NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND

Activity Plan
For the Period
April 1, 2020 to March 31, 2023

BOARD OF TRUSTEES
NEWFOUNDLAND AND LABRADOR
GOVERNMENT SINKING FUND

TREASURY MANAGEMENT DIVISION
DEPARTMENT OF FINANCE
CONFEDERATION BUILDING
P.O. BOX 8700
ST. JOHN'S, NL A1B 4J6

Honourable Siobhan Coady
Minister of Finance
Government of Newfoundland and Labrador
Confederation Building
St. John's, NL A1B 4J6

Dear Minister Coady:

The Newfoundland and Labrador Government Sinking Fund administers the sinking funds established by the Province of Newfoundland and Labrador for the repayment of the Province's debenture debt.

Pursuant to the provisions of the **Transparency and Accountability Act**, the entity is required to develop a three-year Activity Plan. The Board of Trustees is accountable for the preparation of this Plan and the achievement of the Plan's objective. In the development of this plan, careful consideration was given to the Strategic Directions of Government. While the activity of the Board of Trustees generally supports responsibilities with respect to the stewardship of public money and management of funded debt, it was determined that the Strategic Directions are not directly applicable to its operations.

This plan provides an overview of the Newfoundland and Labrador Government Sinking Fund and identifies the key issue of the Board of Trustees during the fiscal periods covered in the Plan.

Sincerely,

PAUL SMITH CPA, CA, CMA
Chair

Newfoundland and Labrador
Government Sinking Fund
2021-2023 Activity Plan

Overview

The Newfoundland and Labrador Government Sinking Fund was created pursuant to the **Financial Administration Act** to consolidate and administer sinking funds established for the repayment of the Province's debenture debt. The Province has established sinking funds for some of its long term debenture issues and the annual contributions to these sinking funds are invested under the direction of the Board of Trustees of the Newfoundland and Labrador Government Sinking Fund, appointed by the Lieutenant Governor in Council to manage and control the day to day operation of the sinking funds. The Board of Trustees consists of the incumbents in four senior public service positions with the Department of Finance as follows:

Mr. Paul Smith	Deputy Minister
Ms. Theresa Heffernan	Assistant Deputy Minister Treasury Management & Budgeting
Vacant	Director, Treasury Management
Mr. Thomas Nemec	Manager, Treasury

The Newfoundland and Labrador Government Sinking Fund operates with a March 31 fiscal year end and the results of its activities are fully consolidated in the Province's annual financial statements.

Mandate

The mandate of the Board of Trustees is to manage and control the operational activities of the Newfoundland and Labrador Government Sinking Fund and the sinking funds of certain Crown corporations where the Province has guaranteed the related debt (i.e. Newfoundland and Labrador Municipal Financing Corporation and the Eastern Regional Health Authority). These activities include setting investment policy, investment of funds and the monitoring of such. These funds are invested in accordance with the **Financial Administration Act***,* primarily in bonds, debentures or other securities issued or guaranteed by the Government of Canada, the government of a province of Canada, or a chartered bank, with the goal of earning the maximum return from investment of the portfolio while ensuring security of the funds.

Sources of Funding

For debenture issues which have sinking fund requirements, the Province makes the required sinking fund contributions to the Board of Trustees. In each of the years 2020-21, 2021-22 and 2022-23, these contributions will amount to approximately $44 million annually, based upon debt outstanding at March 31, 2020. Sinking fund contributions are invested and the interest earnings, less an amount to cover administrative costs, are re-invested.

The Newfoundland and Labrador Government Sinking Fund's day-to-day activities are managed by employees of the Department of Finance and the Sinking Fund is invoiced quarterly by the Province for reimbursement of these expenses on a cost-recovery basis.

Priorities

The Newfoundland and Labrador Government Sinking Fund supports the Department of Finance in its responsibilities related to stewardship of public money and fiscal management by the investing of funds in accordance with parameters set out in the **Financial Administration Act**. The unpredictable nature of the investment market, together with the current low interest rate environment of today's financial markets, continues to challenge the Board of Trustees in its mandate to ensure that the investment strategy maximizes the rate of return earned on its investment portfolio, while at the same time, protects the security of the sinking funds.

The Board of Trustees is committed to fulfilling its mandated responsibilities. As such, it will provide annual reports detailing the activities it undertook during each fiscal year covered by the Plan (March 31, 2021, March 31, 2022 and March 31, 2023) in compliance with its mandate.

Objective: By March 31, 2021, 2022 and 2023, the Board of Trustees will have continued with the prudent investment of the assets of the Fund.

Indicator: The assets of the Fund prudently invested in accordance with the **Financial Administration Act** as evidenced by the completion of periodic reviews of reports to the Board.