Wilfrid Laurier University Pension Plan

Statement of Investment Policies and Procedures

Last Reviewed June 23, 2016

Summary of Revisions

June 23, 2016

Revisions were made to Section 5.3 to adjust the target allocations to the 'absolute return' and 'real assets' asset class categories.

November 26, 2015

Housekeeping changes were made to Section III, Plan Overview, to update plan information based on the December 31, 2014 Actuarial Valuation Report and recent plan design changes. Section 1.2 was updated to include a direct reference to the Federal Investment Rule. Revisions were made to Section 4.1(c), 5.3, and 6.4 to allow for the investment in bonds of foreign governments and corporations as well as issues rated below 'BBB'. Additionally, Section 6.2(a) was revised to incorporate changes to the Act. Finally, Section 6.9 was inserted to outline the Plan's stance on Environmental, Social, and Governance factors with respect to the investment of the Fund as required by FSCO.

March 20, 2014

In accordance with the requirements of Section XII, Policy Review, the annual review of this Statement of Investment Policies and Procedures (SIPP) was completed in March. Revisions were made to Section 4.1(e), 4.3(f), 4.6, 5.1, 6.4(a), 11.1(g), 11.1(g), 11.1(h) and 11.2, 11.3, 11.4, 11.5, to better align the SIPP to our investment goals and objectives. Additionally, housekeeping changes were made to Section III, Plan Overview (3.7-3.11), to update plan information based on the December 31, 2012 Actuarial Valuation.

March 21, 2013

In accordance with the requirements of Section XII, Policy Review, the annual review of this Statement of Investment Policies and Procedures (SIPP) was completed in November 2012 with revisions finalized in March 2013. Revisions were made to Section 2.5, 4.1 (a), (b), (e), 4.6, 4.7,

5.7-5.9, 6.3 (c), (d), (e), (f), 6.4, 6.6-6.9, 7.2 (c), 8.7, 9.3, 10.3 (d), 11.1, 11.3 and 11.5, to better align the SIPP to our investment goals and objectives. Additionally, housekeeping changes were made to Section III, Plan Overview, to update plan information based on the December 31, 2009 Actuarial Valuation Report and recent plan design changes.

November 17, 2011

CI Investments, who hold 45% of the pension plan assets, reviewed the SIP&P and have highlighted a difference between their CI Signature Canadian Balanced Fund's SIP&P. Specially they noted the following with respect to Section VI: Portfolio Diversification and Constraints: Sub-section 6.4c:

"CI has a hedging policy on currencies with greater than 3% exposure in the portfolio. The currency hedge range for income investments is between 60% and 100% with 80% being neutral."

The current language of Section VI, Sub-section 6.4c changed from:

"Not more than 30% of the portfolio shall be held in securities denominated for payments in foreign currency, and currency exposure is expected to be full hedged."

To:

Securities denominated in foreign currency are permitted. Not more than 30% of the portfolio shall be held in securities denominated for payment in foreign currency. Foreign currency exposure will normally be fully hedged but the Pension committee may allow a currency hedge range between 60% to 100% if requested by an investment manager.

April 1, 2011

Based on the new investment manager model as recommended by the Investment Oversight Subcommittee, revisions were made to Section 4: Permitted Categories of Investment adding Alternative Strategy Funds,

to Section 5 : Fund Objectives and Asset Allocation adding alternative investments as an asset class, adjusting the fund benchmark allocations accordingly, and broadening the minimum and maximum ranges by asset class. There was also a small change made to section 6.7.

October 2010 (changes pending Board of Governors Approval)

In accordance with the requirements of Section XII, Policy Review, the annual review of this Statement of Investment Policies and Procedures (SIPP) was completed in October 2010. Revisions were made to Section V 5.7, 5.8, and 5.9 to adjust the expected long term average rate of the return, the expected return attributable to active management, and the long term interest rate assumption. The revisions more accurately align the SIPP with the actuarial assumptions used to determine plan funding requirements and reflect more conservative (and attainable) investment returns given revised investor expectations.

February 2010

The SIPP Working Group recommended changes to sections 2.6, 4.1(c), 5.3, 5.8, 6.3, 6.6, 11.1(d), 11.4 to ensure the document provides clear direction to the Investment Manager and accurately reflects the investment goals of the Plan including active management.

October 2009

In accordance with the requirements of Section XII, Policy Review, the annual review of this Statement of Investment Policies and Procedures (SIPP) was completed in October 2009. Housekeeping revisions were made to Section VI 6.4 and 11.4.

March 2009

In accordance with the requirements of Section XII, Policy Review, the annual review of this Statement of Investment Policies and Procedures (SIPP) was completed in March 2009. No revisions were made at this time.

September 2007

In accordance with the requirements of Section XII, Policy Review, the annual review of this Statement of Investment Policies and Procedures (SIPP) was completed in September 2007. The previous version was effective October 2006. Revisions were made to Section III, Plan Review, to update plan information based on the December 31, 2006 Actuarial Valuation Report.

October 2006

In accordance with the requirements of Section XII, Policy Review, the annual review of this Statement of Investment Policies and Procedures (SIPP) was completed in October 2006. The previous version was effective January 1, 2006. No revisions were made to the SIPP by the Committee as a result of this annual review.

January 2006

The Plan's fixed income investments have been benchmarked against the RBC Capital Markets Canadian Bond Market Index since July 1, 2003. As RBC Capital Markets will no longer be compiling this Index as of April 1, 2006, the Plan's investment manager (Russell Investment Group) recommended changing the fixed income benchmark to the Scotia Capital Universe Bond Index, effective January 1, 2006. This change in benchmark is not expected to have a material effect on the fixed income fund's structure or its portfolio characteristics. Previous references in this Statement of Investment Policies and Procedures (SIPP) to the RBC Capital Markets Index have been replaced by the Scotia Capital Universe Bond Index, effective January 1, 2006, to ensure the SIPP accurately reflects an available benchmark. The necessary revisions made to the SIPP by the Committee and proposed to the Board of Governors are shown below.

Section VI Portfolio Diversification and Constraints

6.4 (d) The aggregate duration of the portfolio normally shall be maintained within a range of 1.0 year of the duration of Scotia Capital Universe Bond Index.

Section XI Monitoring Investment Performance

11.4 In order to achieve the long-term return objective of the Fund, the Committee is targeting to achieve over the long term a return, net of all brokerage expenses but before all other fees, that exceeds the return on a composite index made of passive investments in appropriate market indices, according to the normal allocation defined in section 5.3. The market indices to be used in this evaluation are: S&P/TSX Capped Composite Index, Russell 1000 Index, Scotia Capital Universe Bond Index, MSCI EAFE Index.

October 2005

In accordance with the requirements of Section XII, Policy Review, the annual review of this Statement of Investment Policies and Procedures (SIPP) was completed in October 2005. The previous version was effective October 2004. Significant revisions made to the SIPP by the Committee and proposed to the Board of Governors are summarized below.

Section III Plan Overview

- This section previously provided summary information on the nature of the Plan liabilities based on the actuarial valuation as of June 30, 2003. The section was revised to reflect the results of the December 31, 2004 valuation.
- There were not significant shifts in the composition of liabilities over this period. The going-concern funded status of the Plan improved, however a funding deficit continued to exist. The Plan also

maintained a Solvency Excess as of December 31, 2004, provided escalated adjustments were excluded from the liability calculation.

Section V Fund Objectives and Asset Allocation Policy

Under Section 5.3, the allocation to Foreign Equities was restricted by the Foreign Property Rule (FPR); at the time, maximum 30% of the total Fund's book value was permitted in Foreign Equities. With the removal of the FPR in June 2005, reference to this limit is no longer applicable.

October 2004

This Statement of Investment Policies and Procedures was revised effective October 2004. The previous version was effective March 2001. Significant revisions made to the Policy by the Committee and proposed to the Board of Governors are summarized below.

Section III Plan Overview

- Section 3.4 - Updated definition of normal retirement to reflect the ability of members to defer retirement up to the first day of July next following the member's 65th birthday.
- This section previously provided summary information on the nature of the Plan liabilities, based on the actuarial valuation as of July 1, 1997. The breakdown of Plan liabilities, by type of Member and by Plan Liabilities, was revised to reflect June 30, 2003 valuation results.
- Updated Plan funded position to reflect results of June 30, 2003 actuarial valuation. As of June 30, 2003, the Plan had a going-concern funding deficit; Plan had a Solvency Excess if certain benefits (i.e. escalated adjustments) were excluded but would have a Solvency Deficit should such benefits be included. As of July 1, 1997 plan was fully funded on going concern and statutory solvency bases.
- Updated expected cashflow and liquidity requirements as of June 30, 2003: benefits are approximately equal to the contributions. Previously benefits exceeded contributions by a significant margin.

Section IV Permitted Categories of Investment

- Permitted equity investments extended to include: income trusts, installment receipts, depository receipts or shares, private placements, to be consistent with current investment guidelines in Russell Offering Memorandum (OM), which contains the investment guidelines applicable to the Russell Group of Funds.

- Permitted fixed income investments extended to include: mortgage-backed securities, private placements to be consistent with current investment guidelines in Russell OM.

Section V Fund Objectives and Asset Allocation Policy

Section renamed and revised to include Fund Objectives in addition to Asset Allocation Policy.

- In 2004, the Committee completed an asset-liability study, to examine the potential impact of alternative asset allocation policies on the financial position of the Fund and University contributions. The study was undertaken in by the Committee in conjunction with a consultant. At the outset of the study, the Committee discussed and agreed to primary and secondary financial objectives for the management of the Fund, which are documented in Section 5.1, as follows:

  Primary Objective: Achieve/ maintain a going concern funded ratio of at least 100% over 10 years

  Secondary Objective: Allow for a 5% funding reserve (105% funded ratio on a going concern basis)

- Section 5.2 outlines factors the Committee considered in evaluating alternative asset mix policies, which included:
  - the long-term nature of the liabilities;
  - Members' exposure to investment risk which is limited by the Plan's minimum guaranteed benefit;

- the University's exposure to investment risk, which is exacerbated by the Plan's minimum guaranteed benefit;
- the inflation indexation provisions of the Plan;
- expectations for the future behaviour of various asset classes, including forecasted returns and risk; and
- the Plan's current and projected financial position, demographics, funding requirements, actuarial assumptions, and liquidity requirements.

- Given the nature of the Plan liabilities, the current funded position of the Plan, and the above factors, the Committee selected the asset mix policy that was expected to best achieve the primary and secondary objectives established. The Committee proposed to amend the asset mix policy ("normal allocation") for the Plan as follows (with the previous policy allocations shown for comparison in parentheses):

Canadian Equities	30%	(35%)	
Foreign Equities	30%	(25%)	
Total Equities		60%	
Bonds		40%	(37%)
Cash & Cash Equivalents		0%	(3%)
Total Fixed Income		40%	

- The Policy was revised to provide narrower rebalancing ranges in Section 5.3. The previous policy permitted the Fund's actual asset allocation to fall within broad minimum / maximum ranges. The permitted ranges for each asset class have been constrained to 5% deviations from the normal policy allocation, to control risk. The Policy was also revised to permit delegation of rebalancing to the Manager, to reflect current practice (Section 5.6).
- Section 5.7 - Long-term expected Return and Risk Expectations were established, consistent with the revised asset mix policy and assumptions underlying the asset mix study. Long term is considered to represent a five to ten year time horizon. As the Fund is currently employing active management in each asset class,

the Committee expects additional returns to be generated from active management, while recognizing that active management can also reduce returns. The expected annual average return from the current asset mix policy is as follows:

- 6.9% average annual return from asset mix policy, before fees
- 1.0% expected additional return from active management, before fees
- 7.9% expected total return, before fees.

The assumptions underlying the study were proposed by the consultant and accepted by the Committee as reasonable long term expectations. The expected long term return of 7.9% exceeds the long term interest rate assumption of 6.5% used for the actuarial valuation of going concern liabilities.

- Non-investment factors also affect the Plan's financial position, as outlined in Section 5.11, include wage growth, inflation, termination rates, mortality, member growth and benefit changes.

Section VI Portfolio Diversification and Constraints

- Revised to reflect current investment guidelines in Russell OM.

Section VII Loans and Borrowing

- Revised to include reference to securities lending through pooled funds, for clarification.

Section X Related Parties and Conflicts of Interest

- Related Party Transactions: added definition nominal and immaterial transactions, to be consistent with requirements of regulations.

Section XI Monitoring Investment Performance

- Inserted paragraph dealing with performance monitoring/ evaluation (formerly section 5.7).

- Added benchmark indices for performance evaluation of individual asset classes and total fund performance benchmark.
- Extended normal evaluation time frame from 4 to 5 years, reflecting longer time frames required to evaluate active management and extension of market cycles.

Section XII Policy Review

- Added requirement that copy of Policy be provided to each Manager

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Section I Introduction

1.1 This document constitutes the Statement of Investment Policies and Procedures (the "Policy") applicable to the assets (the "Fund") held in respect of the Wilfrid Laurier University Pension Plan (the "Plan"), which was established by Wilfrid Laurier University (the "University") to provide retirement benefits for Plan members (the "Members").

1.2 The purpose of this Policy is to formulate those investment principles, guidelines and monitoring procedures which are appropriate to the needs and objectives of the Fund, in a manner conforming to the applicable rules in the Ontario Pension Benefits Act and the Regulation thereto (the "Act"), the Federal Investment Rule ("FIR") under Federal PBSA (as applicable) and the Income Tax Act (Canada). This Policy is supplementary to the rules contained in the Act.

1.3 Any investment manager or other party providing services in connection with the investment of the Fund shall accept and adhere to this Policy.

Section II Administration

2.1 The University through its Board of Governors (the "Board") is the administrator of the Plan in accordance with the Act. The Board has established a governance structure and delegated to the Pension Committee (the "Committee") certain aspects of the Fund's operations.

2.2 In fulfilling its responsibilities, the Committee may delegate to an appropriate sub-committee that fulfils the responsibilities of the Board, or otherwise utilize employees of the University where appropriate. The Committee 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 Committee shall be interpreted as referencing the appropriate delegate.

2.3 The custodian of the Fund (the "Custodian") shall be a trust company duly registered in Canada or an insurance company authorized to underwrite life insurance in Canada. All investments and assets of the Fund shall be held by the Custodian and invested:

(a) in a name that clearly indicates that the investment is held in trust for the Plan and, where the investment is capable of being registered, registered in that name, or

(b) in the name of the Custodian, or a nominee thereof, in accordance with an agreement with the Custodian that clearly indicates that the investment is held for the Plan, or

(c) in the name of The Canadian Depository for Securities Limited, or a nominee thereof, in accordance with an agreement with the Custodian that clearly indicates that the investment is held for the Plan.

2.4 Neither the Board, the Committee nor any employee of the University shall select securities on behalf of the Fund except for the selection of Pooled Funds and the issuers of guaranteed investment certificates. The Board shall retain one or more independent professional investment managers (the "Manager(s)") to invest the Fund.

2.5 Where the Committee desires to invest in segregated funds of an insurance company, pooled funds or mutual funds eligible for pension fund investment ("Pooled Funds"), the Committee must satisfy itself that the investment policy of such Pooled Fund is consistent with this Policy. The Committee shall provide each Manager with a copy of this Policy, and the Manager shall disclose any inconsistencies to the Committee. The Committee understands

the guidelines in the Pooled Fund's offering memorandum will apply. The Manager must provide notification to the Committee regarding any revisions to the fund's policies.

2.6 The Committee shall maintain a description of the manager structure and keep a current copy of each Manager's investment mandate (the "Mandate Statement").

2.7 The Committee may rely on independent experts for certain aspects of the Fund's operations where expert knowledge is required or desired or where a potential or actual conflict of interest exists.

2.8 The Fund's financial statements shall be audited by an independent auditor at least annually.

Section III Plan Overview

3.1 The Plan is a defined contribution plan with a defined benefit minimum guarantee. It provides retirement income benefits initially calculated as the monthly income which can be provided by the Member's Money Purchase Component Account. A second calculation, based on a final average defined benefit formula, acts as a minimum guaranteed income.

3.2 At retirement a Member's Money Purchase Component Account balance is converted from a lump sum amount to a variable annuity income stream. The factor used to convert variable annuity pensions was changed as of July 1, 2000 from a flat 7.5% discount rate to one linked to long-term Government of Canada bond yields. This change was made to better reflect the annuity pricing practices of the Canadian insurance market in order to gain approval from the Canada Revenue Agency. The change was phased in over a three-year period.

3.3 A Member's calculated variable annuity income is indexed, based on average Fund earnings (over a four-year period **post retirement**) in excess of the discount rate originally used to calculate the Member's retirement income stream. The minimum guarantee income is also indexed, based on increases in the Consumer Price Index to a maximum of 4%. In respect of Pensionable Service on and after January 1, 2013 shall be amended to 50% of the cost of living as measured by the Consumer Price Index for all Canada, or any similar index issued by Statistics Canada in place thereof, to a maximum of 4% per year. The retiree receives the better of the two during any one plan year.

3.4 Normal retirement is the 1st of the month coincident with or next following the 65th birthday of the member. Members may retire as early as age 55 with a subsidized minimum guaranteed income. With the elimination of mandatory retirement, members have the option of deferring retirement past the normal retirement date. If a

member continues in active employment past age 65, they may continue to make contributions to the Plan and accrue pensionable service, OR they may stop making contributions to the Plan, stop accruing pensionable service, and choose to start drawing their pension. As per Income Tax Act regulations, members must begin to draw their pension no later than the end of the year in which they reach age 71. Death benefits and termination benefits are also provided under the Plan.

3.5 Employee and University contributions are required as defined in the plan text. The result, with interest, is the Member's Money Purchase Component Account. Members are permitted to make additional voluntary contributions, subject to Canada Revenue Agency rules on tax deductibility. The University is solely responsible for contributing at a level sufficient to finance the minimum guarantee obligations of the Plan, within the funding requirements of the Act and the limitations of the Income Tax Act (Canada). The amount of these contributions is calculated from time to time, based on the advice of the actuary retained by the University for such purpose

3.6 Plan liabilities are for

(a) Active Members

(b) Deferred Vested Members; and

(c) Retired Members

and include measurements with respect to retirement income benefits, death benefits and termination benefits as provided by the Plan.

3.7 The approximate breakdown of going-concern Plan liabilities, by type of Member, as at December 31, 2014 was:

(a) For Active Members 67%

(b) For Deferred Vested Members 6%

(c) For Retired Members receiving income 27%

3.8 The approximate breakdown of going-concern Plan liabilities, by type of liability, as at December 31, 2014 was:

(a) Money Purchase Component Accounts 55%

(b) Additional Voluntary Contribution Accounts 1%

(c) Variable Annuities (MPP & AVC) 23%

(d) Supplementary Pension Benefits (MGP) 21%

3.9 Average age of active members is 46.9 and of retirees is 75.4 as of December 31, 2014.

3.10 Based on the December 31, 2014 actuarial valuation, the Plan had a going-concern funding deficit and a solvency deficit, which must be funded by special payments by the University in accordance with the recommendations of the actuary.

3.11 University and member contributions are expected to be greater than benefit payments from the fund for the intermediate term, continuing to provide the Fund with sufficient liquidity to meet annual benefit payments.

Section IV Permitted Categories of Investment

4.1 From time to time, and subject to this Policy, the Plan may invest in any or all of the following asset categories and subcategories of investments either directly or through Pooled Funds which hold only these investments. For purposes of this Policy, "governments"

includes supranational, Canadian federal, provincial or municipal governments, and securities guaranteed by these governments.

(a) **Canadian Equity:** common stocks, income trusts, convertible debentures, share purchase warrants, exchange-traded funds (ETFs), real estate investment trusts (REITs), share purchase rights, instalment receipts, depository receipts or shares, private placements, or preferred shares of Canadian public and private companies.

(b) **Foreign Equity:** common stocks, convertible debentures, preferred shares, share purchase warrants, ETFs, REITs, share purchase rights, instalment receipts, depository receipts or shares, private placements or American depositary receipts of publicly traded non-Canadian companies.

(c) **Fixed Income:**

- bonds, debentures, mortgages, notes, mortgage-backed or other asset-backed securities, private placements or other debt instruments of governments or corporations (public and private); subject to Section 6.4.
- guaranteed investment contracts or equivalent financial instruments of Canadian insurance companies, trust companies, banks or other eligible issuers;
- annuities, deposit administration contracts or other similar instruments regulated by the Insurance Companies Act (Canada) or comparable provincial law, as amended from time to time;
- term deposits or similar instruments of Canadian trust companies and banks.

(d) **Cash or Cash Equivalents:**

- deposits with banks or trust companies;

- money market securities issued by governments or Canadian corporations (public and private) with term to maturity of one year or less.

(e) Alternative Strategy Funds:

- Alternative strategy funds may be used provided they are designed to meet the objectives of the fund. These funds may invest using derivatives and may use short selling strategies notwithstanding the following section. Alternative strategies include but are not limited to:
  - Real Assets - such as Real Estate Funds and Infrastructure Funds;
  - Absolute Return Strategies – such as certain Hedge Funds; and
  - Private Equity – such as Private Equity Funds, and Venture Funds.

Derivatives:

4.2 The following derivatives are permitted:

(a) Futures and options may be used only when they are regularly traded upon recognized public exchanges or other organized public trading facilities where market prices are readily available.

(b) Forward currency contracts and swap agreements may be entered into only with financial institutions that satisfy the credit standards of the Policy with respect to cash equivalents and debt investments.

(c) Installment receipts may not be purchased unless cash or highly liquid, high quality short-term securities equal to the unpaid purchase price are also held.

4.3 Derivative instruments may be used only to:

(a) create an asset mix position within the ranges and among the asset classes set out in this Policy

(b) adjust the duration of the fixed income portfolio within the ranges set out in this Policy

(c) replicate the investment performance of interest rates or a recognized capital market index

(d) increase the Fund's current revenue by selling covered calls

(e) manage the currency exposure of a portfolio of foreign property

(f) reduce risk as part of a hedging strategy, but in any case may not be used to leverage the Fund.

4.4 Derivative instruments 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.

4.5 Any Manager investing in derivative investments must attempt to determine the market value of that Manager's exposures on a daily basis.

Other Investments:

4.6 The Plan may not directly (i.e. exposure is allowed through an investment fund) invest in categories of assets or instruments not specifically provided for in this Section, including but not limited to real estate, commodities, precious metals, mineral rights, bullion or collectibles.

Section V Fund Objectives and Asset Allocation Policy

Fund Objectives

5.1 In 2013, the Committee completed an asset-liability study, to examine the potential impact of alternative asset allocation policies on the financial position of the Fund and University contributions, and select the policy that was expected to best achieve the following objectives:

Primary Objective: Achieve/ maintain a going concern funded ratio of at least 100% over 10 years

Secondary Objective: Allow for a 5% funding reserve (105% funded ratio on a going concern basis)

The Committee determined that these objectives were appropriate given the long-term nature of the Plan liabilities and their fiduciary responsibilities.

5.2 In evaluating the alternative asset allocation policies, consideration was given to the factors outlined in Section III, and:

(a) the long-term nature of the liabilities;

(b) Members' exposure to investment risk which is limited by the Plan's minimum guaranteed benefit;

(c) the University's exposure to investment risk, which is exacerbated by the Plan's minimum guaranteed benefit;

(d) the inflation indexation provisions of the Plan;

(e) expectations for the future behaviour of various asset classes, including forecasted returns and risk; and

(f) the Plan's current and projected financial position, demographics, funding requirements, actuarial assumptions, and liquidity requirements.

Asset Allocation

5.3 Based on the analysis conducted in the asset-liability study, the Committee decided upon the policy allocation and ranges for the Fund as set out below.

	Percentage of Fund at Market Values		
Component Asset Classes	**Target**	**Min**	**Max**
Equity			
Canadian Equity	25%	20%	50%
Global Equity	30%	20%	50%
Total Equity	**55%**	**45%**	**65%**
Fixed Income			
Canadian Bonds	20%	15%	25%
Foreign Bonds	5%	0%	10%
Mortgages	10%	5%	15%
Cash & Equivalents	0%	0%	10%
Total Fixed Income	**35%**	**25%**	**45%**
Alternative Strategies			
Real Assets	10%	0%	15%
Private Equity	0%	0%	10%
Absolute Return	0%	0%	10%
Total Alternative Strategies	**10%**	**0%**	**20%**

5.4 The policy asset allocation reflects a balance of investments in bonds, which are sensitive to interest rates, and equities, which are expected to provide both higher returns and inflation-sensitive returns over the long term.

5.5 Cash and cash equivalents may also be held from time to time on a short-term, temporary basis or as defensive reserves within the portfolios for each asset class at the discretion of each Manager within the constraints prescribed by its Mandate.

5.6 If the asset mix deviates outside the above ranges, at the end of any quarter, the Committee shall take corrective action to bring the asset mix back within the range as soon as practicable. The Committee may delegate this responsibility to the Manager.

Return and Risk Expectations

5.7 With the assistance of the Plan's consultant, the Committee established rate of return expectations based on a normal equilibrium capital market environment for the asset-liability study. The return expectations are based on an analysis of long-term debt and equity returns and are tempered by current market conditions. While historical experience provides some guide to future returns, the Committee recognizes that there is no guarantee that future experience will follow past patterns. On this basis, the asset allocation policy is expected to earn an average annual return of approximately 5.75%% over the long-term (five to ten-year period), before manager fees.

5.8 Assets will be invested using active management strategies. Active management strategies include both asset mix and each asset class. It is expected that active management will add at least a further 0.5% per annum over the long-term (a five to ten year period) at the total fund level, before manager fees. The Committee recognizes the risk that active management can also reduce returns.

5.9 The Fund's investment policy therefore has an expected long-term 6.25% average annual return; with 5.75% attributable to the adopted asset mix policy and the additional 0.5% attributable to active management, before manager fees. The Fund's investment

policy return is therefore expected to exceed the long-term net interest rate assumption of 5.75% used for the going-concern funding actuarial valuation, plus expenses associated with the management and administration of the Fund.

5.10 The risks inherent in the investment strategy over a market cycle (a five to ten year period) are three fold. There is a risk that the 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 return (such return may also be negative).

5.11 The Committee recognizes that the Plan's financial position will also be affected adversely or favourably by numerous non-investment factors including wage growth, inflation, termination rates, mortality, member growth and benefit changes.

Section VI Portfolio Diversification and Constraints

6.1 The Committee shall ensure that the diversification requirements in each Manager's Mandate, in combination with the amount of assets allocated to each Manager, are consistent with the limits outlined in this Section based on the market value of the Fund.

6.2 Further constraints are documented in the Act. For greater certainty, in respect of the total Fund and pursuant to the rules in the Act:

(a) No more than 10% of the market value of the assets shall be invested in any one entity or group at the time of purchase except for securities issued or guaranteed by the Government of Canada, the government of a province, or securities issues by the Government of the United Stated of America.

(b) The Fund shall not acquire securities of a corporation to which are attached more than 30% of the voting rights of any corporation.

6.3 In respect of the equity portfolios of the Fund:

(a) North American holdings shall be diversified by stock, capitalization and industry, having regard to the relative sizes of industry sectors in the applicable stock market indices.

(b) Non-North American holdings shall be diversified by stock, region, industry and country, having regard to the relative sizes of economic activity and stock market capitalization.

6.4 In respect of the fixed income portfolio of the Fund:

(a) Public Market debt rated below "BBB (low)" or equivalent at the time of purchase is permitted.

(b) Not more than 10% shall be held in the debt issues rated below BBB (Low) or equivalent.

(c) Not more than 30% shall be held in the debt issues rated below "A low" or equivalent.

6.5 All cash equivalents, including those held within the portfolios for each asset class at the discretion of the Manager, shall have a minimum credit rating of "R-1 (low)" or equivalent if commercial paper with a term to maturity of 365 days or less, and not issued by a government. If a security's credit rating falls below "R-1 (low)" after time of purchase, the Manager shall take all reasonable steps to liquidate the investment in an orderly fashion with due regard to price and liquidity constraints.

6.6 For purposes of sections 6.4 and 6.5, credit ratings for issues will be taken as the lowest published rating by the Dominion Bond Rating Service (DBRS) Standard and Poors (S&P) or Moody's Investor Services.

6.7 Except for Alternative Strategy Mandates, the Managers shall not purchase securities on margin or engage in short sales.

6.8 Each Manager, which includes any subadvisor appointed by the Manager, shall be responsible for achieving best execution for transactions on behalf of the Fund. The Manager may use soft dollars[1], but only to pay expenses related to research services or other investment making decision services to the Fund (or where applicable, the Pooled Funds managed by the Manager), and only if the Manager believes that such services can be obtained in a manner and to an extent consistent with the Manager's obligation to obtain best execution. The Manager must confirm their use of

[1] Soft dollars are defined as payment for brokerage services, such as research, through commissions rather than through direct payments.

soft dollars in accordance with this policy to the Committee no less frequently than annually.

6.9 The Plan's active investment managers may consider all qualitative and quantitative factors affecting financial performance of existing and potential investments, including environmental, social and governance (ESG) factors. An investment manager's ability and desire to incorporate ESG factors into their investment selection process may be used as part of the decision criteria when evaluating investment opportunities.

Section VII Loands and Borrowing

7.1 No part of the Fund shall be loaned to any party, other than through the purchase of debt instruments permitted under Section 4.1 and which otherwise meet the requirements of this Policy.

7.2 Money shall not be borrowed on behalf of the Fund and the 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 amount of the current service contribution in any fiscal year of the Plan and 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) inside the Alternative Strategy fund.

7.3 The lending of securities through the Custodian (or, where the Fund is invested in Pooled Funds, through the Pooled Funds' custodian) is permitted, subject to applicable legislation and provided that a minimum collateral coverage of at least 105% of the current market value of the loaned securities is maintained at all times in Cash or high quality liquid securities defined in the lending agreement with the Custodian and provided that the Custodian provides suitable indemnification in the event of a loss. Revenue earned from securities lending shall be shared between the Custodian and the Fund in a manner consistent with current industry standards.

Section VIII Voting Rights

8.1 The responsibility of exercising and directing voting rights acquired through Plan investments shall normally be delegated to the Manager, who shall at all times act prudently and in the best interests of the Plan's beneficiaries. The Manager shall provide a copy of their voting rights policy to the Committee.

8.2 The Manager shall maintain a record of how Fund voting rights have been exercised.

8.3 In case of doubt as to the best interests of the Plan's beneficiaries, the Manager shall request instructions from the Committee and act in accordance with such instructions.

8.4 The Manager shall be required to advise the Committee and provide details in advance of the vote when the Manager has acquired on behalf of himself and his clients 10% or more of that class of securities.

8.5 The Committee reserves the right to direct, or override, the voting decisions of a Manager, if in its view such action is in the best interests of the Plan's beneficiaries.

8.6 It is recognized, however, that the above constraints and policy on voting rights may not be enforceable to the extent that part of the Fund is invested in Pooled Funds.

8.7 Any voting rights related to Pooled Fund units and interests in partnerships or limited partnerships shall be the responsibility of the Committee, who shall vote in the best interests of the Plan's beneficiaries. This is not related to Pooled Fund security proxy voting rights, which will typically be delegated to the Investment Manager.

Section IX Valuation of Investments

9.1 Investment in publicly traded securities shall be valued by the Custodian for the Fund no less frequently than monthly at their market value.

9.2 Investment in Pooled Funds comprising publicly traded securities shall be valued according to the unit values calculated at least monthly by the custodian of the Pooled Funds. The Custodian shall be responsible for requesting and recording the unit values on a monthly basis.

9.3 If a market valuation of an investment is not readily available, then a fair value shall be determined by or at the discretion of the Committee. For each such investment, an estimate of fair value shall be supplied by the Manager to the Custodian 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 risk-adjusted discounted cash flows or comparison with similar assets which are publicly traded. In all cases the methodology should be applied consistently over time.

Section X Related Parties and Conflicts of Interest

10.1 Definition of Related Party

For the purposes of this Policy the definition of Related Party contained in the Act shall apply. In particular, a Related Party means:

(a) the University,

(b) a member of the Board or Committee (or sub-committee),

(c) an officer, director or employee of the University,

(d) a person responsible for investing the assets of the Plan, or any officer, director or employee thereof,

(e) association or union representing employees of the University, or an officer or employee thereof,

(f) a member of the Plan,

(g) the spouse or a child of any person referred to in any of paragraphs (b) to (f),

(h) an affiliate of the University,

(i) a corporation that is directly or indirectly controlled by a person referred to in any of paragraphs (a) to (h),

(j) an entity in which a person referred to in paragraph (a), (b) or (c) or the spouse or a child of such a person, has a substantial investment, or

(k) an entity that holds a substantial investment in the University.

10.2 Related Party Transactions

(a) The assets of the Fund shall not be used to invest in securities of Related Parties or lent to any Related Parties unless such securities are publicly traded and selected by a Manager acting independently on behalf of all that Manager's discretionary accounts or Pooled Funds having mandates similar to that of the Fund. Where applicable, a Manager shall provide the Committee with its internal guidelines on purchasing securities of the members of the Manager's organization or affiliates.

(b) Notwithstanding paragraph (a), the assets of the Fund shall not be invested in any securities of the University or an affiliate of the University unless such securities are publicly traded, held within a Pooled Fund, and selected by a Manager acting independently.

(c) Any other transactions with a Related Party must be:

(i) required for the operation or administration of the Plan,

(ii) on terms and conditions that are not less favourable to the Plan than the then market terms and conditions, and

(iii) of nominal value or immaterial to the Plan. The market value of the Fund shall be used as the criteria to determine whether a transaction is nominal or immaterial. Transactions amounting to less than 0.5% of the aggregate market value of the Fund are considered to be nominal and immaterial. Two or more transactions with the same related party shall be considered as a single transaction.

10.3 Conflicts of Interest

(a) If a member of the Board or Committee, or any agent or advisor thereof, or any person employed in the investment or administration of the Fund has or acquires 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, the person involved shall as soon as practicable disclose this conflict of interest to the Chair of the Committee. The Chair shall then immediately advise all members of the Committee, which shall then decide upon a course of action. Any such person will thereafter abstain from any decision making with respect to the area of conflict, unless otherwise determined by unanimous decision of the remaining members of the Committee.

(b) Every disclosure of interest under this Section shall be recorded in the minutes of the relevant Committee meeting.

(c) 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.

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

Section XI Monitoring Investment Performance

11.1 The Committee shall review the following Fund information within each quarter:

(a) the asset market values

(b) the current asset mix of the Fund

(c) statistics on the investment performance of the Fund and each Manager relative to the objectives of the Policy and of the Mandates

(d) statistics on the investment performance of the Fund and each Manager relative to the peers of the Investment Manager as defined in the Mandate Statement

(e) portfolio characteristics

(f) the fees and expenses incurred in managing the Fund

(g) the managers will certify each quarter that they are compliant with their mandate

(h) that the fund as whole is within the boundaries of the SIP&P's asset allocation policy.

11.2 The Manager shall provide detailed reporting on the investment performance of the Fund each quarter. The Committee shall meet with the Investment Consultant to discuss the quarterly investment performance, investment strategies, expected future performance and any changes in the Manager's organization, investment processes and professional staff.

11.3 The Manager shall provide detailed reporting on the investment outlook and outline how the portfolio is structured to take advantage of that outlook.

11.4 In order to achieve the long-term return objective of the Fund, the Committee is targeting to achieve over the long term a return, net of all brokerage expenses but before all other fees, that exceeds the return on a composite index made of passive investments in appropriate market indices (where available), according to the normal allocation defined in section 5.3. The market indices to be used in this evaluation are (assuming quarterly rebalancing): S&P/TSX Capped Composite Index, MSCI World Index, FTSE TMX Canada Universe Bond Index, Citigroup World Government Bond Index (Unhedged), and a custom Alternative Strategy benchmark. The Committee recognizes that the funding of certain Alternative Strategies occur over longer periods than most traditional investments and will take this into consideration when structuring the composite index.

11.5 The primary focus of performance assessment will normally be on a moving four-year basis, but performance over shorter time periods and the Manager's performance for other comparable accounts prior to appointment for the Fund may also be considered. The Manager will not necessarily be faulted for underperforming the agreed standard over short time periods. However, the Committee may conclude that significant short-term under performance renders it unlikely that the performance standard can reasonably be achieved at an appropriate risk level over the remainder of a market cycle.

Section XII Policy Review

12.1 This Policy shall be reviewed at least annually in order to determine whether any modifications are necessary or desirable. Such review shall consider whether there has been:

(a) a fundamental change in the design of the Plan

(b) significant revisions to the expected long-term trade-off between risk and reward on key asset classes

(c) a major change in the actuarial calculation basis, the membership/liability distribution, or the contribution/expense expectation in respect of the Plan

(d) a significant shift in the financial risk tolerance of the University

(e) shortcomings of the Policy that emerge in its practical operation

(f) significant recommendations by a Manager

(g) changes in applicable legislation.

12.2 A copy of this Policy and any amendments to it shall be delivered to the actuary and each Manager for the Plan.