

**The Revised Pension Plan
Of
Queen's University**

Statement of Investment Policies and Procedures

May 2019

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Section 1 – Overview

1.01 Purpose of Statement

This Statement of Investment Policies and Procedures (the “Policy”) provides the framework for the investment of the assets of the Revised Pension Plan of Queen’s University, registration number 0344929 (the “Plan”).

This Policy is based on the “prudent person portfolio approach” to ensure the prudent investment and administration of the assets of the Plan (the “Fund”) within the parameters set out in the *Pension Benefits Act*, (Ontario) and the Regulations thereunder.

In developing the Policy, the Pension Committee of the Board of Trustees (the “Pension Committee”) has considered factors such as the following:

- the nature of the Plan’s liabilities;
- the allocation of such liabilities between active members and retired members;
- the funded and solvency positions of the Plan;
- the net cash flow position of the Plan;
- the investment horizon of the Plan;
- historical and expected capital market returns; and
- the benefits of investment diversification.

1.02 Background of the Plan

Effective September 1, 1969, Queen’s University (the “University”) established a “hybrid” pension plan. The Plan is a contributory money purchase plan with a guaranteed minimum defined benefit pension related to final average earnings. Membership is compulsory at date of hire for full-time continuing staff and faculty. Term and contract employees are eligible when the appointment extends beyond one year.

1.03 Plan Profile

Further information on the Plan is as follows:

- a) **Money Purchase Accounts**
Each member has a Money Purchase Account to which is credited monthly contributions from the member and the University. The pension fund's investment return is credited to their accounts annually.

Upon the retirement of a member, the amount in his or her Money Purchase Account is converted to a monthly pension using annuity factors provided by the Plan's actuary.

- b) **Pensions**
The Plan provides a monthly pension equal to the greater of (i) the annuity which can be purchased by the member's Money Purchase account and (ii) the Minimum Guarantee pension.

The Minimum Guarantee Pension is a defined benefit pension based on final average earnings and credited service in the Plan:

- c) **Liabilities**
At August 31, 2017, the date of the last filed actuarial valuation report, liabilities for active members and deferred vested members are approximately 47% of total liabilities. Liabilities for retirees and surviving spouses are approximately 53% of total liabilities.

- d) **Funded Status**
At August 31, 2017, the Plan had a going-concern funding shortfall of \$12.6 million (excluding the impacts of smoothing), and a solvency funding shortfall of \$313.4 million.

- e) **Cash Flow**
Cash flow is negative. For the Plan Year ending August 31, 2017, pensions and other payments exceeded contributions by approximately \$3.2 million per month.

1.04 Investment and Risk Philosophy

The Fund must provide levels of return to allow adequate benefit levels, which keep pace with inflation and maintain stability of employee and employer contributions. The Fund should be prudently managed to assist in minimizing actuarial deficits and excessive volatility in annual rates of return.

In order to achieve the long-term investment goals, the Plan must invest in assets that have uncertain returns, such as Canadian equities, foreign equities, Canadian government and non-government bonds. However, the Pension Committee attempts to reduce the overall level of risk by diversifying across asset classes and further diversifying within each individual asset class.

The Plan is administered on a going concern basis and, as stated in Section 1.03(e) above, pensions and other payments exceed contributions by approximately \$3.2 million per month. Liquidity is provided by limiting investments to mostly high quality and exchange-traded securities and through the use of pooled fund vehicles.

1.05 Administration

Queen's University, acting through its Board of Trustees, is the legal administrator of the Plan and is therefore responsible for all matters relating to the administration, interpretation and application of the Plan, including developing, monitoring and amending this Policy. The Pension Committee was formed for the purpose of assisting the Board of Trustees with the Plan's administration.

Section 2 – Asset Mix and Diversification Policy

2.01 Portfolio Return Expectation

The investment managers appointed by the University to invest the assets of the Plan (the “Investment Managers” collectively or “Fund Manager” individually) are directed to achieve a satisfactory return through a diversified portfolio, consistent with acceptable risks and prudent management. The long-term objective of the Fund is to achieve a total annual real rate of return, net of all expenses, of at least 3% (i.e. 3% greater than the annual increase in the Consumer Price Index), which is to be measured over rolling 4-year periods. A long-term asset mix policy has been established in order to provide a reference for long-term return requirements which are consistent with the Plan’s liabilities at a risk level acceptable to the Pension Committee.

2.02 Expected Volatility

The volatility of the Fund is directly related to its asset mix, specifically, the balance between Canadian bonds, Canadian equities, foreign equities, real estate and infrastructure.

2.03 Policy Asset Mix

Taking into consideration the investment and risk philosophy of the Plan, the following asset mix guidelines have been adopted:

Assets	Benchmark %
Equities	53
Real Assets	10
Fixed Income/Cash	37
Total	100

Allowable Ranges for each individual asset class are defined as the Policy Asset Mix weight plus-or-minus 5% of the Fund’s total asset value.

For purposes of the total asset mix described above, any pooled funds are deemed to be 100% invested, even though these funds may contain a portion held in cash & cash equivalent instruments.

Categorizations per Pension Benefits Act

Regulatory guidelines require this Policy to also represent the target asset allocation for each of the investment categories listed in subsection 76(12) of the Pension Benefits Act, Regulation 909. The following table, which shows the target asset allocations using these categories, will govern the plan’s asset allocation in conjunction with the table above:

Investment Category	Target Asset Allocation %
1. Insured contracts.	0
2. Mutual or pooled funds or segregated funds.	68
Consists of:	
<i>Canadian stocks</i>	4
<i>Non-Canadian stocks</i>	29
<i>Canadian bonds and debentures</i>	25
<i>Other (Private Investments)</i>	10
3. Demand deposits and cash on hand.	0
4. Short-term notes and treasury bills.	0
5. Term deposits and guaranteed investment certificates.	0
6. Mortgage loans.	0
7. Real estate.	0
8. Real estate debentures.	0
9. Resource properties.	0
10. Venture capital.	0
11. Corporations referred to in subsection 11 (2) of Schedule III to the federal investment regulations.	0
12. Employer issued securities.	0
13. Canadian stocks other than investments referred to in paragraphs 1 to 12.	16
14. Non-Canadian stocks other than investments referred to in paragraphs 1 to 12.	4
15. Canadian bonds and debentures other than investments referred to in paragraphs 1 to 12.	12
16. Non-Canadian bonds and debentures other than investments referred to in paragraphs 1 to 12.	0
17. Investments other than investments referred to in paragraphs 1 to 16.	0
Total	<u>100</u>

Subject to Pension Committee approval, and subject to the restrictions outlined in this Section, the target asset allocation to Canadian stocks (including through pooled funds) may be reduced by up to 20%, with a corresponding increase in the target asset allocation to Non-Canadian stocks.

The policy described in Section 2.03 is effective May 13, 2019.

2.04 Management Structure

The Fund employs a mix of active and passive management styles. Active management has been adopted for a majority of the assets as it provides the opportunity to outperform common market indices over the long term, with a minimum degree of excess risk. Passive management has been adopted for a portion of the assets as it minimizes the risk of underperformance relative to a benchmark index and is generally less expensive than active management.

2.05 Rebalancing Policy

In addition to routine rebalancing as a result of cash flow activity, rebalancing of the portfolio will occur when the actual weight of any asset class is outside of its Allowable Range, as defined in Section 2.03. The Pension Committee may also choose to rebalance before the actual weight of any asset class moves outside of its Allowable Range. Adjustments will typically be made by withdrawing funds from Investment Managers in order to make up the shortfall between contributions and benefit payments. Assets shall be rebalanced to the midpoint of the minimum or maximum allowable threshold, as the case may be, and the policy weight for that asset class. That is, rebalancing will not be done all the way back to the policy weight. Investment Services will monitor actual asset class allocations monthly and implement any required rebalancing activities

within 60 days from the end of the month during which the actual weight of any asset class moves outside of its Allowable Range.

Notwithstanding the above, in special circumstances the Pension Committee may choose to adjust the weight of any asset class within its Allowable Range for the purpose of protecting capital and managing risk.

Investment Services will report on any rebalancing allocations undertaken or proposed at the regular quarterly meetings of the Pension Committee.

The current rebalancing activities will be reviewed at least every six months by the Pension Committee.

2.06 Currency Hedging Policy

The Pension Committee may implement a foreign exchange hedge policy in order to mitigate volatility associated with the currency mix of assets in the Plan, measured from a Canadian dollar perspective.

At each quarterly meeting, the Pension Committee will review the efficacy and adequacy of the hedge positions relative to its policy. Between meetings, Investment Services is authorized to implement the currency hedging policy using currency derivative contracts.

Section 3 – Investment Guidelines and Restrictions

3.01 General Guidelines

The Investments of the Plan's assets must comply with the requirements and restrictions set out in the *Income Tax Act* (Canada) and the *Pension Benefits Act* (Ontario) and their respective Regulations.

In general, and subject to the restrictions noted below, the Fund may be invested in any of the asset classes and in any of the instruments listed below. However, any permitted investment within the trust agreement of a pooled fund vehicle, which is not specifically permitted below in section 3.02, should be disclosed in writing to the Pension Committee.

3.02 Permitted Investments

In general, and subject to the restrictions in this Section 3, the Investment Manager, subject to its mandate, may invest in the following assets:

- (a) **Canadian and Foreign Equities**
 - (i) Common and convertible preferred stock.
 - (ii) Debentures convertible into common or convertible preferred stock.
 - (iii) Rights, warrants and special warrants for common or convertible preferred stock.
 - (iv) Installment receipts, American Depository Receipts and Global Depository Receipts.
 - (v) Exchange traded index participation units or exchange traded funds.
 - (vi) Income/royalty trusts/REITs.
- (b) **Bonds**
 - (i) Bonds, debentures, notes, non-convertible preferred stock and other evidence of indebtedness of Canadian or supranational issuers whether denominated and payable in Canadian dollars or a foreign currency.
 - (ii) Mortgage-backed and asset-backed securities.
 - (iii) Term deposits and guaranteed investment certificates.
 - (iv) Insurance contracts.
 - (v) Private placements of bonds subject to Section 3.03 below.
 - (vi) Exchange traded index participation units or exchange traded funds.

- (c) **Cash and Short Term Investments**
 - (i) Cash on hand and demand deposits.
 - (ii) Treasury bills issued by the Government of Canada and provincial governments and their agencies.
 - (iii) Treasury bills issued by the U.S. government and/or its agencies.
 - (iv) Commercial paper issued by North American corporations and financial institutions which hold a minimum rating of 'R-1 (low)' or equivalent as rated by a Recognized Bond Rating Agency.
 - (v) Unitized funds holding only investments described in section 3.02 (c) (i) to (iv) above.

- (d) **Other Investments**
 - (i) Investments in open-ended or closed-ended pooled funds provided that the assets of such funds are permissible investments under this Policy.
 - (ii) Deposit accounts of the custodian can be used to invest surplus cash holdings.
 - (iii) Currency forward and future contracts.
 - (iv) Limited partnerships.
 - (v) High-yield bonds.
 - (vi) Investments in real assets, such as infrastructure and real estate.
 - (vii) Other investments which the Pension Committee expressly permits the Fund Manager to employ in fulfilling its mandate.
 - (viii) Financial instruments or securities used for hedging and risk mitigation purposes.

- (e) **Pooled Funds**

Investment in pooled funds is permissible subject to the prior approval of the Pension Committee. Should a conflict arise between the provisions of the Policy, and the provisions of a pooled fund's investment policy, the investment manager will notify the Pension Committee in writing, detailing the nature of the conflict and the Fund Manager's recommended course of action.

3.03 Minimum Quality Requirements

- (a) **Quality Standards**

Within the investment restrictions for individual portfolios, all portfolios should hold a prudently diversified exposure to the intended market.

 - (i) The minimum quality standard for individual bonds and debentures is 'BBB' or equivalent as rated by a Recognized Bond Rating Agency, at the time of

purchase. Notwithstanding the foregoing, up to 15% of the bond portfolio (measured in aggregate, not for each bond mandate) may be invested in bonds and debentures rated lower than BBB at the time of purchase.

- (ii) The minimum quality standard for individual short term investments is 'R-1' or equivalent as rated by a Recognized Bond Rating Agency, at the time of purchase.
- (iii) The minimum quality standard for individual preferred shares is 'P-1' or equivalent as rated by a Recognized Bond Rating Agency, at the time of purchase.
- (iv) For minimum quality standard purposes in (i), (ii) and (iii) above, the lowest rating shall govern in the case of split rated bonds.
- (v) All investments shall be reasonably liquid (i.e. in normal circumstances they should be capable of liquidation within 1 month at a reasonable price).

(b) **Rating Agencies**

For the purposes of this Policy, the following rating agencies each shall be considered to be a 'Recognized Bond Rating Agency':

- (i) Dominion Bond Rating Agency;
- (ii) Standard and Poor's;
- (iii) Moody's Investors Services;
- (iv) Fitch Ratings, Ltd; and
- (v) A.M. Best.

(c) **Private Placement Bonds**

Private Placement bonds are permitted subject to all of the following conditions:

- (i) The issues acquired must be 'BBB' or equivalent rated;
- (ii) The total investment in such issues must not exceed 12% of the market value of the Fund Manager's bond portfolio;
- (iii) No one bond private placement shall represent more than 3% of the Fund Manager's bond portfolio;
- (iv) The Fund Manager's portfolio may not hold more than 5% of the market value of any one private placement; and
- (v) The Fund Manager must be satisfied that there is sufficient liquidity to ensure sale at a reasonable price.

3.04 Maximum Quantity Restrictions

Restrictions are set out in Fund Manager mandates.

The use of derivative securities shall be supported at all times by the explicit allocation of sufficient assets to back the intended derivative strategy. The use of derivative securities is only permitted for the uses described in the Policy. Purchase or sale of any of these instruments for speculative purposes is prohibited.

3.05 Prior Permission Required

The following investments are permitted provided that prior permission for such investments has been obtained from the Pension Committee.

- (a) direct investments in resource properties. In any event, an investment in a Canadian resource property shall not have a book value greater than or equal to 2% of the book value of the Plan assets. The aggregate book value of all investments in Canadian resource properties shall not exceed 10% of the book value of the Plan assets;
- (b) direct investments in mortgages;
- (c) direct investments in real estate;
- (d) investments in private placement equities and debt;
- (e) direct investments in venture capital financing;
- (f) investments in a pooled fund that conflicts with this Policy;
- (g) investments in bonds of foreign issuers; and,
- (h) derivatives other than those otherwise permitted in Section 3.04 above.

3.06 Securities Lending

The investments of the Fund may be loaned, for the purpose of generating revenue for the Fund, subject to the provisions of the *Pension Benefits Act* (Ontario), the *Income Tax Act* (Canada) and their applicable Regulations.

Collateral for such loans must be secured by marketable securities including equities, government bonds, treasury bills and/or letters of credit, discount notes, and banker's acceptances of Canadian chartered banks. The amount of collateral taken for securities lending should reflect best practices in local markets. In Canada, the current market practice is to obtain collateral of at least 102% of the market value of the securities lent. This market value relationship must be calculated at least daily.

The terms and conditions of any securities lending program will be set out in a contract with the securities lending agent. The securities lending agent shall, at all times, ensure that Investment Services has a current list of those institutions that are approved to borrow the Fund's investments. If the Fund is invested in a pooled fund, security lending will be governed by the terms and conditions set out in the pooled fund contract.

Section 4 – Responsible Investing

4.01 Responsible Investing Policy

The Fund will be managed in accordance with the Responsible Investing Policy as approved by the Board of Trustees.

Environmental, social, and governance (ESG) factors will be incorporated in the Fund's investment process through its external manager search, selection, and monitoring activities. External investment managers will be required to take due regard of ESG factors in making investment decisions, and will be asked to engage where appropriate and report to Investment Services on their ESG activities accordingly.

Investment Services will ensure all investment managers are aware of the Responsible Investing Policy as a part of its ongoing compliance monitoring and due diligence responsibilities. Further, Investment Services will review each manager's ESG activities annually and prepare a summary report for the Pension Committee.

Investment Services, in consultation with the University Secretariat, will ensure that any responsible investing recommendations adopted by the Board of Trustees are implemented, and that compliance is reported to the Board of Trustees via the Pension Committee.

Section 5 – Monitoring and Control

5.01 Delegation of Responsibilities

The University, acting through its Board of Trustees has overall responsibility for the Plan. However, the Plan permits the Board to delegate its administrative duties and responsibilities to the Pension Committee and third party agents.

(a) **Pension Committee**

The Committee shall:

- establish and adopt the Policy;
- review the Policy at least annually, and confirm or amend it as needed, with amendments subject to Board of Trustees approval;
- select and appoint the custodian/trustee (the “Custodian/Trustee”) to hold the assets of the Fund;
- establish the specific investment mandates and select and appoint the investment managers (the “Investment Managers”) to manage the Fund in accordance with such mandates;
- select and appoint the actuary (the “Actuary”) to assist the Committee with its duties in respect of the Plan;
- evaluate quantitatively and qualitatively each Fund Manager’s performance at least semi-annually. The review shall include a comparison of the rates of return achieved relative to the objectives established, an analysis of the reasons for such returns, and an assessment of the risk assumed in the pursuit of such returns; and
- delegate tasks relating to the overall management of the Fund to selected employees of the University and/or to selected agents retained by the Pension Committee.

(b) **Investment Sub-Committee**

The Sub-Committee shall work with the Pension Committee on investment matters relating to the Plan.

(c) **Investment Managers**

Each Fund Manager shall:

- (i) participate in the annual reviews of its mandate;
- (ii) meet with the Pension Committee as required and provide written reports regarding its past performance, its future strategies and other issues requested by the Pension Committee;
- (iii) file quarterly compliance reports providing details on proxy voting and any conflict-of-interest situations; and

- (iv) reconcile their own records with those of the custodian, at least monthly.
- (d) **Custodian/Trustee**
The custodian/trustee shall:
- (i) maintain safe custody over the assets of the Plan;
 - (ii) execute the instructions of the University, the Pension Committee and the Investment Managers; and
 - (iii) record income and provide monthly financial statements to Queen's or as required.
- (e) **Actuary**
The actuary shall:
- (i) perform actuarial valuations of the Plan as required;
 - (ii) advise the Pension Committee on any matters relating to the Plan design, membership and contribution rates; and
 - (iii) assist the Pension Committee in any other way as required.
- (f) **University's Administration**
The Department of Investment Services shall:
- (i) act as the University's main contact with the Investment Managers, the custodian/trustee, the Plan's actuary, investment consultants and other providers of investment consulting and administrative services;
 - (ii) execute legal agreements with the Investment Managers;
 - (iii) provide information monthly on investment returns (actual and benchmark) at the manager level and the total fund level for the Plan;
 - (iv) reconcile performance as reported by the Investment Managers with performance reported by the custodian;
 - (v) compare the actual asset mix with the policy asset mix each month and rebalance among asset classes according to the policy established by the Pension Committee;
 - (vi) assist the Pension Committee in its review of each Fund Manager and participate in searches for new managers when required;
 - (vii) work with the Chair of the Committee to prepare agendas for quarterly meetings, assist in preparing reports for the Board of Trustees and provide such other services as may be required; and

- (viii) Inform the Pension Committee of recent developments within the pension and financial communities, and apprise the Pension Committee of all legislative and regulatory changes that might affect the operation of the Plan.

5.02 Performance Measurement

For purposes of evaluating the performance of the Plan, and the Investment Managers, all rates of returns are measured over a four-year period, except for passively managed index components of the Fund, which shall be measured over one-year periods, and the cumulative period since the manager was hired. Return objectives are net of fees and include realized and unrealized capital gains or losses plus income from all sources. Returns from all asset classes are to be expressed in Canadian dollars.

As a basis for measurement, performance will be compared against a policy benchmark calculated as the weighted average of each investment manager's respective benchmark, weighted by each investment manager's target weight within the overall fund.

5.03 Compliance Reporting by Fund Manager

Each Fund Manager is required to complete and deliver a compliance report to the Pension Committee each quarter. The compliance report will indicate whether or not the Fund Manager was in compliance with this Policy during the quarter.

In the event that a Fund Manager is not in compliance with this Policy, the Fund Manager is required to advise the Pension Committee immediately, detail the nature of the non-compliance and recommend an appropriate course of action to remedy the situation.

The Plan invests in pooled funds with separate investment policies. Should a conflict arise between those investment policies and this Policy, the Fund Manager is required to advise the Committee immediately, detail the nature of the conflict and recommend an appropriate course of action to remedy the situation.

5.04 Standard of Professional Conduct

Each Fund 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.

Each Fund 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. Each Fund Manager will also use all relevant knowledge and skill that it possesses or ought to possess as an expert prudent Fund Manager.

Section 6 – Administration

6.01 Conflicts of Interest Guidelines

(a) **Queen’s University Guidelines**

Committees of the Board of Trustees, with approval of the Board of Trustees, may adopt standards and procedures as to conflicts as may be pertinent to their activities provided that such standards and procedures are consistent with the Board of Trustees’ policies.

The following additional standards and procedures are applicable to members of the Pension Committee as well as to all agents of the Committee who assist the Committee in the execution of its responsibilities under the *Pension Benefits Act (Ontario)*. An “agent” is defined to mean an employee of the University who provides support to the Pension Committee in the performance of its duties. The inclusion of agents in this policy recognizes their role in giving advice and recommendations to the Pension Committee.

(b) **Duty of Care – to Act Honestly and in Good Faith**

Members of the Pension Committee and its agents, in exercising their powers and discharging their duties, must act honestly and in good faith with a view to the best interests of the Plan, and must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

It follows that the Pension Committee is entitled to full disclosure from its members and its agents of all facts which might affect Pension Committee decisions or the impartiality of a member or agent participating in the discussion or decision. Personal interests must not be brought into conflict with duties as a Pension Committee member or agent. Further, it is expected that no Pension Committee member or agent shall make any personal financial gain (direct or indirect) because of his or her position. This does not apply to compensation paid to University employees or reimbursement of expenses to members of the Pension Committee.

No Pension Committee member or agent shall accept a gift or gratuity or other personal favour, other than one of nominal value, from a person with whom that Pension Committee member or agent deals in the course of performing his or her duties with respect to the Plan.

Pension Committee members and agents shall keep Pension Committee matters confidential and disclose information regarding its affairs only in the necessary course of business or as authorized.

(c) **Conflicts of Interest**

As between its members or agents and the Pension Committee, (i) in the context of the member’s and agent’s fiduciary duty and ensuring impartial consideration of a transaction or contract and (ii) pursuant to this Policy, matters affecting the management of the Plan may embody or be viewed as embodying a conflict of interest requiring disclosure and, in some instances, non-participation in discussion and/or voting.

Pension Committee members and agents should be guided by the general rule which is as follows:

If a member or agent finds himself or herself in a conflict of interest or a situation where he or she believes that others might think that he or she has one, he or she must immediately advise the Pension Committee, so that action can be taken to resolve the situation.

More specifically:

(d) **Contracts and Extensions**

1. A Pension Committee member or agent or his or her spouse or minor child who
 - (a) is a party to a material contract or material transaction (Note 1) or a proposed material contract or material transaction with respect to the Plan,
 - (b) is a director or an officer of any entity that is a party to a material contract or material transaction or proposed material contract or material transaction with the Plan, or
 - (c) has a material interest (Note 2) in any person (Note 3) who is a party to a material contract or material transaction or proposed material contract or material transaction with the Plan,must disclose in writing to the Pension Committee or request to have entered in the minutes of a meeting of the Pension Committee the nature and extent of that interest.
2. A member of the Pension Committee or agent must make any required personal, or spousal or minor child disclosure:
 - (a) forthwith after the member becomes aware that the proposed contract or transaction is to be considered, or a contract or transaction has been considered, whether at a meeting of the Pension Committee or otherwise;
 - (b) if the member or his or her spouse or minor child becomes interested after a contract is made or a transaction is undertaken, forthwith after the member or his or her spouse or minor child becomes so interested; or
 - (c) if a person who is interested in a contract or transaction or whose spouse or minor child is interested in a contract or transaction later becomes a member, forthwith after the person becomes a member.
3. A general notice to the Pension Committee by a member or agent declaring that the member or agent or his or her spouse or minor child is a director or officer of any entity or has a material interest in a person, and is to be regarded as interested in any contract made or transaction undertaken with that entity or person, is a sufficient declaration of interest in relation to any contract so made or transaction undertaken.

Note 1: “Material contract” is undefined but will include any contract in respect of investment counselling, custody, performance measurement, audit or any other

services provided in respect to the supervision, management, safekeeping, accounting, reporting, investment or trading of the Plan. “Material transaction” means any specific transaction or series of transactions, including asset sales or purchases (other than sales or purchases of publicly traded securities), brought before the Pension Committee in order for the Pension Committee to make a recommendation or take a decision.

Note 2: “Material interest” is also not defined, but would include ownership (directly and indirectly) of 10 % or more of the voting shares or 25% or more of the equity of an entity. Any lesser ownership or other circumstances which actually constitute a controlling role (alone or jointly with others) would also be a material interest in an entity. Other circumstances may be viewed as appropriate to disclose such as family and personal relationships with a party to a material contract with the Plan or a material transaction.

Note 3: A “person” is a natural person, personal representative, a corporation, unincorporated body or organization, a trust, partnership, fund, or governmental body.

4. Where a member or agent holds such position/interest, the member or agent may not participate in any consideration or decision making with respect to such material contracts or material transactions.

(e) **Personal Investments**

1. It is recognized that Pension Committee members and agents may personally, from time to time, have a beneficial interest in investments. In light of the Pension Committee’s role as described in paragraph 2., this should not, in itself, present any conflict of interest.
2. The selection of specific investments for purchase or sale with respect to the Plan is not the role of the Pension Committee which delegates such specific decisions to its Investment Managers.
3. In the event that the Pension Committee decides to give specific direction with respect to the purchase or sale of a specific non-publicly traded security or specific publicly but thinly traded security, a member or agent must declare a conflict if they have a direct or indirect beneficial (including a spouse’s or minor child’s) interest in the same investment.
4. Where a member declares such a conflict, the individual may participate in the discussion and vote on the matter, only with the unanimous approval of all other members with voting rights.

(f) **Outside Employment, Directorships or Other Relationships**

1. It is recognized that by virtue of his or her outside employment, outside directorships or other relationships, Pension Committee members or agents may from time to time be in possession of confidential or inside information with respect to third parties and/or issuers.
2. In the event that the Pension Committee decides to discuss, review or give specific direction with respect to the purchase or sale of a specific investment, a member or agent who possesses confidential or inside information, may elect not to discuss, review or vote on the matter, without giving reasons.

6.02 Related Party Transactions

For the purpose of this section, a “related party” and a “transaction” in respect of the Plan have the meanings given to such terms in Schedule III of the Pension Benefits Standards Regulations (Canada), as amended from time to time. Subject to Section 6.01, the following related party transactions are permitted for the Plan:

- (a) any transaction that is required for the operation or administration of the Plan, the terms and conditions of which are not less favourable to the Plan than market terms and conditions and the transaction does not involve the making of loans to, or investments in, the Related Party;
- (b) any transaction the value of which is nominal (that is, less than 0.05% of the market value of the Fund) or which is immaterial to the Plan (that is, the terms and conditions of the transaction are not less favourable to the Plan than market terms and conditions); two or more transactions with the same related party shall be considered a single transaction;
- (c) any purchase of securities of a related party, provided that they are acquired indirectly and held in an investment fund in which investors other than the Administrator or its affiliates may invest;
- (d) any investment in a fund that replicates the composition of a widely recognized index of a broad asset class of securities traded at a marketplace; and
- (e) any investment that involves the purchase of a contract or agreement in respect of which the return is based on the performance of a widely recognized index of a broad class of securities traded at a marketplace.

6.03 Selecting Fund Managers

In the event that a new Fund Manager must be selected or additional Fund Manager(s) added to the existing roster of Investment Managers, the Pension Committee may undertake a Fund Manager search with the assistance of a third-party investment consultant. The criteria used for selecting a Fund Manager will be consistent with the investment and risk philosophy set out in Section 1.04 (Investment and Risk Philosophy).

6.04 Monitoring of Asset Mix

In order to ensure that the Fund operates within the guidelines stated in the Policy, Investment Services shall monitor the asset mix monthly. Rebalancing can take place over a period of two months after an imbalance has been identified. Rebalancing will be effected by redirecting the net cash flows to and from the Fund and, if necessary, by transfers from one Fund Manager to another within the Fund.

6.05 Monitoring of Investment Managers

At least quarterly, Investment Services will monitor and review the:

- (a) Assets and net cash flow of the Plan;
- (b) Each Fund Manager’s financial stability, staff turnover, consistency of style and record of service;

- (c) Each Fund Manager’s current economic outlook and investment strategies;
- (d) Each Fund Manager’s compliance with this Policy, where a manager is required to complete and sign a compliance report; and
- (e) Investment performance of the assets of the Plan in relation to the rate of return expectations outlined in this Policy.

6.06 Dismissal of a Fund Manager

Reasons for considering the termination of the services of a Fund Manager include, but are not limited to, the following factors:

- (a) Performance results which are below the stated performance benchmarks;
- (b) Changes in the overall structure of the Plan’s assets such that the Fund Manager’s services are no longer required;
- (c) Changes in personnel, firm structure or investment philosophy at the Fund Manager which might adversely affect the potential return and/or risk level of the portfolio; and/or
- (d) Failure to adhere to this Policy.

If trailing one-year performance for a Fund Manager ever falls below the benchmark by more than eight per cent, or if it remains below the benchmark for four successive quarters, the Fund Manager will automatically be subject to a detailed review by the Pension Committee.

6.07 Voting Rights

In general, the Pension Committee agrees with the Corporate Governance Standards of The Pension Investment Association of Canada (“PIAC”). As a member of PIAC, the University can access information provided by Institutional Shareholder Services (a leading provider of proxy voting and corporate governance procedures).

The Investment Managers vote the proxies, and the general guideline from the Pension Committee is that non-routine voting should be done in such a way as to enhance shareholder value while being supportive of the University’s views on Responsible Investing as set out in Section 4 of this Policy.

The regular reports from the Investment Managers should detail any proxy votes against management in the quarter. The Pension Committee will then engage in an ex-post review of the proxy votes by each Investment Manager.

6.08 Valuation of Investments Not Regularly Traded

The following principles will apply for the valuation of investments that are not traded regularly:

- (a) **Equities**
Average of bid-and-ask prices from two major investment dealers, at least once every month.
- (b) **Bonds**
Same as for equities.

- (c) **Mortgages**
Unless in arrears, the outstanding principal plus/minus the premium/discount resulting from the differential between face rate and the currently available rate for a mortgage of similar quality and term, determined at least once every month.
- (d) **Direct Investments in Real Estate**
A certified written appraisal from a qualified independent appraiser at least every two years.

6.09 Policy Review

This Policy may be reviewed and amended at any time, but it must be formally reviewed by the Pension Committee at least annually. Any changes to this Policy must be approved by the Board of Trustees. Any amended Policy is required to be filed with FSCO within 60 days of the amendment approval. A copy of the Policy is also required to be provided to the Plan actuary within the same time period.