



Statement of
investment policies
and goals



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SECTION 1 – OVERVIEW

1.01 Purpose of Statement

The primary purpose of this Policy Statement (the Policy) is to ensure the prudent investment and administration of the Public Employees Pension Plan's (PEPP, the Plan) assets. In addition, the Policy is to provide a framework for management of the Investment Options within levels of risk acceptable to the Public Employees Pension Board (the Board). The Policy provides the investment managers with a written statement of specific quality, quantity, and rate of return standards.

The prudent person approach applies to the investment and administration of Plan assets. Plan investments are subject to applicable legislation.

1.02 About the Plan

The Public Employees (Government Contributory) Superannuation Plan was established by section 38 of The Superannuation (Supplementary Provisions) Act and is continued as the PEPP. The primary purpose of the Plan is to provide lifetime retirement benefits to members. The Plan is governed by *The Public Employees Pension Plan Act (the Act)*.

The Plan is a defined contribution plan. Plan members bear the investment risk and reap the rewards of superior investment performance, as there is no guarantee of pension benefits by a Plan sponsor.

1.03 Investment and Risk Philosophy

The Board has articulated the following key investment beliefs that shape the Policy:

- Asset allocation is the most important determining factor in investment performance.
- Achieving financial returns involves taking risk. In general, higher risks are rewarded with higher expected returns. Returns may, however, take time to emerge from the underlying risks and risk-taking does not guarantee additional returns.
- Diversification across and within asset classes where risk/return profiles are not perfectly correlated provides an opportunity to improve risk adjusted returns. It is recognized correlations can change over time and must be monitored routinely.
- Exposure to foreign currencies resulting from holding foreign investments is expected to provide diversification benefits. However, member benefits are paid in CAD. Accordingly, hedging a portion of the foreign currency exposure is seen as appropriate risk management, where cost effective.
- Active management generally adds value in excess of incremental investment management fees. Passive mandates efficiently provide liquid, low-cost exposure to some asset classes and/or market attributes. Accordingly, the Plan utilizes both active and passive strategies.

- Creating consistent value-add via market timing strategies is difficult. However, an effective implementation strategy can improve the net returns and risk profile of the Investment Options; therefore, market conditions, cash flows, liquidity and transaction costs should be considered in circumstances of rebalancing, transition, or implementation.
- Investment opportunities that effectively consider Environmental, Social and Governance (ESG) factors can reasonably be expected to increase the creation of shareholder value over longer time frames. It is appropriate for investment managers to consider ESG factors in managing investments.
- Risk tolerance and return objectives vary amongst plan members. Accordingly, several Investment Options are available to address members' varying risk tolerances and preferences.
- Less liquid investments have unique attributes that can provide improved risk adjusted returns, greater diversification and inflation protection, therefore, are appropriate investments for inclusion in the Investment Options, subject to management of liquidity, valuation, cost, and administrative constraints.

1.04 Delegation of Responsibilities

Overall responsibility for the Plan's assets rests with the Board. The Board's responsibilities include setting the investment policy, appointment of the custodian, investment managers, and consulting services, and determining Plan changes. The Board is also charged with ensuring the Plan conforms to legislation and monitoring investment performance.

In completing the above duties, a number of responsibilities have been delegated:

(a) **Plannera Pensions & Benefits (Plannera) will:**

- (i) Retain their own investment consultant to monitor the investment performance of the Fund and the investment managers on a quarterly basis and advise and support the Board on matters related to investment management and administration of the Fund;
- (ii) Advise and support the Board on matters relating to investment management and administration of the Plan, including but not limited to investment policy and appointing and terminating the custodian, investment managers, and consulting services;
- (iii) Monitor the Plan's asset mix and rebalance between investment managers if necessary;
- (iv) Monitor investment performance as outlined in Section 4;
- (v) Monitor and report to the Board changes in ownership, investment philosophy and processes (if applicable), personnel, and organizational structure to investment managers, custodian, and investment consultant.
- (vi) Monitor investment manager compliance on a quarterly basis; and
- (vii) Perform day-to-day Plan administration.

(b) Investment managers will:

- (i) Invest the assets of the Plan in accordance with this Policy;
- (ii) Meet Planera's requested and provide written reports regarding their past performance, their future strategies, and other issues as requested;
- (iii) Notify Planera and the investment consultant promptly, in writing, of changes in ownership, investment philosophy and processes, key personnel, and organizational structure;
- (iv) Notify the Executive Director of Investment Services and Planera's investment consultant promptly, in writing, of any legal or regulatory proceedings or charges of which the investment manager may be aware, against the investment manager's firm or investment personnel, or against any sub-advisor or that firm's investment personnel;
- (v) Reconcile their own records with the custodian at least monthly;
- (vi) File quarterly compliance reports (see Section 4.04); and
- (vii) Evaluate and select counterparties.

(c) The custodian will:

- (viii) Maintain safe custody over the Plan assets;
- (ix) Execute the instructions of the Board, Planera, and any investment manager appointed to manage the assets of the Plan;
- (x) Provide monthly financial statements as required; and
- (xi) Report regularly on security lending counterparties the custodian has lent securities to, amounts of such lending positions and the creditworthiness (credit ratings) of the parties to whom securities have been loaned.

(d) The strategic consultant will:

- (i) Assist in the development and implementation of this Policy and provide related research; and
- (ii) Meet with the Board as required.

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

SECTION 2 – ASSET ALLOCATION

2.01 Fund Structure

The Board approved a new Plan asset mix in November 2022 as outlined in the table below:

Investment Option			Target Asset Allocation (% of total allocation) Short-term target in parentheses		
Step	Age Band	Asset Allocation Fund	Equity Portfolio	Alternatives Portfolio	Income Portfolio
1	<35	Accelerated Growth	67.5 (73.0)	27.5 (22.0)	5.0
2	35-42		62.5 (68.0)	27.5 (22.0)	10.0
3	43-46	Growth	57.5 (63.0)	27.5 (22.0)	15.0
4	47-50		52.5 (58.0)	27.5 (22.0)	20.0
5	51-53		47.5 (53.0)	27.5 (22.0)	25.0
6	54-56	Balanced	42.5 (48.0)	27.5 (22.0)	30.0
7	57-58		37.5 (43.0)	27.5 (22.0)	35.0
8	59-60		32.5 (38.0)	27.5 (22.0)	40.0
9	61-62	Moderate	27.5 (33.0)	27.5 (22.0)	45.0
10	63-64		25.0 (28.0)	25.0 (22.0)	50.0
11	65-69		22.5 (24.0)	22.5 (21.0)	55.0
12	70-74		20.0 (21.0)	20.0 (19.0)	60.0
13	>75	Conservative	17.5 (18.0)	17.5 (17.0)	65.0

Note: During the Plan's implementation of its new investment structure, there may be deviations outside of the prescribed ranges for certain asset classes, particularly in the Alternatives Portfolio. In Alternatives, the gap between the short-term target and the long-term target continues to narrow over time with the build-out in the infrastructure portfolio to meet the intended target. Allocation weight in real estate and liquid alternatives has expanded with the funding of new mandates and will be temporarily above their long-term intended allocation weight to partially offset the underweight in infrastructure during this funding phase.

The Plan offers several Investment Options to its members to accommodate their varying risk tolerances and preferences. Each Investment Option has a distinct allocation to equities, alternatives, and income assets. Each Investment Option also includes an allocation to money market assets to provide liquidity.

Members who select the STEPS program progress through each Investment Option as they approach retirement age. The STEPS program serves as the default fund for members.

No less frequently than quarterly, Plannera will monitor the allocation to the equity, alternatives, and income portfolios to ensure the market value of each is within +/- three per cent of the target asset allocation and will rebalance in accordance with Section 2.03 as required.

2.02 Manager Structure

Asset class and manager allocations can deviate from their targets within the prescribed ranges shown in the tables below. Plannera will monitor the allocation to each investment manager mandate on a daily basis to ensure the market value of each is within the ranges noted in this section and will rebalance in accordance with Section 2.03 as required. As the Policy contains allocations to asset classes with restricted liquidity that may take longer to implement, deviations within these ranges are expected during an implementation phase.

(a) Equity Portfolio

Asset Class	Mandate	Manager	Equity Portfolio Allocation (%)		
			Minimum	Target	Maximum
Canadian Equities – Large Cap	Active Growth	Fidelity	3.0	6.0	9.0
Canadian Equities – Large Cap	Active Value	Beutel, Goodman	3.0	6.0	9.0
Canadian Equities – Small Cap	Active Small/Mid Value	QV	1.2	2.5	3.8
Canadian Equities – Small Cap	Active Micro Growth	J. Zechner	1.2	2.5	3.8
Foreign Equities – Large Cap	Global Value/Quality	Burgundy	9.2	12.3	15.4
Foreign Equities – Large Cap	Global Value/Quality	Maj	9.1	12.2	15.3
Foreign Equities – Large Cap	Global Value	Pzena	9.2	12.3	15.4
Foreign Equities – Large Cap	Global Growth	MSIM	9.1	12.2	15.3
Foreign Equities – Large Cap	Emerging Markets Value	ARGA	3.0	6.0	9.0
Foreign Equities – Large Cap	Emerging Markets Growth	T. Rowe	3.0	6.0	9.0
Foreign Equities – Small Cap	US Small Core	GW&K	1.5	3.0	4.5
Foreign Equities – Small Cap	US Small Value	Pzena	1.5	3.0	4.5
Foreign Equities – Small Cap	EAFE Growth	Oberweis	1.5	3.0	4.5
Foreign Equities – Small Cap	EAFE Value	TS&W	1.5	3.0	4.5
Foreign Equities – Hedging	Passive Currency 50%	Insight	n/a	0.0	n/a
Private Equity		Various*	0.0	10.0	13.0
				100	

* Private Equity funding will be ongoing until target is met.

(b) Alternatives Portfolio

Asset Class	Mandate	Manager	Alternatives Portfolio Allocation (%)		
			Minimum	Target	Maximum
Canadian Real Estate	Canadian Core	TDAM	7.0	13.0	19.0
Foreign Real Estate	US Core	MSRE	8.5	14.5	20.5
Foreign Real Estate	European Core	Barings	2.7	5.5	8.3
Liquid Alternatives	Global Macro	Rokos	1.8	3.6	5.4
Liquid Alternatives	Managed Futures	Transtrend	2.0	2.8	3.6
Liquid Alternatives	Multi-Strat	Hudson Bay	1.6	3.6	5.6
Liquid Alternatives	Multi-Strat	LMR	1.0	2.4	3.8
Liquid Alternatives	Opportunistic Credit	King Street	1.1	2.7	4.3
Liquid Alternatives	Structured Credit	OWS	1.3	2.9	4.5
Infrastructure		Various*	0.0	33.0	50.0
Timberland / Farmland		Various*	0.0	16.0	50.0
				100	

* Infrastructure and Timberland/Farmland funding will be ongoing until the funding target is met.

(c) Income Portfolio

Asset Class	Mandate	Manager	Income Portfolio Allocation (%)		
			Minimum	Target	Maximum
Canadian Universe Bond	Passive Universe	TDAM ¹	37.0	40.0	43.0
Canadian Core Plus Bond	Core Plus Universe	AllianceBernstein Advanced	12.0	14.0	16.0
Canadian Core Plus Bond	Core Plus Universe	PIMCO	12.0	14.0	16.0
Absolute Return Bond	Absolute Return	Manulife	8.0	10.0	12.0
Absolute Return Bond	Absolute Return	PGIM	8.0	10.0	12.0
Direct Lending	Direct Lending	Various	0.0	10.0	14.0
Canadian Money Market	Money Market	TDAM	-	2.0	4.0
				100	

¹For liquidity risk management purposes, a portion of this mandate includes a passively managed synthetic bond allocation.

2.03 Rebalancing

In support of the Plan's investment and risk philosophies, it is prudent to rebalance Plan assets toward the policy allocations outlined in Sections 2.02 and 2.03. In the event that the market value of an individual manager allocation, or an Investment Option allocation, differs materially from the policy weight, the following rebalancing guidelines clarify how Plannera will manage the Plan's allocations to each investment manager and Investment Option. Plannera reports rebalancing activity to the Board on a quarterly basis.

Rebalancing decisions will be guided by the following principles:

(a) **Rebalancing Manages Risk**

The primary purpose of rebalancing is to manage risk. Rebalancing decisions will not be made tactically in an attempt to enhance returns or time the market.

(b) **Relative Parity**

The relative over or underweights will be managed for consistency across Investment Options and investment managers. As such, Plannera will have discretion to rebalance an Investment Option or investment manager that has not breached the rebalancing ranges.

(c) **Timeliness**

When guidelines are breached, investment mandates will be rebalanced within guidelines at the earliest possible opportunity.

The timing of rebalancing shall be determined by Plannera through consultation with the investment managers involved and using such third party assistance as Plannera may consider necessary.

(d) **Cost Effectiveness**

Rebalancing should be conducted in a manner that minimizes transaction and market impact costs.

SECTION 3 – PERMITTED AND PROHIBITED INVESTMENTS

3.01 General Guidelines

The Plan's investments must comply with the requirements and restrictions imposed by the applicable legislation, including but not limited to the requirements of *The Pension Benefits Act, 1992*, which refers to the *Pension Benefits Standards Act (Canada)* on investment related issues, the *Income Tax Act (Canada)* and Regulations, and all subsequent amendments.

3.02 Permitted Investments

This section summarizes the permitted investments of the Plan. Appendices to the Policy detail the permitted and prohibited investments for each investment manager mandate. On a quarterly basis, each investment manager must confirm to Plannera that its investments comply with those outlined in its appendix.

An investment manager may invest Plan assets in any of the following asset classes or investment instruments:

- (a) Equities;
- (b) Fixed Income (includes Direct Lending);
- (c) Cash and Short-Term Investments;
- (d) Real Estate;
- (e) Infrastructure;
- (f) Private Equity; and
- (g) Derivative Investments.

3.03 Maximum Quantity Restrictions

- (a) Investment in a single corporation, including its associated or affiliated companies, through any combination of debt and/or equity, shall not exceed 10 per cent of the total market value of Plan assets at time of purchase.
- (b) No more than five per cent of the book value of the Plan assets shall be invested in any one parcel of real estate.
- (c) No more than 25 per cent of the book value of the Plan assets shall be invested in real estate and Canadian resource properties.

3.04 Securities Lending

The Plan's investments may be loaned, for the purpose of generating revenue for the Plan, subject to the provisions of the applicable legislation.

Such loans must be secured by cash and/or readily marketable 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 per cent of the market value of the securities lent. This market relationship must be calculated at least daily.

The terms and conditions of any securities lending program, including the maximum exposure in aggregate and by counterparty, will be set out in a contract with the custodian. The custodian shall, at all times, ensure that Plannera has a current list of those institutions that are approved to borrow the Plan's investments.

The Plan's custodian shall report monthly on security lending positions, activity, and revenues. As well, the custodian should report quarterly on compliance with its security lending policies and procedures, including the counterparties used and their creditworthiness plus the quality of the collateral provided by counterparties shall be reported.

If Plan assets are invested in a pooled fund, security lending will be governed by the terms and conditions set out in the pooled fund contract.

3.05 Borrowing

The Plan shall not borrow money, except to cover short-term contingencies and the borrowing is for a period that does not exceed 90 days.



SECTION 4 – INVESTMENT MONITORING

4.01 Investment Monitoring Framework

An effective investment monitoring framework is expected to improve the return on Plan assets as well as to minimize the risk of operational or other losses. Monitoring of the Plan's investments shall be conducted from a variety of perspectives using both quantitative and qualitative techniques.

(a) Performance Monitoring

(xii) Investment Managers

Plannera shall calculate the performance of each investment manager mandate no less frequently than quarterly. Investment managers shall report their performance no less frequently than quarterly. Significant discrepancies between performance reported by a manager and Plannera should be reviewed immediately. No less frequently than quarterly, Plannera and the investment consultant shall compare the performance of each investment manager mandate to the underlying benchmarks and peer groups outlined in Section 4.02(a).

(xiii) Investment Portfolios and Asset Classes

Plannera shall calculate the aggregate performance of the Equity Portfolio, the Alternatives Portfolio, the Income Portfolio, and the underlying asset classes no less frequently than quarterly. No less frequently than quarterly, the performance of each portfolio and asset class shall be compared to the underlying benchmarks outlined in Section 4.02(b).

Plannera is responsible for monitoring the manager allocation of each investment portfolio as outlined in Section 2.02.

(xiv) Investment Options

Plannera shall calculate the performance of each Investment Option on a daily basis. No less frequently than monthly, the performance of each Investment Option shall be compared to the underlying benchmarks outlined in Section 4.02(c). No less frequently than quarterly, the relative and absolute performance of each Investment Option shall be reported to the Board. No less frequently than quarterly, the absolute performance of each Investment Option shall be reported to the Members.

(b) Risk Monitoring

(xv) Compliance

No less frequently than quarterly, each investment manager shall complete a compliance report indicating that assets are being invested in accordance with agreed upon limits as outlined in Section 4.04.

(xvi) Risk Metrics

No less frequently than annually, Plannera and the investment consultant shall review the risk attributes of each mandate as outlined in Section 4.03.

(c) Investment Style, Structure, and Outlook Monitoring

No less frequently than annually, Plannera and the investment consultant shall review the investment style, holdings, personnel, trading, and future outlook for each investment manager mandate. Style and structure expectations will vary by investment manager mandate and asset class and are outlined in each appendix. Should the investment style or structure differ from expectations, Plannera and the investment consultant shall review the causes with the investment manager and provide a report to the Board.

4.02 Performance Monitoring

(a) Investment Manager Performance

The performance of each investment manager mandate shall, in accordance with industry convention, be calculated as follows:

- Time weighted rates of return;
- Total returns, including realized and unrealized gains and losses and income from all sources; and
- Be calculated before investment management fees, with the exception of liquid alternative strategies, which, in accordance with industry convention, are reported net of investment management fees.

(i) Benchmark Expectations

The performance of each investment manager mandate shall be assessed over rolling four-year periods (active mandates) or rolling one-year mandates (passive mandates) against the following benchmarks on an annualized basis:

Manager	Mandate	Benchmark Total Return Index	Value-Add/Performance Target (%)
Fidelity	Large Cap Canadian Equity	S&P/TSX Capped Composite	0.50
Beutel, Goodman	Large Cap Canadian Equity	S&P/TSX Capped Composite	0.50
QV	Small/Mid Cap Canadian Equity	S&P/TSX Completion	1.00
J. Zechner	Small Cap Canadian Equity	S&P/TSX Small Cap	1.00
Burgundy	Large Cap Global Equity	MSCI All Country World (\$C)	1.00
Maj	Large Cap Global Equity	MSCI World (\$C)	1.00
Pzena	Large Cap Global Equity	MSCI All Country World (\$C)	1.00
MSIM	Large Cap Global Equity	MSCI All Country World (\$C)	1.00
ARGA	Emerging Markets Equity	MSCI Emerging Markets (\$C)	2.00
T. Rowe	Emerging Markets Equity	MSCI Emerging Markets (\$C)	1.25
GW&K	Small Cap US Equity	Russell 2000 (\$C)	1.25
Pzena	Small Cap US Equity	Russell 2000 (\$C)	1.00
Oberweis	Small Cap EAFE Equity	MSCI World ex US Small Cap (\$C)	1.75
TS&W	Small Cap EAFE Equity	MSCI EAFE Small Cap Index (\$C)	1.25
TDAM	Core Canadian Real Estate	MSCI/REALPAC Property Fund Index	0.00
MSRE	U.S. Core Real Estate	NFI-ODCE (\$C)	0.00
Barings	European Core Real Estate	MSCI PEPFI (\$C)	0.00
Rokos	Global Macro	3-Month US Treasury Bills	3.00
Transtrend	Managed Futures	3-Month US Treasury Bills	3.00
Hudson Bay	Multi-Strat	FTSE Canada 91-Day Treasury Bills	3.00
LMR	Multi-Strat	3-Month US Treasury Bills	3.00
King Street	Opportunistic Credit	FTSE Canada 91-Day Treasury Bills	3.00
OWS	Structured Credit	3-Month US Treasury Bills	3.00
TDAM	Universe Canadian Bonds (Passive)	FTSE Canada Universe	±0.10
AllianceBernstein	Universe Core Plus Canadian Bonds	FTSE Canada Universe	0.75
PIMCO	Universe Core Plus Canadian Bonds	FTSE Canada Universe	0.75
Manulife	Absolute Return	Bloomberg Barclays Multiverse Index (\$C)	0.75
PGIM	Absolute Return	FTSE Canada 91-Day Treasury Bills	2.0
TDAM	Money Market	FTSE Canada 91-Day Treasury Bills	0.10

Where an active manager's value-add target has not been met over a four-year period or a passive manager's performance target has not been met over a one-year period, a thorough due diligence review of the investment manager's mandate will be completed by Plannera and the investment consultant.

Where an active manager's value-add target has not been met for eight consecutive quarters following the initial due diligence review, further due diligence may be performed by Plannera and the investment consultant by assessing other available investment manager alternatives within the asset class.

(ii) **Peer Group Expectations – Active Managers**

The four-year rolling performance of each active mandate is expected to exceed the median performance of an institutional peer group deemed appropriate by Plannera and the investment consultant. Should the four-year performance of an active mandate rank in the bottom quartile of an appropriate peer group, a thorough due diligence review of the investment manager's mandate will be completed by Plannera and the investment consultant.

(b) **Investment Portfolio and Asset Class Performance**

To diversify style, manager, performance, and operational risks, the Plan engages multiple managers in each asset class (where practical). To diversify asset class risk, the Plan utilizes multiple asset classes within both the equity, alternatives, and income portfolios. As outlined in Section 4.01(a), the relative performance of the equity, alternatives, and income portfolios, well as each asset class, will be compared to the policy benchmarks outlined in Section 2.02 (assuming monthly rebalancing).

At least annually, variations in returns at both the portfolio and asset class levels should be attributed between:

- Investment manager performance; and
- Asset allocations differences.

(c) **Investment Option Performance**

(i) **Benchmark Expectations**

The performance of each Investment Option shall be assessed over three months, rolling one-year and four-year periods against the benchmark returns of the equity, alternatives, and income portfolios as determined in Section 4.02(b) based on the target asset allocations outlined in Section 2.01 (assuming monthly rebalancing). At least annually, variations in returns at the Investment Option level should be attributed between:

Relative performance of the equity, alternatives, and income portfolios; and Asset allocation differences.

(ii) **Peer Group Expectations – Investment Options**

The one-year and four-year rolling performance of each asset allocation fund is expected to exceed the median performance of an institutional peer group deemed appropriate by Plannera and the Investment Consultant.

(iii) **Real Return Expectations – Investment Options**

The four-year rolling performance of each Asset Allocation Fund is expected to provide the following real returns:

Investment Option	Annualized Real Return Expectation (% Net of active management and expenses)
Accelerated Growth	4.8
Growth	4.6
Balanced	4.2
Moderate	3.7
Conservative	3.1
Specialty Funds	
Bond Fund	1.9
Money Market Fund	0.1

Note: Real return expectations have been modelled using assumptions from the strategic review process and are updated in conjunction with the strategic review process cycle which occurs every four to six years.

4.03 Risk Monitoring

(a) No less frequently than annually, Plannera and the investment consultant will assess the following risk metrics for each investment manager mandate:

(i) **Standard deviation relative to:**

- The benchmark; and
- An appropriate peer group.

(ii) **Tracking error relative to:**

- The benchmark; and
- An appropriate peer group.

Standard deviation and tracking error expectations will vary by investment manager mandate and asset class, and are outlined in each Appendix.

(b) Where a risk measure is outside the expected range, Plannera and the investment consultant shall review the causes with the investment manager and provide a report to the Board.

4.04 Compliance Reporting by Investment Manager

Each investment manager is required to complete and sign a compliance report each quarter. The compliance report should indicate whether or not the investment manager's portfolio was in compliance with this Policy and investment limits specific to the investment manager mandate during the quarter. Copies of the compliance reports must be sent to Plannera. Compliance reports for each investment manager mandate are included in the appendices.

In the event that an investment manager is not in compliance with this Policy or its stated investment limits, the investment manager is required to advise the Board promptly, detailing the nature of the non-compliance and recommending an appropriate course of action to remedy the situation. If it is deemed to be in the best interest of the Plan, the Board may grant permission, on a temporary basis, for the investment manager to deviate from the Policy or its stated investment limits.

The Plan invests in several pooled funds, which have separate investment policies. Should a conflict arise between the provisions of this Policy and the provisions of the pooled fund's investment policy, the investment manager is required to notify the Executive Director of Investment Services promptly in writing, detailing the nature of the conflict and the investment manager's recommended course of action.

If an investment manager believes the investment limits specific to its mandate are inappropriate for anticipated economic conditions, the investment manager is responsible for advising the Executive Director of Investment Services that a change in guidelines is desirable and the reasons therefore.



SECTION 5 – ADMINISTRATION

5.01 Conflicts of Interest

(a) Responsibilities

This standard applies to the members of the Board as well as to all agents employed by them, in the execution of their responsibilities to the Plan (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 management of Plan assets.

(b) Disclosure

In the execution of their duties, the Affected Persons shall disclose any material conflict of interest relating to them, or any material ownership of securities, which could impair their ability to render unbiased advice, or to make unbiased decisions, affecting the administration of the Investment Options.

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 favor, other than one of nominal value, from a person with whom the individual 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 or 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 Board immediately. The Board, 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.

No Affected Person, who has or is required to make a disclosure that is determined to be in conflict 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.

5.02 Related Party Transactions

The Board may not enter into a transaction with a related party unless:

The transaction is required for the operation or administration of the Plan and the terms and conditions of the transaction are not less favourable to the Plan than market terms and conditions; or the value of the transaction is nominal (that is, less than three per cent of the market value of the Plan) or immaterial to the Plan.

"Related party" is defined in section 1 of Schedule III to the *Pension Benefits Standards Regulations, 1985* (Canada). A related party is a person who is the administrator of the plan including any officer, director, or employee of the administrator, or any person who is a member of the Board. It also includes the investment managers and their employees, a union representing employees of the employer, a member of the plan, a spouse or child of the persons named previously, or a corporation that is directly or indirectly controlled by the persons named previously, among others. Related party does not include government or a government agency.

Under the conflict of interest guidelines, it is incumbent on any person to notify the Chairperson of the Board if a conflict arises. Such conflict includes related party transactions.

5.03 Selecting Investment Managers

Investment managers will be selected in accordance with the Plan's Acquisition and Retention of Services Policy. Plannera has the authority to use discretion during investment manager transition. Plannera may engage external transition management to assist where appropriate.

5.04 Monitoring of Investment Managers

To enable the Board to fulfill its responsibility of monitoring and reviewing the investment managers, Plannera will assist the Board, on an on-going basis, in considering:

- (a) Investment managers' staff turnover and the role of key personnel in the investment decision;
- (b) Consistency of an investment managers' portfolio activities, style, and philosophy with its stated style and strategy;
- (c) Characteristics of an investment managers' firm (ownership, growth in assets, client retention etc.);
- (d) Investment manager compliance with this Policy, where an investment manager is required to complete and sign a compliance report;
- (e) Investment performance of Plan assets, in relation to the rate of return expectations outlined in this Policy; and
- (f) Expectations for future performance.

5.05 Dismissal of an Investment Manager

Reasons for considering the termination of the services of an investment manager include, but are not limited to, the following factors:

- (a) Performance results, which over a reasonable period of time, fail to meet the targets in Section 4.02(a);
- (b) Changes in the overall Plan structure such that the investment manager's services are no longer required;
- (c) Change in personnel, firm structure, and investment philosophy, style, or approach that might adversely affect the potential return and/or risk level of the portfolio;
- (d) Legal or regulatory proceedings against the investment manager, its investment personnel, or any sub-advisor firm or that firms' investment personnel;
- (e) Failure to adhere to this Policy; and
- (f) Changes in the outlook for future performance.

5.06 Immediate Termination of an Investment Manager

If, in the opinion of Plannera, in consultation with the investment consultant, an event with an investment manager is anticipated to have a material negative effect on future investment performance, Plannera may take the following steps to immediately terminate the services of such investment manager:

- (a) Notify the Chairperson of the Board, or Vice-Chairperson if the Chairperson is not available, of the circumstances;
- (b) Provide the Chairperson of the Board, or Vice-Chairperson if the Chairperson is not available, with a written recommendation for termination and the recommended course of action;
- (c) Receive approval for the above recommendations from the Chairperson, or Vice-Chairperson if the Chairperson is not available, in writing;
- (d) Implement the approved actions; and
- (e) Inform the Board, in writing, at the next scheduled meeting of the circumstances surrounding the dismissal and the course of action taken to transition assets from the terminated manager.

5.07 Voting Rights

The Board has delegated voting rights acquired through pension fund investments to the investment manager, who may engage a third party to vote on its behalf. Investment managers are expected to vote all proxies in the best interests of the Plan members.

The investment managers should disclose their proxy voting policies and any changes thereto and report annually to Plannera on:

- (a) Whether all eligible proxies were voted on the Plan's behalf; and
- (b) If their proxy guidelines were followed and report on any deviations.

5.08 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 calendar quarter.
- (b) **Bonds**
Average of bid-and-ask prices from two major investment dealers, at least once every calendar quarter.
- (c) **Mortgages**
Unless in arrears, at the outstanding principal.
- (d) **Real Estate**
A certified written appraisal from a qualified independent appraiser at least annually.
- (e) **Others**
Securities that are not publicly traded and for which no external transaction or other evidence of market value exists, will be valued at cost if no acceptable third party valuation can be found.

5.09 Policy Review

This Policy may be reviewed and revised at any time by the Board, but it must be formally reviewed at least annually.

5.10 Standard of Professional Conduct

Each investment manager is expected to comply, at all times and in all respects, with the Code of Ethics and Standards of Professional Conduct of the CFA Institute or a code internal to the investment manager that has been reviewed by Plannera and deemed to be appropriate.

Each investment manager will manage the assets with the care, diligence, and skill that a prudent person skilled as a professional investment manager would use in dealing with pension plan assets. The investment manager will also use all relevant knowledge and skill that it possesses or ought to possess as a prudent investment manager.

5.11 Suppression of Terrorism

Each investment manager must comply at all times and in all respects with the federal Suppression of Terrorism Regulations.