finance should encourage other finance ministers across the country to implement the Agreement to Strengthen Beneficial Ownership Transparency and enhance the disclosure of beneficial ownership for corporations, as soon as possible.

- So far, BC is the only province that has passed legislation to implement the December 2017 Agreement to Strengthen Beneficial Ownership Transparency (the federal government has also passed amendments to the *Canada Business Corporations Act*).

Recommendation 5: The BC government should develop a discussion paper with draft legislation for consultation about the implementation of a full corporate beneficial ownership registry covering all legal persons that is consistent with best practices and that integrates with the *Land Owner Transparency Act*.

s.13

National anti-money laundering legislation and practice

Recommendations 13 – 22 relate to national strategies that would require the participation of the federal government. ^{s.13}

s.13

Recommendation 13: The BC Minister of Finance should recommend to her federal counterpart that the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA) be amended to add mortgage lenders and mortgage intermediaries to the list of reporting entities, in addition to the entities recommended by the Standing Committee on Finance.

s.13; s.16

Recommendation 14: The BC Minister of Finance should suggest that her federal counterpart consider incorporating legal professionals in the anti-money laundering framework by requiring them to report suspicious transactions to the appropriate law society under the PCMLTFA.

s.13; s.16

Recommendation 15: The BC Minister of Finance should suggest to her federal counterpart that the PCMLTFA be amended to require reporting entities in the real estate sector to conduct know-your-customer due diligence on beneficial ownership, as required for several other types of reporting entities, and that the disclosure of beneficial interest held by an individual be reduced from 25 per cent to 10 per cent.

s.13

Recommendation 16: The BC Minister of Finance should recommend to her federal counterpart that the PCMLTFA be amended to authorize FINTRAC to provide information to specified provincial regulators and anti-money laundering investigative entities.

s.13; s.16

Recommendations 17, 18, 19, and 20:

- These recommendations deal with expanding the information and feedback that is provided to reporting entities and with providing improved training and education for reporting entities.

s.13; s.16

Recommendation 21: The BC Minister of Finance should recommend to her federal counterpart that FINTRAC collect information in suspicious transaction reports sufficient to analyze the geographic location of those transactions, including both the location within Canada where the transaction occurred and, where suspicious transactions have a foreign component, the countries involved.

s.13; s.16

Data-sharing framework

Recommendations 23 – 25 deal with the creation of a data-sharing framework that can be shared with provincial and federal agencies. s.13

s.13

Investigation and collaboration

Recommendations 26 – 28 deal with the creation of a specialized financial investigations unit. s.13

s.13

Involvement of other provinces

Recommendation 29: The BC Minister of Finance should make every effort to convince her provincial colleagues of the importance of making combatting money laundering a provincial priority and using provincial finance and real estate-related regulatory changes in coordination with the federal and other provincial agencies to combat money laundering, consistent with the panel's recommendation.

- The final recommendation emphasizes the need to work across governments to effectively combat money laundering. This should be highlighted as a key message during the FPT meeting.

CONCLUSION:**Key messages for the FPT meeting**

s.13; s.16

Ministry of Finance

BRIEFING DOCUMENT

To: Honourable Carole James
Minister of Finance
and Deputy Premier

Date Requested: June 17, 2019
Date Required: July 31, 2019

Initiated by: Kari Toovey

Date Prepared: June 17, 2019

Ministry Contact: Kari Toovey
Director, Financial Institutions
Financial and Corporate
Sector Policy Branch

Phone Number: 778-698-5262

Email: kari.toovey@gov.bc.ca

Cliff #: 382871

TITLE: s.13

PURPOSE:

(X) DECISION REQUIRED

Executive Director approval: _____

ADM approval: _____

DM approval: _____

DATE PREPARED: June 17, 2019

TITLE: s.13

ISSUE: s.13

BACKGROUND:

Universal life insurance policies are a type of permanent life insurance policy. These policies are designed to take advantage of an income tax exemption on investment earnings that occur within a life insurance plan. A defining feature of universal life insurance policies is that they come with an interest-paying "side account."

Policyholders may deposit funds into the side account at any time, to be drawn upon by the insurer whenever premiums are due. This allows policyholders some flexibility to, for example, prepare for lower income in retirement or use the interest on the side account to pay for some portion of the premiums.

A universal life insurance policy allows the policyholder to pay into the plan in excess of the required premium. The side-account is used if the premiums paid exceed the amount that the Canada Revenue Agency allows to be tax-deferred. In this case, the insurer transfers the excess funds out of the policy and into the side account. Policyholders can withdraw the funds held in the side account at any time.

In the late 1990's, two insurers sold universal life policies with a guaranteed interest rate of 4-5% on the associated side accounts, reflecting the higher interest rates at that time. No limit applied to the amount of money that policyholders could deposit in the side accounts. An individual in Saskatchewan bought several of these policies from the original policyholders (re-sale of policies is permitted in Saskatchewan but not in BC), with the intention of using the side accounts as investment vehicles. When the insurers began blocking deposits into the side account, the policyholder and his partners sued the insurers.

Due to the risk of insolvency to insurers if they are forced to pay out high interest rates, an amendment was made to regulations under the Saskatchewan *Insurance Act* to prohibit very large deposits in side accounts. Specifically, policyholders can now only deposit the amount that would be required to pay future premiums and any additional amount that would qualify as tax-exempt under the *Income Tax Act*.

The outcome of the lawsuit between the insurers concerned and the policyholder was in favour of the insurers. The Saskatchewan Court of Queen's Bench interpreted the insurance contract as not allowing unlimited investments in the side account (the court determined the regulatory amendment did not apply retroactively). The decision is currently under appeal.

s.21

DISCUSSION:

Under the *Insurance Act* in BC, a policyholder cannot sell their insurance policy, and thus the risk of a side account being taken advantage of as an investment vehicle is smaller than in those provinces where policies may be re-sold. In addition, interest rates on side accounts on more modern policies are generally low, making them unlikely targets for investment.

s.13

OPTIONS:

s.13

s.13

RECOMMENDATION:

s.13

APPROVED / NOT APPROVED

Carole James
Minister and Deputy Premier

Date

Ministry of Finance

BRIEFING DOCUMENT

To: Honourable Carole James
Minister of Finance
and Deputy Premier

Date Requested: May 28, 2019
Date Required:

Initiated by: Chris Dawkins
A/Assistant Deputy Minister
Policy and Legislation Division

Date Prepared: May 31, 2019

Ministry Contact: Samar Demontigny
A/Legislative Analyst
Financial and Corporate Sector
Policy Branch

Phone Number: 778-698-1421
Email: Samar.Demontigny@gov.bc.ca

Cliff #: 382881

TITLE: Effective Date of Beneficial Owner Transparency Register

PURPOSE:

(X) DECISION REQUIRED

COMMENTS: The transparency register provisions of the *Business Corporations Act* (BCA) need to be brought into force by regulation. This note seeks direction on that timing.

Executive Director approval: _____

ADM approval: _____

DM approval: _____

DATE PREPARED: May 31, 2019

TITLE: Effective Date Beneficial Owner Transparency Register

ISSUE: The date of implementation for the requirement of BC private companies to establish a transparency register must be determined.

BACKGROUND:

The *Business Corporations Amendment Act, 2019* (Bill 24), received Royal Assent on May 16, 2019. It contains two main changes: (1) it creates a requirement to exchange outstanding bearer shares in BC companies, and (2) it creates the requirement for private companies to create and maintain a transparency register of beneficial owners. The bearer share provisions took effect on Royal Assent. The transparency register provisions do not take effect until they are brought into force by regulation.

In particular, the transparency register provisions require every private BC company to list every beneficial owner¹ of the company in the company's transparency register stored at its records office. Police, tax authorities and certain regulators will be able to access the transparency register at the company's records office.

Bill 24 accomplishes one of the government's goals outlined in the 30-Point Plan for Housing Affordability in British Columbia.² It also satisfies BC's requirement under the Finance Ministers' Agreement to Strengthen Beneficial Ownership Transparency (Agreement). The Agreement ensures companies and other legal entities cannot be used as vehicles for money laundering, tax evasion, and other criminal purposes. The Agreement committed Finance Ministers to make best efforts to implement corporate statute changes by July 1, 2019.

DISCUSSION:

BC is the first province to pass legislation establishing a requirement to create and maintain a transparency register of beneficial owners as agreed to by Canadian Finance Ministers in December 2017. The Federal government has completed its work and will be implementing its legislation before July 1, 2019.

¹ Defined as an individual who owns, directly or indirectly, at least 25% of the company or can otherwise replace a majority of the directors.

² Point 9 – taking action to end hidden ownership.

s.13

During Committee stage of Bill 24, Minister James answered that there would be a minimum of 6 months before the implementation of the transparency register legislation to allow time for private companies to comply with the requirements. This will give time for government outreach to help private companies understand and comply with the requirements.

s.12; s.13; s.14

Recommendation 3 to the Province in the Expert Panel on Money Laundering in BC Real Estate's report recommends that BC enact this legislation within a "specified, reasonable time frame."

OPTIONS:

s.13

s.13; s.14

Page 31 of 36

Withheld pursuant to/removed as

s.13

s.13

RECOMMENDATION:

- Option 2.

Attachment

APPROVED / NOT APPROVED

Carole James
Minister and Deputy Premier

Date

Page 33 of 36

Withheld pursuant to/removed as

s.16

Page 34 of 36 to/à Page 36 of 36

Withheld pursuant to/removed as

s.13



Ministry of
Finance

Office of the
Deputy Minister

MEMORANDUM

To: Honourable Carole James
Minister of Finance and Deputy Premier

Date: June 11, 2019
Cliff#382676

Re: ICBC's Pension Plan for Management and Confidential Employees

s.12; s.13

The Plan needs to be added to the Designated Institutions Regulation enacted pursuant to the *Public Sector Pension Plans Act* to become eligible; an Order-In-Council is required to make the designation. ICBC's Board has passed a resolution seeking Cabinet approval to add the Plan to the Designated Institutions list which will allow the outsourcing and management of the Plan assets to BCI.

s.12; s.13

A communications plan will be developed for you with involvement from ICBC, BCI, and the Ministries of Attorney General and Finance.

The ^{s.14} OIC is attached for consideration at the Cabinet meeting on July 3, 2019.


Lori Wanamaker
Deputy Minister

Attachments

Page 02 of 31

Withheld pursuant to/removed as

s.13; s.12

Page 03 of 31 to/à Page 06 of 31

Withheld pursuant to/removed as

s.12; s.13

Page 07 of 31

Withheld pursuant to/removed as

s.13; s.12

Page 08 of 31

Withheld pursuant to/removed as

s.12

Page 09 of 31 to/à Page 10 of 31

Withheld pursuant to/removed as

s.12; s.14

Page 11 of 31

Withheld pursuant to/removed as

s.12; s.13

Page 12 of 31

Withheld pursuant to/removed as

s.12

Page 13 of 31 to/à Page 21 of 31

Withheld pursuant to/removed as

s.12; s.13

Ministry of Finance
BRIEFING DOCUMENT

To: Honourable Carole James
Minister of Finance
and Deputy Premier

Date Prepared: June 24, 2019

Initiated by: Jim Hopkins,
ADM Provincial Treasury &
Doug Foster
ADM, Strategic Initiatives

Ministry Jim Hopkins &
Contacts: Doug Foster

Phone Number: 250 387 9295
250 387-9022

Email: Jim.Hopkins@gov.bc.ca
Doug.Foster@gov.bc.ca

Cliff #: 383017

TITLE: Transfer Management of Insurance Corporation of British Columbia's
(ICBC) Investment Assets to BC Investment Management
Corporation (BCI)

PURPOSE:

(X) FOR INFORMATION

COMMENTS: An Order in Council (OIC) is required to permit transference of investment management of ICBC's Pension Plan for Management and Confidential (M&C) Employees. This note supports the Minister of Finance in taking the s.14
s.14 OIC to Cabinet on July 3, 2019, including speaking notes. At your request we will be pleased to brief you on the OIC.

DATE PREPARED: June 24, 2019

TITLE: Transfer Management of Insurance Corporation of British Columbia's (ICBC) Investment Assets to BC Investment Management Corporation(BCI)

ISSUE: An Order in Council (OIC) is required to permit transference of investment management of ICBC's Pension Plan for Management and Confidential (M&C) Employees. This note supports the Minister of Finance in taking the s.14 OIC to Cabinet on July 3, 2019.

BACKGROUND:

s.12; s.13

s.12; s.13

ICBC Board has requested government to support an Order in Council (OIC) to permit BCI to assume responsibility for managing ICBC's M&C pension fund assets. The Order is required to designate the pension plan as a "designated institution" under the *Public Sector Pension Plans Act* (the "PSPPA") and make it eligible to be a client of BCI; an OIC is not required for ICBC to transfer the corporate investment assets because ICBC is a "government body" and authorized to do so. These transfers are expected to be executed by early 2020.

s.12; s.13

s.12; s.13

DISCUSSION:

s.12; s.13

For reference:

Appendix A provides copy of the ICBC Board resolutions leading to the request of government to support an OIC to designate the M&C pension plan under the PSPPA.

Appendix B supplies Speaking Notes for presenting the s.14 OIC to Cabinet on July 3, 2019.

Appendix C provides Questions and Answers.

The Communications Plan will come to you separately through Katie Robb at GCPE; the Plan was developed by the Ministry of Finance with input from ICBC, BCI and Ministry of Attorney General.

Appendix A

ICBC Board Resolution from June 6, 2019

Re: Transition of Investment Management Function to BCI

“That the Board of Directors, on the recommendation of the Investment Committee, approve in principle, the transition of the management of the Investment Fund and the Pension Fund for Management and Confidential Employees to the British Columbia Investment Management Corporation (BCI) subject to completion of further due diligence and successful negotiations with BCI.”

ICBC Board Resolution from June 10, 2019

“BE IT RESOLVED THAT:

Further to the Resolution of the Board of Directors of the Insurance Corporation of British Columbia dated June 6, 2019 entitled “Transition of Investment Management Function to BCI”, on the recommendation of Management, the Board of Directors hereby respectfully requests that the enactment of a regulation of the Lieutenant-Governor in Council pursuant to Section 26(2) of the PSPPA designating the “Insurance Corporation of British Columbia Pension Plan for Management and Confidential Employees” as a “designated institution” for the purposes of Part 3 of the PSPPA be put forward for consideration by the Lieutenant-Governor in Council as soon as possible.”

SPEAKING NOTES

s.13

QUESTIONS AND ANSWERS

Page 1 of 5

1. What does the Order in Council do?

- The Order in Council (OIC) designates ICBC's Management and Confidential (M&C) Pension Plan as a "designated institution" under the PSPPA, making the Plan eligible to have its financial assets^{s.13} managed by the British Columbia Investment Management Corporation (BCI).

s.13

ICBC:

2. Why is ICBC making this change?

s.13

- BCI is well-suited to take on investment risks given their resources, large investment team and their access to markets, and provides for a more robust investment management infrastructure to support a growing and more complex investment portfolio.
- As well, ICBC's financial resources could be more effectively invested in initiatives that are core to ICBC's business focus.

3. Are you expecting better returns? Will this change fix ICBC's financial challenges?

- ICBC's investment performance has been strong — this change isn't about immediately getting better returns. It is about ensuring the long-term sustainability of managing ICBC's s.13 M&C pension fund investments.

s.13

- Moving the management of ICBC's s.13 M&C pension plan investments over to BCI takes advantage of BCI's depth of staffing, financial resources, systems capacity and its wide range of expertise and investment management services.

4. Very simply, what does this mean for ICBC's customers and the M&C pension members?

The ICBC Board and its shareholder – government - have approved this change, in principal, to help ICBC to focus on its core mandate of insurance service delivery while also maximizing the return on its investment funds. s.13

s.13

5. What does the change mean for ICBC M&C employees:

The M&C pension plan will continue to be well managed under BCI and the move will help maximize returns in the future for M&C employees and retirees. Moving the pension fund investment assets over takes advantage of BCI's depth of staffing, financial resources and its wide range of expertise and investment management service.

6. Is the ICBC pension plan financially sound? Is this change needed to address financial issues of the Fund?

As of March 31, 2019, the funding valuation from the actuary reported a going concern ratio of 138.9% which is very healthy. The decision to outsource investment management to BCI has nothing to do with the financial health of the pension fund. We expect the change to support continuance of a financially sound fund.

s.13

QUESTIONS AND ANSWERS (Continued)

Page 3 of 5

s.13

12. What is the size of ICBC's pension fund for management and confidential (M&C) employees?

- ICBC's pension fund assets for M&C employees is valued at ^{s.13}

13. How many M&C employees currently work at ICBC and how many people are currently drawing from the pension fund?

- Approximately 1,280 Management & Confidential (M&C) employees work for ICBC. There are approximately 860 retired M&C employees.

14. When will this change take effect? What's the transition plan?

- A transition plan is being prepared with a focus on investment asset transition taking place over several months. ICBC's investment portfolios are very broad and complex and it will take time to complete this in an orderly way.

s.13

s.13

19. Can BCI adequately service the ICBC account without detracting from the service levels, or product offerings for other clients?

- Yes. BCI can provide the full range of services to the client relationship. ICBC's investment portfolios generally align to BCI's investment products.

20. Are ICBC investment policies, expectations, and objectives consistent with BCI's services, philosophy and products?

- Yes. ICBC has reviewed ICBC'S Investment Policy Statement and objectives and determined they are consistent. During the due diligence process, BCI provided a complete outline of its capabilities with respect to the client's requirements and expectations.