

# Investment Policy

## Shared Risk Plan for Academic Employees of the University of New Brunswick

June 2022

APPROVED on this 28 day of  
June 2022



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*Jennifer Morrison*  
on behalf of the Board of Trustees

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## Section 1—Overview

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### 1.01 Purpose of Statement

This Investment Policy (the “Policy”) provides the framework for the investment of the assets (the “Fund”) held in respect of the Shared Risk Plan for Academic Employees of the University of New Brunswick (the “Plan”). This Policy, jointly with the funding policy (the “Funding Policy”) is an integral part of the management of the Plan.

The Plan is registered with the Superintendent of Pensions of New Brunswick and with Canada Revenue Agency. Under the *Pension Benefits Act (New Brunswick) (the “Act”)*, and Regulations, the Plan is required to prepare and file an Investment Policy with the Superintendent of Pensions of New Brunswick.

### 1.02 Background of the Plan

The Plan was established January 1, 1993 to provide pension and ancillary benefits for eligible academic employees of the University of New Brunswick (the “University”) for their service from January 1, 1993. Academic employees of the University were previously covered under the *New Brunswick Public Service Superannuation Act (“PSSA”)*. Benefits accrued under the PSSA for service prior to January 1, 1993 are now provided by the Public Service Shared Risk Plan (“PSSRP”).

Effective July 1, 2013, the Plan has been converted to a shared risk plan pursuant to the Act. All contributions, for base and ancillary benefits, are shared by the University and Members on a 50%/50% basis. Contributions can be increased or decreased by the Board of Trustees in accordance with the Funding Policy. Similarly, benefits can be increased or decreased by the Board in accordance with the Funding Policy.

### 1.03 Objective of the Plan

The purpose of the Plan is to provide secure, but not guaranteed, pension benefits to Members of the Plan with a risk focused management approach to deliver a high degree of certainty that Base Benefits can be met in the vast majority of potential future economic scenarios.

### 1.04 Objective of the Fund

Consistent with the purpose of the Plan, the primary goal of the Fund is to provide a secure source of assets to meet present and future obligations accumulated on behalf of the Plan participants. The Fund must provide levels of returns to allow adequate benefit levels. The Fund should be prudently managed to meet both the primary and secondary risk management goals in accordance with the Funding Policy.

### 1.05 Administration

The Board of Trustees (the “Board”) is responsible for the administration of the Plan.

## Section 2—Administration

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### 2.01 Definitions

The Definitions and the parameters of this policy shall follow the regulations under the Act.

### 2.02 Delegation of Responsibilities

Overall responsibility for the Plan ultimately rests with the Board. In fulfilling its responsibilities, the Board may delegate to or otherwise utilize employees of the University where appropriate. The Board shall retain responsibility and utilize suitable personnel for such activities and monitor the activities undertaken by the selected personnel. Any reference in the Policy to the Board shall be interpreted as including the appropriate delegate.

The Board has delegated certain functions relating to the management and administration of the Plan's assets to external organizations, as outlined below:

- (a) **Outsourced Chief Investment Officer (OCIO) / Investment Manager**  
The Board has delegated certain duties of managing the investments of the Plan to the OCIO (Vestcor, an outside investment management firm) who will serve as the Investment Manager and be responsible for the implementation, monitoring and reporting of the Plan's assets in accordance with the investment strategy decision.

The OCIO/Investment Manager will:

- (i) Invest the assets of the Fund in accordance with this Policy;
- (ii) Choose brokers to execute investment transactions in the effective manner and in the best interest of the Fund's beneficiaries;
- (iii) Provide periodically, but no less than quarterly, lists of assets and such other information as may be requested by the Board;
- (iv) Meet with the Board as required and provide written reports regarding their past performance, their future strategies and other issues as requested;
- (v) Provide quarterly compliance reports (see section 5.02); and
- (vi) Fulfil all other terms of the investment management agreement between Vestcor and the Plan.

- (b) **Investment Consultant**

The investment consultant will:

- (i) Assist the Board in developing a prudent long-term asset mix and specific investment objectives and policies;
- (ii) Support the Trustees on any investment related matters, as needed.

- (c) **Actuary**  
The actuary will:
  - (i) Perform actuarial valuations of the Plan as required;
  - (ii) Advise the Board on any matters relating to the Plan design, membership, funding and contribution rates; and
  - (iii) Assist the Board on any other actuarial matters, as needed.
  
- (d) **Legal Counsel**  
The legal counsel will:
  - (i) Provide legal advice to the Board regarding compliance with relevant legislation;
  - (ii) Assist the Board in preparing amendments from time-to-time to the Pension Plan text; and
  - (iii) Provide legal counsel on a range of issues including plan design, and compliance with regulatory requirements.
  
- (e) **Auditor**  
The auditor will provide annual audited financial statements of the Plan.

The Board has the authority to retain other consultants/agents, as it deems necessary from time to time.

## **2.03 Conflicts of Interest**

- (a) **Responsibilities**  
This standard applies to the Board, as well as to all agents employed by them, in the execution of their responsibilities under the Act (the “Affected Persons”).

An “agent” is defined to mean a company, organization, association or individual, as well as its employees who are retained by the Board to provide specific services with respect to the investment, administration and/or management of the Plan.

- (b) **Disclosure**  
In the execution of their duties, the Affected Persons shall disclose any material conflict of interest relating to them, or any material interest, direct or indirect, in any matter in which the Fund is concerned or may benefit materially from knowledge of, participation in, or by virtue of an investment decision or holding of the Fund, which could impair their ability to render unbiased advice, or to make unbiased decisions, affecting the administration of the Fund.

Further, it is expected that no Affected Person shall make any personal financial gain (direct or indirect) because of his or her fiduciary position. However, normal and reasonable fees and expenses incurred in the discharge of their responsibilities are permitted if documented and approved by the Board.

No Affected Person shall accept a gift or gratuity or other personal favour, other than one of nominal value, from a person with whom the Affected Person deals in the course of performance of his or her duties and responsibilities for the Board.

It is incumbent on any Affected Person who believes that he/she may have a conflict of interest, or who is aware of any conflict of interest, to disclose full details of the situation to the attention of the Co-Chairs of the Board immediately. The Co-Chairs, in turn, will decide what action is appropriate under the circumstances but, at a minimum, will table the matter at the next regular meeting of the Board. Every disclosure of interest under this Section shall be recorded in the minutes of the relevant Board meeting.

No Affected Person who has or is required to make a disclosure as contemplated in this Policy shall participate in any discussion, decision or vote relating to any proposed investment or transaction in respect of which he or she has made or is required to make disclosure.

The failure of a person to comply with the procedures, described in this Section, shall not of itself invalidate any decision, contract or other matter.

The Board shall satisfy itself that an appropriate policy regarding conflicts of interest exists and is followed by any Investment Manager. As a minimum, the Code of Ethics and Standards of Professional Conduct adopted by the CFA Institute shall be expected to apply to such Investment Manager.

#### **2.04 OCIO/Investment Manager Review**

An important element in the success of this policy is the link between the OCIO/Investment Manager and the Board. It is expected that the OCIO/Investment Manager will communicate with the Board whenever necessary between regularly scheduled meetings.

Meetings between the OCIO/Investment Manager and the Board will be scheduled regularly. At each meeting, it is expected that the OCIO/Investment Manager will prepare a general economic and capital markets overview and a discussion of portfolio strategy, which will be distributed prior to the meeting.

#### **2.05 Dismissal of the OCIO/Investment Manager**

Reasons for considering the termination of the services of the OCIO/ Investment Manager include, but are not limited to, the following factors:

- (a) Performance results which are below the stated performance benchmarks;
- (b) Change in the OCIO/Investment Manager's personnel, firm structure and investment philosophy, style or approach which might adversely affect the potential return and/or risk level of the portfolio; and/or
- (c) Failure to adhere to this Policy.

#### **2.06 Voting Rights**

The responsibility of exercising and directing voting rights acquired through the investments of the Fund shall be delegated to the OCIO/Investment Manager. The OCIO/Investment Manager shall be required to provide a copy of its Responsible Investment Guidelines including proxy voting policy to the Board.

Any voting rights related to Pension Fund investments shall be the responsibility of the OCIO/Investment Manager, which shall vote in accordance with their Responsible Investment Guidelines.

## **2.07 Valuation of Investments Not Regularly Traded**

Investment in marketable securities shall be valued by the OCIO/Investment Manager no less frequently than daily at their market value at that time. Investments in Pooled Funds holding publicly traded securities shall be valued according to the unit values published by the OCIO/Investment Manager. The OCIO/Investment Manager shall be responsible for recording the unit values in the Plan's account. Annuities will be valued by the Plan actuary in a manner consistent with the assumptions used for determining the Plan liabilities.

If a market valuation of an investment is not readily available, an estimate of fair value shall be supplied by the OCIO/Investment Manager no less frequently than quarterly. Such fair value may be determined by reference to the most recent independent expert appraisal or by other means such as discounted cash flow or comparison with similar assets which are publicly traded. In all cases the methodology should be applied consistently over time and consistent with generally accepted accounting standards, where applicable.

## **2.08 Policy Review**

This Policy must be reviewed within nine months after the end of each plan year but may be reviewed and amended at any time. The Board must formally review and approve any changes. Elements to consider:

- (a) The liabilities of the Plan;
- (b) The primary and secondary risk management goals (a change in this Policy that negatively impacts the primary risk management goal may only be made if the primary risk management goal continues to be met after the change);
- (c) The assets and net cash flow of the Fund;
- (d) The current asset mix of the Fund;
- (e) The investment performance and management of the Fund and the OCIO/Investment Manager relative to the objectives of the Policy;
- (f) Portfolio holdings;
- (g) The fees and expenses incurred in managing the Fund; and
- (h) Compliance with this Policy.

Following such review, the Board shall take such action as it deems prudent and appropriate.

## Section 3—Permitted and Prohibited Investments

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### 3.01 General Guidelines

The investment of the Fund assets must comply with the requirements and restrictions set out in the Act and the *Income Tax Act (Canada)*, and their respective Regulations.

The Fund is invested in one or more pooled funds, each of which is governed by the terms of its own Statement of Investment Policies, or similar document. The OCIO/Investment Manager of these pooled funds is therefore permitted to invest within the bounds described in those documents.

The Board must satisfy itself that the investment policy of such pooled fund is consistent with this Policy. For greater clarity, before adding a pooled fund to the investment structure of the Fund, the investment policy of such pooled fund should be reviewed by the Board. What are outlined below are the general investment criteria that the Board is comfortable with.

### 3.02 Permitted Investments

In general, and subject to the restrictions stated throughout Section 3, the Investment Manager may invest in any of the following asset classes and in any of the investment instruments listed below:

- (a) **Canadian and Foreign Equities**
  - (i) Common and convertible preferred equity listed on a recognized stock exchange;
  - (ii) Debentures and exchange-listed securities convertible into common equity;
  - (iii) Rights, warrants and special warrants for common or convertible preferred stock;
  - (iv) Instalment receipts;
  - (v) Interest in limited partnerships;
  - (vi) Units in publicly traded real estate investment trusts (“REITs”) and income trusts that are reporting issuers under the applicable securities legislation in Canada and that are governed by the laws of a province in Canada that limits the liability of unitholders by statute;
  - (vii) American Depository Receipts and Global Depository Receipts;
  - (viii) Exchange traded index-participation units (eg. iUnits; SPDRs); and
  - (ix) Short sales on the above securities are allowed to be executed.



- (b) **Canadian and Foreign Fixed Income**
  - (i) Bonds, debentures, notes, coupons or other debt instruments of governments and corporations (public and private);
  - (ii) Asset-backed securities and mortgage-backed securities;
  - (iii) Guaranteed investment contracts or equivalent financial instruments of Canadian insurance companies, trust companies, banks or other eligible issuers;
  - (iv) Mortgages secured by properties;
  - (v) Term deposits or similar instruments of Canadian trust companies and banks;
  - (vi) Interest in limited partnerships; and
  - (vii) Private placements of bonds and asset-backed securities subject to Section 3.03(c) below.
  
- (c) **Real Assets**
  - (i) Property or infrastructure, whether held directly or through open or closed-end pooled funds.
  
- (d) **Cash and Short-Term Investments**
  - (i) Cash on hand and demand deposits;
  - (ii) Treasury bills issued by the federal and provincial governments and their agencies;
  - (iii) Obligations of trust companies and Canadian and foreign banks chartered to operate in Canada, including bankers' acceptances with a term to maturity of one year or less;
  - (iv) Floating rate notes;
  - (v) Repurchase agreements with a term to maturity of one year or less;
  - (vi) Commercial paper and term deposits with a term to maturity of one year or less; and
  - (vii) U.S. Government treasury bills.
  
- (e) **Derivatives**
  - (i) Futures and options that are regularly traded upon recognized public exchanges or other organized public trading facilities where market prices are readily available;
  - (ii) Forwards, options and swap contracts on currency, rates, equities or other investments with financial institutions whose quality rating is "A" or better;

- (iii) Forwards and options, as long as these are supported with a sufficient amount of physical exposure or cash underlay in the event the option is exercised and the underlying assets need to be sold or purchased; and
  - (iv) Short futures in equity markets, as long as the total exposure for each market individually remains within the limits set in this policy.
- (f) **Other Investments**
- (i) Deposit accounts of the custodian can be used to invest surplus cash holdings;
  - (ii) Investments may be made in pooled funds with the prior approval of the Board; and
  - (iii) The Plan may not invest in categories of assets or instruments not specifically provided for in this Section including but not limited to mineral rights, bullion or collectibles.

The Fund shall not, directly or indirectly, be invested in securities of a listed person as defined by the United Nations Suppression of Terrorism Regulations or be loaned to or used for the benefit of such a person.

### 3.03 Portfolio Diversification and Constraints

The Board and/or OCIO shall ensure that the diversification requirements in each Manager's mandate or investment policy, in combination with the amount of assets allocated to each Manager or Pooled Fund, are consistent with the limits outlined in this Section.

Unless otherwise indicated, all percentages used in this Section shall be calculated using market values at the time of acquisition.

Further constraints are documented in the *Act*. For greater certainty, in respect of the Fund and except as permitted under the *Act*:

- (i) No more than 10% of the book value of the Fund or any Pooled Fund shall be invested in any one entity or related person;
- (ii) The Fund shall not acquire securities of a corporation to which are attached more than 30% of the voting rights of any corporation;

and

(a) **In respect of the public equity portfolios of the Fund or any public equity Pooled Fund:**

- (i) All holdings shall be listed on a public exchange or convertible or exchangeable into such securities;
- (ii) Neither the Manager nor the Funds may take part in the management of any business in which the Funds invest;

- (iii) Holdings shall be diversified by company, region, industry, currency and country; however, consideration may be given to the relative sizes of economic activity and stock market capitalization;
  - (iv) In respect of any Canadian income trust and Canadian real estate investment trust, unless the unit of such trust is held within a Pooled Fund and the agreements governing the Pooled Fund state that the investors in that Pooled Fund cannot be held personally liable for the obligations of the trust or the trustee, such trust:
    - must be a reporting issuer under the applicable securities legislation in Canada;
    - must be governed by the laws of a province that limits the liabilities of unit holders by statute; and
    - the agreements governing any such trust must state that beneficiaries cannot be held personally liable for the obligations of the trust or the trustee.
- (b) **In respect of the private equity portfolio of the Fund or any private equity Pooled Fund:**
- (i) Private equity investments will be primarily made through structured vehicles such as a limited partnerships;
  - (ii) Investments are to be diversified by manager, geographic region, vintage year, and life cycle stage (i.e. buy-outs, venture capital, secondary transactions), while recognizing that the illiquid nature of this type of investment may result in some concentration from time to time;and
  - (iii) Private equity investments must be primarily domiciled in Canada, the United States, or MSCI EAFE countries. It is understood however that the profile of investment vehicles in the private equity industry is opportunistic in nature and may therefore have some exposure to countries outside of these primary limitations.
- (c) **In respect of the Fixed Income portfolio of the Fund or any Fixed Income Pooled Fund:**
- (i) All securities must be readily marketable (i.e. - in normal circumstances they should be capable of liquidation within 3 months);
  - (ii) All mortgages shall rank as first secured mortgages and must not be subordinated to any other debt;
  - (iii) The aggregate amount of each mortgage cannot exceed 70% of the appraised value of the subject real estate at the time of last advance or renewal;
  - (iv) All mortgages shall be guaranteed under the *National Housing Act*;
  - (v) Securities rated below “BBB (low)” or equivalent at the time of purchase are not permitted;

- (vi) The aggregate duration of the portfolio shall be maintained within 1.5 years of each mandate's benchmark;
  - (vii) No more than 5% shall be invested in any one corporation or security with the exception of those issued or guaranteed by a government, a province or by a state having at least an "A" rating;
  - (viii) Notwithstanding the above restrictions, opportunistic investments in public or private fixed income are permitted in amounts up to 10% of the total fixed income portfolio. These may include non-investment grade debt instruments, notes, and debentures denominated in any currency; and
  - (ix) Such opportunistic investments will be benchmarked at the time an investment is made using an applicable blend of the relevant benchmarks for Canadian government, Canadian corporate bonds, and Global High Yield bonds, as described in s. 5.01, that reflect the underlying credit risk of the investments.
- (d) **In respect of the Real Assets portfolio of the Fund or any Real Assets Pooled Fund:**
- (i) Holdings shall be diversified by location and type of use.
- (e) **In respect of Derivatives:**
- (i) Any use of Derivatives must be in accordance with a policy that has been specifically considered and approved by the Board whether done directly in the Fund or in a Pooled Fund;
  - (ii) Derivatives may be used only to:
    - create an asset mix position within the ranges and among the asset classes set out in this Policy;
    - adjust the duration and/or credit exposure of the Fixed Income portfolio within the ranges set out in this Policy;
    - replicate the investment performance of interest rates or a recognized capital market index;
    - increase the Fund's current revenue by selling covered calls;
    - manage the currency exposure of foreign property; or
    - reduce risk as part of a hedging strategy;
    - but, in no event, may Derivatives be used to leverage the Fund other than as outlined in the Vestcor Investment Entities Profiles
  - (iii) Derivatives may not be used to create exposures to securities which would not otherwise be permitted under this Policy or which would be outside the limits under this Policy had the exposure been obtained in the cash markets; and

- (iv) Any Investment Manager investing in Derivatives must determine the market value of that Investment Manager's exposures on a daily basis.
- (f) **In respect of Cash Equivalents:**
  - (i) All Cash Equivalents, including those held within the portfolios for each asset class at the discretion of the Investment Manager, shall have a minimum credit rating of "R-1 (low)" or equivalent and be readily marketable or redeemable at the time of purchase.
- (g) **Pooled Fund Investments**  
An investment by the Fund in a single pooled fund should not exceed 10% of the market value of that fund unless provision has been made to transfer assets out of the fund "in kind".

For purposes of this Section, all debt ratings refer to the ratings of Dominion Bond Rating Service unless otherwise indicated, however, equivalent ratings by another major credit rating agency can be used.

Unrated securities will be assumed to fail the credit ratings referred to in this Section.

### **3.04 Prior Permission Required**

The following investments are permitted provided that prior permission for such investments has been obtained from the Board:

- (a) Direct investments in venture capital financing; and
- (b) Derivatives other than those described in Section 3.02(e).

No investment should be made or retained which could result in the imposition of any tax or penalty under the *Pension Benefits Act (New Brunswick)* or the *Income Tax Act (Canada)*.

No part of the Fund shall, directly or indirectly be invested in securities of a listed person as defined by the United Nations Suppression of Terrorism Regulations or be loaned to or used for the benefit of such a person.

### **3.05 Loans and Borrowing**

No part of the Fund shall be loaned to any party, other than by:

- (a) Purchasing securities which otherwise meet the requirements of this Policy for Fixed Income or Cash Equivalent;
- (b) Lending of the portion of the Fund's assets held in a pooled fund is governed by the terms of the conditions set out in the pooled fund Statement of Investment Policies and Goals; or
- (c) Entering into repurchase agreements provided that the market value of the collateral held equals or exceeds the repurchase price plus accrued interest each day and the collateral otherwise qualifies for investment under this policy.

Other than as outlined in the Vestcor Investment Entities Profiles, money shall not be borrowed on behalf of the Plan and the Plan's assets shall not be pledged or otherwise encumbered in respect thereof, except:

- (a) For the payment of refunds, benefits or administration costs of the Plan to the extent that such borrowing is limited to the lesser of:
  - (i) The aggregate of such disbursements in any one month; and
  - (ii) The amount of that year's current service contribution receivable but not yet received; and
  - (iii) That the term of the borrowing does not exceed 90 days.
- (b) For and to the extent of temporary overdrafts that occur in the course of normal day-to-day portfolio management.
- (c) Where real asset investments may act as collateral for debt financing related to their specific capital structure.

## Section 4—Asset Mix and Diversification Policy

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### 4.01 Long Term Strategic Investment Objective

The long-term investment objective of the Fund is to achieve a minimum rate of return including capital gains and interest, dividend and rental income, but net of investment expenses, which allows the plan to reach its objectives, particularly with regards to indexation, when averaged over one or more complete market cycles (5-10 years).

### 4.02 Return/Risk Considerations

The risk inherent in the investment strategy over a market cycle (a five to ten-year period) is three-fold. There is a risk that long-term market returns will not be in line with expectations. To the degree that an active management style is employed, there is a risk that the added return expected of active management over passive management will not be realized, or will be negative. There is also the risk of annual volatility in returns which means that in any one year the actual return may be very different from the expected long-term return and that such return may also be negative.

Notwithstanding the above, the biggest risk is that the primary and secondary risk management goals are not met and that the Board will need to take corrective action in accordance with the Funding Policy.

### 4.03 Asset Allocation Guidelines

#### (a) Considerations

In identifying the Normal Allocation as set out in paragraph (b) that would best meet the return/risk objectives, consideration was given to:

- (i) The objectives of the Fund outlined in Overview of the Plan;
- (ii) The long-term nature of the liabilities;
- (iii) The open group funded ratio and the expected cash flows for the base benefits and ancillary benefits;
- (iv) The long-term return expectations and the risks associated with key asset classes, as well as the relationships of their returns with each other, inflation and interest rates; and
- (v) Practical considerations.

(b) **Asset Mix**<sup>1</sup>

Over complete market cycles the allocation is expected to stay within the following ranges and to approximate the Normal Allocation.

<b>Asset Classes</b>	<b>Minimum %</b>	<b>Normal Allocation %</b> <sup>2</sup>	<b>Maximum %</b>
Canadian Equity <sup>3</sup>	0.0	3.0	5.0
Global Equity <sup>3</sup>	12.0	14.5	18.0
Emerging Market Equity <sup>3</sup>	3.0	4.5	6.5
Small Cap Equity <sup>4</sup>	0.0	2.0	4.0
Private Equity	2.5	5.0	7.5
<b>Total Equities</b>	<b>17.5</b>	<b>29.0</b>	<b>41.0</b>
Real Estate	12.5	15.0	17.5
Infrastructure	9.0	12.0	15.0
<b>Total Real Assets</b>	<b>21.5</b>	<b>27.0</b>	<b>32.5</b>
Canadian Fixed Income <sup>5</sup>	27.0	35.0	42.0
Global High Yield	2.5	9.0	11.5
Short Term Investments	0.0	0.0	2.0
<b>Total Fixed Income</b> <sup>6</sup>	<b>29.5</b>	<b>44.0</b>	<b>55.5</b>
<b>Absolute Return Overlay</b> <sup>7</sup>	<b>0.0</b>	<b>5.0</b>	<b>10.0</b>

For purpose of the Total Fund asset mix described above, the Investment Managers' asset class pooled funds are deemed to be 100% invested, even though these funds may contain a portion held in cash & cash equivalent instruments.

(c) **Absolute Return Strategies**

Absolute Return portfolios will use macroeconomic and industry themes to develop investment strategies that are not directly correlated to equity indices. Net individual company securities will not exceed 10.0% of the Absolute Return portfolio. Sufficient underlay will be held for operational purposes.

(d) **Asset Mix Rebalancing**

The range around the Normal Allocation allows time to make the decisions on how to best manage the shorter-term asset mix as well as ensuring that this Policy is respected. The actual asset mix and Investment Manager allocation will vary from the Normal Allocation as a result of the relative performance of capital markets and Investment Managers.

<sup>1</sup> Normal allocation and range of minimum and maximum allocations to each asset class were adopted by the Board in its February 25, 2022 meeting.

<sup>2</sup> The asset mix will transition towards the Normal Allocation target based on economic conditions and investment opportunities.

<sup>3</sup> Low Volatility Equities.

<sup>4</sup> 25% Canadian and 75% Global Developed Markets (ex Canada).

<sup>5</sup> 50% Canadian Government and 50% Canadian Corporate.

<sup>6</sup> Alternative fixed income permitted up to 10% of the total fixed income portfolio.

<sup>7</sup> Notional assets will be approximately 5% of the total portfolio.



If the asset mix deviates outside the above ranges at the end of any quarter, corrective action shall be taken to bring the asset mix back within the range as soon as practicable.

## Section 5—Monitoring and Control

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### 5.01 Performance Measurement

For purposes of evaluating the performance of the Fund, and the Investment Managers, all rates of returns are measured over moving four-year moving periods. Return objectives are gross of fees and include realized and unrealized capital gains or losses plus income from all sources. Returns will be measured quarterly and will be calculated as time-weighted rate of return.

(a) **Total Fund**

The performance of the Total Fund, based on the fair value of assets, will be measured on a quarterly basis against the benchmark portfolio return.

The benchmark portfolio return will be calculated by multiplying the index rates of returns for all asset classes in s. 5.01(b) by the respective benchmark weights in s. 4.03(b) (normal allocation).

The primary objective of the Fund is to earn a rate of return that exceeds the rate of return earned on the Benchmark portfolio, net of fees.

(b) **Asset Classes and Respective Benchmarks**

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<b>Asset Class</b>	<b>Benchmark</b>
<b>Equities</b>	
Canadian Low Volatility Equity	MSCI Canada Minimum Volatility Total Return Index, Gross
Canadian Small Cap Equity	S&P/TSX Small Cap Total Return Index
Global Low Volatility Equity (ex Canada)	MSCI World (ex. Canada) Minimum Volatility Total Return Index in \$C, Net
Global Developed Markets Small Cap (ex Canada)	MSCI World (ex. Canada) Small Cap Total Return Index in \$C, Net
Emerging Markets Low Volatility Equity	MSCI Emerging Markets Minimum Volatility (USD) Total Return Index in \$C, Net
Private Equity	MSCI World Total Return Index in \$C, Net
<b>Real Assets</b>	
Real Estate	MSCI/REALPAC Canada Quarterly Property Fund Index (Levered), Net Total Return
Infrastructure	Inflation + 4% <sup>8</sup>

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<sup>8</sup> Inflation is defined as the percentage change in the twelve month average CPI - Canada All Items Index.

<b>Asset Class</b>	<b>Benchmark</b>
<b>Fixed Income</b>	
Global High Yield Bonds (\$CAD Hedged)	Bloomberg Barclays Global High Yield Total Return Index Hedged \$C
Canadian Government Bonds	FTSE Canada All Government Bond Index
Canadian Corporate Bonds	FTSE Canada All Corporate Bond Index
<b>Absolute Return Strategies</b>	93% FTSE Canada 91 Day T-Bill Index plus 7% One-Day Canadian Call Loan Rate <sup>9</sup>

## **5.02 Compliance Reporting by OCIO/Investment Manager**

The OCIO/Investment Manager is required to complete and sign a compliance report each quarter. In cases where the OCIO/ Investment Manager invests in one or more pooled funds, the compliance report should indicate whether or not each pooled fund was in compliance with its respective investment policy.

In the event of non-compliance, the Co-Chairs of the Board and the Investment Consultant should be notified in writing, detailing the nature of the conflict and the OCIO/Investment Manager’s recommended course of action.

## **5.03 Standard of Professional Conduct**

The OCIO/Investment Manager is expected to comply, at all times and in all respects, with the Code of Ethics and Standards of Professional Conduct as promulgated by the CFA Institute (CFA).

The OCIO/Investment Manager will manage the assets with the care, diligence and skill that an Investment Manager of ordinary prudence would use in dealing with pension plan assets. The OCIO/Investment Manager will also use all relevant knowledge and skill that it possesses or ought to possess as a prudent Investment Manager.

<sup>9</sup> Except zero-return benchmark for pure risk premium strategies with no net cash deployed and any return attributed to total fund performance.