MEMORIAL UNIVERSITY PENSION PLAN

STATEMENT OF INVESTMENT POLICY AND OBJECTIVES

MEMORIAL
UNIVERSITY

Approved by the Board on: **March 17, 2016**

TABLE OF CONTENTS

SECTION 1 STATEMENT OF PURPOSE

The Memorial University Pension Plan (hereinafter referred to as "the Plan") was established in 1950 to provide pension and retirement benefits for employees participating in the Plan.

The University's Board of Regents (hereinafter referred to as either "the Board" or "the Board of Regents") is responsible for administering the *Memorial University Pensions Act*, from which authority pension and retirement benefits are paid, contributions are collected, and a fund, known as the Memorial University Pension Fund, is created. This fund is held in trust by the Board, and is hereinafter referred to in this document as "the Fund".

The purpose of this *Statement of Investment Policy and Objectives* is to serve as a guide to the Board of Regents and the appointed staff of the University who manage and administer the Fund, as well as to, the University Pensions Committee (hereinafter referred to as "the Committee"), the Performance Review Subcommittee, Fund Managers, and any agent or other person(s) who is in a position to influence decisions regarding the investment of the Plan's assets.

This document will commit to writing the policies and objectives adopted by the Board of Regents, pursuant to recommendations of the Committee.

The purpose in establishing investment policies and objectives is two-fold:

1) To ensure that all parties involved in the management of the Fund clearly understand the policies, objectives, goals and direction of the Fund.

2) To facilitate the delegation of functional responsibilities associated with the management of the Fund.

The process of determining investment policies and objectives includes**,** but is not limited to, the following:

(i) Identifying the nature of the liabilities of the Fund for which the Board of Regents have ultimate fiduciary responsibility. Important characteristics include the type of liability (e.g., termination benefits, death benefits, lifetime pensions), the length of time the liability will be outstanding (influenced by the mix of beneficiaries under the Plan), and the type of payment involved (e.g., single fixed amount versus monthly payments).

(ii) Identifying assets which have characteristics similar to the liabilities being assumed (e.g., short term securities to meet cash flow needs versus common stock equity investments for long term pensions).

(iii) Selecting asset classes which best suit the needs of the liabilities and which, when combined in an investment portfolio, will provide the highest rate of return at an acceptable level of risk.

(iv) Providing sufficient diversification to eliminate unnecessary risk.

The basic goal is to ensure that the assets of the pension fund, together with expected contributions, shall be invested in a continued, prudent, and effective manner so as to optimally meet the liabilities of the Plan.

The Statement has been prepared in accordance with the *Newfoundland Pension Benefits Act*, *1997* (hereinafter referred to as “the Pension Benefits Act, 1997”) and Regulations.

The Plan is a contributory defined benefit plan where employee contributions are outlined as follows:

- 9.9% of earnings up to the Year's Basic Exemption (YBE) as defined under the Canada Pension Plan.
- 8.1% of earnings in excess of the YBE up to and including the Year's Maximum Pensionable Earnings (YMPE) as defined under the Canada Pension Plan.
- 9.9% of earnings in excess of the YMPE.

Employer contributions will equal those of the employees. Aggregate contribution rates are adjusted from time to time based on advice from the Plan's actuary. Remittances to the pension fund are made on a monthly basis.

Under the Plan, benefits are defined independently of the value of the Fund assets. The benefits are provided on the basis of a best average salary formula. Since the benefit formula is earnings related, the Plan's liabilities will vary with the total payroll of the active membership.

Benefits provided by the Plan include pension benefits to retired members and surviving spouses, as well as lump sum termination benefits.

Pensioners comprised approximately 41% of the Plan's actuarial liabilities as at December 31, 2014, with the remainder being associated with active members.

Benefit payments from the Plan plus expenses exceed the contributions being made, with the result that investment income is required to meet the Plan's present outgoing cash flow.

(Note: Contribution rates were increased by 1.5 percentage points effective January 1, 2017 to 11.4%/9.6%/11.4%)

The Board of Regents administers the *Memorial University Pensions Act* and holds the Fund in trust. In administering the *Memorial University Pensions Act*, the Board is responsible for managing the Fund's investments in accordance with that Act's provisions, as well as with those of the *Pension Benefits Act, 1997*. In fulfilling this mandate, the Board seeks advice about the management of the Fund as follows:

The University Pensions Committee

The University Pensions Committee will:

(i) recommend to the Board the Statement of Investment Policy and Objectives, review its contents and applicability at least annually, and revise as necessary;

(ii) recommend to the Board that one or more agents, such as the custodian, fund manager, and consultant, be retained to carry out any act required to be done in the administration and investment of the Fund, where it is reasonable and prudent in the circumstances to do so;

(iii) monitor the performance of the agents so employed as is prudent and reasonable;

(iv) review, at least quarterly, the fund performance;

(v) delegate as appropriate any responsibilities not specifically mentioned; and

(vi) seek and provide advice on current topics and topics of interest as they might arise from time to time.

In carrying out its responsibilities, the Committee will rely on support from the University's Administration, including the Vice President, Administration and Finance, the Director of Human Resources, the Manager of Benefits and Pensions, and other internal personnel to whom it may delegate specific tasks from time to time. The Committee is expected to meet at least four times per year regarding management of the pension fund.

The Manager of Benefits and Pensions

The Manager of Benefits and Pensions will:

(i) report to the Committee quarterly on the overall investment performance of the Fund, and the performance of specific Investment Managers relative to the objectives set forth in this Policy;

(ii) review investment opportunities which are outside of this Policy, and, where appropriate, make a recommendation on their inclusion in the Fund to the Committee; and

(iii) review this Statement of Investment Policy and Objectives annually, suggest changes where appropriate, and report to the Committee on the results of the review.

The Investment Manager(s)

The Investment Manager(s) will:

(i) be responsible for the day-to-day investment management of the Plan's assets, including specific security selection and the timing of purchases and sales; and

(ii) comply with the communication requirements set out in Section 8 of this Statement.

The Custodian

The Custodian will:

(i) fulfil the duties as outlined in the custodial agreement; and

(ii) provide the Committee with regular statements of the assets of the Plan and transactions.

Standard of Prudence

In fulfilling their respective roles as described herein, the Board of Regents, the University Pensions Committee, members of the University's administration, and any agent or other person(s) who may be in a position to influence decisions regarding the investment of the Plan's assets shall exercise the care, diligence and skill in the administration, investment and management of the Fund that a person of ordinary prudence would exercise in dealing with the property of another person.

Statement on Socially Responsible Investing

The Board and the University Pensions Committee recognize the importance of investment practices that are appropriate from the perspective of environmental stewardship, social responsibility and good corporate governance. Where these factors are material to the overall performance of the Fund, they will be taken into consideration when reviewing the investment policies and practices of the investment managers.

SECTION 4 CONFLICT OF INTEREST GUIDELINES

No member of the Board of Regents or the University Pensions Committee, nor any officer or employee of the University, nor any agent that is employed by the Committee or by the University to carry out any act required to be done in the administration and investment of the pension fund, shall knowingly permit their interest to conflict with their duties and powers in respect of the Fund.

The conflict of interest policy for the Fund is contained in Appendix A which is attached to this Statement and forms part of this Statement.

The Pension Plan's assets shall be managed with the objective of pursuing an investment policy which maintains predictable and stable benefit costs and contributions, recognizing the liability characteristics of the Pension Plan and in particular the role of inflation in determining the magnitude of future benefit payouts.

A Policy Asset Mix[1] has been established which is expected to achieve the above objective at a reasonable and acceptable level of risk. The Policy Asset Mix, as well as various characteristics, is as follows:

POLICY ASSET MIX	
Asset Class	**Proportion of asset class in Policy Asset Mix**
Canadian equities:	25%
U.S. equities:	21%
International equities:	10%
Fixed income securities:	25%
Real estate:	8%
Mortgages:	8%
Cash:	3%
CHARACTERISTICS OF POLICY ASSET MIX (15 YEARS)	
Expected nominal return of Policy Asset Mix:	6.3%
Standard deviation of nominal return:	9.2%
Expected real return of Policy Asset Mix:	4.2%
Probability of exceeding 6.3% nominal return, per annum:	
- in a given year	52%
- over a 4 year period	42%
- over a 10 year period	45%
- over a 15 year period	50%
Probability of exceeding 4.6% real return, per annum:	
- in a given year	52%
- over a 4 year period	43%
- over a 10 year period	47%
- over a 15 year period	49%

[1]The Policy Asset Mix and resulting characteristics were developed using stochastic models developed by Eckler Ltd.

All investments are to be selected in compliance with the investment regulations of the *Income Tax Act* and the *Pension Benefits Act, 1997* and the respective Regulations thereunder.

Asset Mix

The portfolio with the Policy Asset Mix as outlined in Section 5 is expected to achieve the stated investment objectives over the long term. The Policy Asset Mix is the portfolio against which the actual performance of the Fund will be evaluated. Although the asset mix of the Fund is not actively managed, the mix at any time can deviate from the Policy Asset Mix due to market fluctuations.

It shall be the policy of the Plan to invest the assets in accordance with the minimum and maximum range for each asset class (based on market value) as outlined in Appendix B. The Policy Asset Mix and acceptable minimum and maximum ranges established by the Committee represent a long term view.

Appendix B will be specifically reviewed and either changed or reconfirmed by the Committee every time this Policy is reviewed.

Liquidity

The Plan's cash flow will be monitored by the University, with the objective of maintaining sufficient liquidity to fund benefit payment outflows.

When withdrawals become necessary, the University will notify the Investment Manager(s) as far in advance as is practical to allow them sufficient time to build up necessary liquid reserves.

The Investment Manager(s) will be expected to review the cash flow requirements with the University at least annually.

Volatility

Consistent with the desire for adequate diversification, the Investment Policy for the Plan is based on the assumption that the volatility of the portfolio will be similar to that of the market. Consequently, it is expected that the volatility of the total portfolio, in aggregate, will be reasonably close to the volatility of a balanced market index, weighted to match the actual asset mix of the Fund.

Proxy Voting Policy

The Investment Manager(s) are hereby delegated the right to vote any and all proxies solicited in connection with securities held by the Plan. The Investment Manager(s) shall furnish the Committee with any written proxy voting policy statement, and shall keep records with respect to its voting decisions and submit an annual report to the Committee summarizing votes cast.

Trading and Execution Guidelines

The Investment Manager(s) shall have the discretion to execute securities transactions with brokerage firms of their choosing; however, this selection shall be based on the quality of execution rendered, the value of research information provided, the financial health and integrity of the brokerage firm, and the overall efficiency in transacting business.

When the Investment Manager(s) directs commissions on behalf of the Plan, the direction will be contingent upon the institution being competitive in both price and execution for the specific transaction.

Investments

Fund investments will be limited to those securities and loans that are permitted for pension funds registered under the *Pension Benefits Act, 1997* and the *Income Tax Act* of Canada, and respective Regulations thereunder.

In selecting fund investments, the Investment Manager(s) must consider the prudence of such investment in the context of the manager's mandate as a whole without undue risk of loss or impairment and with a reasonable expectation of fair return or appreciation given the nature of such investment.

Permitted Investment Categories

Subject to the asset mix and investment guidelines contained in this Statement, investments will be permitted in the following categories:

(i) publicly-traded Canadian and non-Canadian common stocks, including related rights, warrants, convertible debentures, installment receipts and other common share equivalents;

(ii) bonds, debentures, notes or other debt instruments of Canadian and non-Canadian Governments, government agencies, or corporations;

(iii) preferred securities;

(iv) guaranteed investment certificates or equivalent financial instruments of insurance companies, trust companies, banks or other eligible issuers or funds which invest primarily in such instruments;

(v) term deposits or similar instruments of trust companies and banks;

(vi) cash or money market securities issued by Governments or corporations;

(vii) mutual, pooled or segregated funds which may invest in any or all of the above instruments or assets;

(viii) real estate holdings and real estate-related securities including trust units, shares and debt;

(ix) mortgage loans; and

(x) other investments upon written authorization of the Board as recommended by the Committee.

Pooled Funds

Investments may be made in the above asset classes either directly or by holding units of pooled funds. It is understood that a pooled fund has its own separate investment policy which would take precedence over this policy statement with respect to investment guidelines. Furthermore, it is understood that the investment policy of the pooled fund may be amended from time to time by the underlying investment manager(s).

The contents of pooled funds shall be monitored for their degree of compliance with the expectations of this investment policy. In the event that the underlying pooled fund investment policy is in conflict with this policy, the Board shall, upon the recommendation of the University Pensions Committee, decide what, if any, action is required and notify the investment manager(s) accordingly.

Portfolio Limitations

I. Equities

Types of Securities: Equities securities shall mean common stocks or equivalents, preferred stocks and foreign stocks.

Diversification: The equity portfolio should be well diversified to avoid undue exposure to any single economic sector, industry group, or individual security.

Quality and Marketability: Common and convertible preferred stocks should be of good quality, with the requirement that such stocks have adequate market liquidity relative to the size of the investment. Furthermore, equities will be limited to those traded on recognized exchanges in each country represented.

Concentration by Issuer: No more than 7% of the equity portfolio based on market value should be invested in the securities of any one issuing corporation at the time of purchase. Subsequent to the time of initial purchase, no more than 10% of the equity portfolio based on market value should be invested in the securities of any one issuing corporation.

Industry exposure should be limited to the lesser of (a) three times the S&P/TSX sector weight; or (b) the sector weight plus 10 percentage points.

II. Fixed Income Investments

Types of Securities: Funds not invested in cash equivalents (securities maturing in one year or less) shall be invested entirely in marketable debt securities issued by the Federal Government, a Provincial Government, domestic corporations including industrials and utilities, domestic banks, and other Canadian financial institutions.

Quality: The minimum standard for individual bonds and debentures at the time of purchase is "A", or equivalent as rated by a recognized bond rating service. In the event of split rating, for the purposes of this policy, the higher rating will apply for quality standards.

In the event that an instrument purchased with an appropriate rating is downgraded to a rating below "A", or equivalent, the Investment Manager must notify the University of the downgrade immediately, but is not required to sell right away. A further downgrade, however, requires an immediate sale.

Maturity: Fixed income securities having a remaining term to maturity of over 15 years shall not exceed 50% of the Fund at market value.

Diversification: The bond portfolio shall reflect a reasonable diversification as reflected by sector, type of issuer, quality and term. Corporate debt obligations will not exceed 50% (market value) of the bond portfolio, and no individual corporate issuer will exceed 10% (market value) of the bond portfolio.

III. Real Estate & Mortgages

As per the investment policies in Appendix C.

<u>Restricted Investments</u>

Categories of investments which are not eligible for investment include:

(i) short sales;

(ii) margin purchases or other uses of lending or borrowing of money;

(iii) commodities;

(iv) unregistered or restricted stock;

(v) direct loans or extension of lines of credit to any interested party; and

(vi) options, futures, and other derivatives.

Valuation of Investments

The value of the assets of the Fund shall be as determined from time to time by the Custodian. Where any security is not regularly traded, the fair value thereof shall be determined periodically by the Custodian of the Fund by using qualified appraisers.

SECTION 7 INVESTMENT PERFORMANCE REVIEW AND EVALUATION

Performance results for the Investment Manager(s) will be assessed on a quarterly basis.

Total fund performance will be measured against a balanced index composed of commonly accepted benchmarks weighted to match the long term Policy Asset Mix of the Plan.

The investment performance of the total portfolio, as well as the equity and fixed income segments (both in terms of return and risk) will be measured against commonly accepted benchmarks, including:

- S&P/TSX Composite Index;
- FSTE TMX Universe Index;
- S&P 500 Index; and
- MSCI's ACWI-ex U.S. index.

Additional market indices/benchmarks deemed appropriate for each investment mandate, are outlined in Appendix B.

Active management of the Fund is expected to achieve a rate of return, after fees that will exceed by 1% per annum, on average, the return achieved by the Policy Asset Mix portfolio over moving four-year periods. The equity and fixed income segments of the Fund will be expected to achieve returns exceeding the returns achieved by the benchmark indices over moving four-year periods.

Specific objectives for Specialty Managers are further detailed in the Specialty Manager Mandates, as appended to this Statement (see Appendix B).

Although these objectives are expected to be attained over a four-year time period, the Performance Review Subcommittee will review performance on a quarterly basis to assess their progress, and make recommendations to the Committee as appropriate.

SECTION 8 COMMUNICATIONS

The University Pensions Committee believes communication to be an integral part of the management process. This section establishes the reporting requirements and frequency of review meetings.

Investment Manager(s) Communications with the University

(i) provide at least quarterly portfolio valuations and transaction listings;

(ii) meet at least annually with the University Pensions Committee;

(iii) review past investment performance, evaluate the current investment outlook and discuss investment strategy;

(iv) provide information regarding major changes in investment policy that may result in investment strategy changes;

(v) review any significant changes in management, research, personnel or ownership within the firm; and

(vi) other communications that the Investment Manager(s) feel are necessary to facilitate achievement of the Plan's objectives and goals.

The University's Communications with Investment Manager(s)

(i) on a timely basis, provide revisions of the Statement of Investment Policy and Objectives;

(ii) meet at least annually with the Investment Manager(s);

(iii) review and discuss any modifications and changes to the Plan's investment objectives, goals and guidelines;

(iv) identify any anticipated changes in the Plan's cash flow requirements; and

(v) communicate any other matters which may bear upon the Plan's assets.

The Investment Manager(s) must disclose any material interest in any investment or proposed transaction.

Investment activities are expected to comply with the general principles of the CFA Institute Asset Manager Code of Conduct.

These Conflict of Interest guidelines apply to the Board of Regents, to members of the University Pensions Committee, to any officer or employee of the University, and to any agent who is in a position to influence decisions of the investment of the Plan's assets.

Disclosure Procedure

If there is an actual or perceived conflict of interest, the person involved must notify the Board of Regents and the University Pensions Committee. The conflict of interest notice will be in writing to each of the parties listed. Notice of the conflict will be given at the earliest of:

(i) upon becoming aware of the conflict;

(ii) at the first meeting in which the matter and issue is discussed;

(iii) at the first meeting in which he or she knows or ought to have known that he or she has an interest in the matter discussed.

In (ii) and (iii) above, initial disclosure of the conflict will be verbal, confirmed thereafter in writing. Additionally, the potential or actual conflict of interest will be noted in the minutes of the meeting of the University Pensions Committee.

In the case where a person becomes interested in an investment or transaction after it is made, the disclosure shall be made forthwith after he or she becomes so interested.

Where a person becomes a member of one of the aforementioned groups after an investment or transaction is made in which he or she has a direct or indirect material interest, he or she shall disclose such interest forthwith after becoming a member of such group if then aware of the investment or transaction, and if not, forthwith after becoming aware of the investment or transaction.

If the person does not have voting power on decisions affecting the Plan, he or she may elect not to participate in the activities relating to the issue in conflict or he or she may continue his or her activities with the approval of the Committee.

If the person disclosing the conflict does have voting power and if present at a meeting where the investment or transaction in question is being considered, he or she shall not take part in any deliberations and shall not vote in respect of the investment or transaction in question.

The failure of any person to comply with these guidelines does not, of itself, invalidate any fund investment or transaction or the proceedings of the Board of Regents or of the Committee in respect of any proposed fund investment or transaction or other matter, or make such person accountable for any profit realized from the investment or transaction.

Nothing in these guidelines shall be construed as authorizing an investment or transaction which is expressly prohibited by applicable legislation notwithstanding compliance with these guidelines.

APPENDIX B CONSTRAINT MODIFICATIONS AND SPECIALTY MANDATES

General

Section 6 identifies the Committee's recognition that the implementation structure chosen to pursue active management strategies may impose additional constraints on the overall management of the Fund. This appendix:

(i) sets forth the current implementation structure (Appendix B-1);

(ii) identifies those parts of the *Statement of Investment Policy and Objectives* that need to be amended due to the current implementation structure (Appendix B-2); and

(iii) articulates the mandates given to specialty managers (Appendix B-3).

APPENDIX B-1 CURRENT IMPLEMENTATION STRUCTURE

The University currently retains professional investment management firms to manage the Fund's assets. The assets are split according to the following mandates:

Mandate	% of Fund	# of Managers	Description
Canadian Equities	25.0	3	Actively manage Canadian equities.
U.S. Equities	21.0	1	Actively manage U.S. equities.
International Equities	10.0	3	Actively manage international equities.
Indexed Bonds	12.5	1	Manage a Canadian bond portfolio whose performance tracks the performance of the following index: FSTE TMX Universe Bond Index.
Active Bonds	12.5	2	Actively manage a Canadian bond portfolio.
Real Estate	8.0	2	Actively manage real estate.
Mortgages	8.0	1	Actively manage mortgages.
Cash	3.0		

The implementation structure identified in Appendix B-1 imposes certain practical considerations with respect to adherence to the **Investment Guidelines** contained in Section 6 of the *Policy*. These include modifications to the asset mix guidelines (and in particular to the minimum and maximum ranges of allocation to each asset class), and a rebalancing mechanism.

Asset Mix Guidelines and Rebalancing

The percentage of the Fund allocated to each mandate identified in Appendix B-1 is intended to be a fixed percentage; however, it is rare that two or more asset classes generate the same rate of return over a specific time period.

As a result of these different growth rates, the Fund's percentage allocation to the various specialty mandates identified in Appendix B-1 can become distorted. A rebalancing mechanism is therefore required in order to maintain the Fund's actual allocation equal to the percentages contained herein.

The tolerance for distortion is to be set at the weightings identified in Appendix B-1, plus or minus the lessor of (a) 3%, and (b) 20% of the mandate weighting. This tolerance is reflected in the following table:

Mandate	Lower end of tolerance	Desired Weighting	Upper end of tolerance
Canadian Equity	22.0%	25.0%	28.0%
U.S. Equity	18.0%	21.0%	24.0%
International Equity	8.0%	10.0%	12.0%
Indexed Bonds	10.0%	12.5%	15.0%
Active Bonds	10.0%	12.5%	15.0%
Real Estate	6.4%	8.0%	9.6%
Mortgages	6.4%	8.0%	9.6%
Cash[1]	0.0%	3.0%	10.0%

[1] The tolerance for cash is set to be between 0 to 10% of the total portfolio.

The foregoing are measured at market value. Thus, at the end of each month, the actual allocation of the Fund will be measured. Any mandate whose actual allocation falls outside the lower end or the upper end of the tolerance shown above will have its allocation addressed, either through cash flow allocation or through the sale or purchase of securities, as necessary.

The rule for rebalancing shall be to bring the actual allocation back to the tolerance limit.

Except where modified by this Appendix B, investment managers are expected to make decisions within the constraints contained in Sections 6 and 7 of this Policy. There are no exceptions to this, and a manger in violation of any constraint shall report such violation immediately to the University's *Manager of Benefits and Pensions*, and shall be prepared to discuss the violation, as well as the remedial action taken to correct it, at its next meeting with the Pensions Committee.

Description of the Mandate

The mandate will be an active Canadian equity mandate that is focused on achieving a long term rate of return in excess of the broad Canadian market. This return objective is expected to be achieved with a risk profile similar to or lower than the broad Canadian market.

Asset Allocation

Approximately 12.5% of the total portfolio.

Underlying Portfolio Manager

The mandate will be actively managed by Jarislowsky Fraser Limited.

Portfolio Limitations, Characteristics and Diversification Limits

The mandate is expected to be broadly diversified across issuer and market sector. Further details regarding portfolio limitations are outlined in Section 6. The mandate is expected to be fully invested with cash holdings kept at a minimum.

Performance Objectives

Performance objectives will be based on both return and volatility objectives over 4-year rolling periods.

Return Objectives: Produce a return that:

- Is greater than or equal to 100% of the S&P/TSX Composite Index, plus 1.0%.
- Ranks in the top third of a survey of returns generated by a relevant peer group.

Volatility Objective: Produce a volatility measure (standard deviation) less than or equal to:

- 100% of the volatility of the S&P/TSX Composite Index.

The mandate will be placed “on watch” when performance fails to achieve objectives within the following tolerance limits:

- 4-year rolling annualized performance below the objective for 2 consecutive quarters.

In the event that only one of the objectives are met, a risk adjusted comparison between the mandate and the index will be factored in determining if the mandate is to be placed on watch.

Notwithstanding the investment performance, the Committee may place a mandate on watch for reasons that they believe could reasonably impair the ability of the mandate to achieve performance objectives.

Performance for periods shorter than 4-years will be reviewed to the extent that shorter term performance would impair the ability of the portfolio to achieve the longer term objectives.

Description of the Mandate

The mandate will be an active Canadian equity mandate that is focused on achieving a long term rate of return in excess of the broad Canadian market. This return objective is expected to be achieved with a risk profile similar to or lower than the broad Canadian market.

Asset Allocation

Approximately 6.25% of the total portfolio.

Underlying Portfolio Manager

The mandate will be actively managed by Fidelity Investments.

Portfolio Limitations, Characteristics and Diversification Limits

The mandate is expected to be broadly diversified across issuer and market sector. Further details regarding portfolio limitations are outlined in Section 6. The mandate is expected to be fully invested with cash holdings kept at a minimum.

Performance Objectives

Performance objectives will be based on both return and volatility objectives over 4-year rolling periods.

Return Objectives: Produce a return that:

- Is greater than or equal to 100% of the S&P/TSX Composite Index, plus 1.0%.
- Ranks in the top third of a survey of returns generated by a relevant peer group.

Volatility Objective: Produce a volatility measure (standard deviation) less than or equal to:

- 100% of the volatility of the S&P/TSX Composite Index.

The mandate will be placed "on watch" when performance fails to achieve objectives within the following tolerance limits:

- 4-year rolling annualized performance below the objective for 2 consecutive quarters.

In the event that only one of the objectives are met, a risk adjusted comparison between the mandate and the index will be factored in determining if the mandate is to be placed on watch.

Notwithstanding the investment performance, the Committee may place a mandate on watch for reasons that they believe could reasonably impair the ability of the mandate to achieve performance objectives.

Performance for periods shorter than 4-years will be reviewed to the extent that shorter term performance would impair the ability of the portfolio to achieve the longer term objectives.

Description of the Mandate

The mandate will be an active Canadian equity mandate that is focused on achieving a long term rate of return in excess of the broad Canadian market. This return objective is expected to be achieved with a risk profile similar to or lower than the broad Canadian market.

Asset Allocation

Approximately 6.25% of the total portfolio.

Underlying Portfolio Manager

The mandate will be actively managed by Connor, Clark & Lunn Financial Group.

Portfolio Limitations, Characteristics and Diversification Limits

The mandate is expected to be broadly diversified across issuer and market sector. Further details regarding portfolio limitations are outlined in Appendix C.

Performance Objectives

Performance objectives will be based on both return and volatility objectives over 4-year rolling periods.

Return Objectives: Produce a return that:

- Is greater than or equal to 100% of the S&P/TSX Composite Index, plus 1.0%.
- Ranks in the top third of a survey of returns generated by a relevant peer group.

Volatility Objective: Produce a volatility measure (standard deviation) less than or equal to:

- 100% of the volatility of the S&P/TSX Composite Index.

The mandate will be placed "on watch" when performance fails to achieve objectives within the following tolerance limits:

- 4-year rolling annualized performance below the objective for 2 consecutive quarters.

In the event that only one of the objectives are met, a risk adjusted comparison between the mandate and the index will be factored in determining if the mandate is to be placed on watch.

Notwithstanding the investment performance, the Committee may place a mandate on watch for reasons that they believe could reasonably impair the ability of the mandate to achieve performance objectives.

Performance for periods shorter than 4-years will be reviewed to the extent that shorter term performance would impair the ability of the portfolio to achieve the longer term objectives.

Description of the Mandate

The mandate will be an active U.S. equity mandate that is focused on achieving a long term rate of return in excess of the broad U.S. market. This return objective is expected to be achieved with a risk profile similar to or lower than the broad U.S. market.

Asset Allocation

Approximately 21.0% of the total portfolio.

Underlying Portfolio Manager

The mandate will be actively managed by Alliance Bernstein Asset Management.

Portfolio Limitations, Characteristics and Diversification Limits

The mandate is expected to be broadly diversified across issuer and market sector. Further details regarding portfolio limitations are outlined in Section 6. The mandate is expected to be fully invested with cash holdings kept at a minimum.

Performance Objectives

Performance objectives will be based on both return and volatility objectives over 4-year rolling periods.

Return Objectives: Produce a return that:

- Is greater than or equal to 100% of the S&P 500 Index (C$), plus 1.0%.
- Ranks in the top third of a survey of returns generated by a relevant peer group.

Volatility Objective: Produce a volatility measure (standard deviation) less than or equal to:

- 100% of the volatility of the S&P 500 Index (C$).

The mandate will be placed “on watch” when performance fails to achieve objectives within the following tolerance limits:

- 4-year rolling annualized performance below the objective for 2 consecutive quarters.

In the event that only one of the objectives are met, a risk adjusted comparison between the mandate and the index will be factored in determining if the mandate is to be placed on watch.

Notwithstanding the investment performance, the Committee may place a mandate on watch for reasons that they believe could reasonably impair the ability of the mandate to achieve performance objectives.

Performance for periods shorter than 4-years will be reviewed to the extent that shorter term performance would impair the ability of the portfolio to achieve the longer term objectives.

Description of the Mandate

The mandate will be an all country equity mandate (excluding U.S. equity) that is focused on achieving a long term rate of return in excess of the broad global market (excluding U.S. equity). This return objective is expected to be achieved with a risk profile similar to or lower than the broad global market (excluding U.S. equity).

Asset Allocation

Approximately 2.5% of the total portfolio.

Underlying Portfolio Manager

The mandate will be actively managed by Baillie Gifford.

Portfolio Limitations, Characteristics and Diversification Limits

The mandate is expected to be broadly diversified across issuer and market sector and geography. Further details regarding portfolio limitations are outlined in Appendix C. The mandate is expected to be fully invested with cash holdings kept at a minimum.

Performance Objectives

Performance objectives will be based on both return and volatility objectives over 4-year rolling periods.

Return Objectives: Produce a return that:

- Is greater than or equal to 100% of the MSCI ACWI-ex U.S. Index (C$), plus 1.5%.
- Ranks in the top third of a survey of returns generated by a relevant peer group.

Volatility Objective: Produce a volatility measure (standard deviation) less than or equal to:

- 100% of the volatility of the MSCI ACWI-ex U.S. Index (C$).

The mandate will be placed “on watch” when performance fails to achieve objectives within the following tolerance limits:

- 4-year rolling annualized performance below the objective for 2 consecutive quarters.

In the event that only one of the objectives are met, a risk adjusted comparison between the mandate and the index will be factored in determining if the mandate is to be placed on watch.

Notwithstanding the investment performance, the Committee may place a mandate on watch for reasons that they believe could reasonably impair the ability of the mandate to achieve performance objectives.

Performance for periods shorter than 4-years will be reviewed to the extent that shorter term performance would impair the ability of the portfolio to achieve the longer term objectives.

Description of the Mandate

The mandate will be an all country equity mandate (excluding U.S. equity) that is focused on achieving a long term rate of return in excess of the broad global market (excluding U.S. equity). This return objective is expected to be achieved with a risk profile similar to or lower than the broad global market (excluding U.S. equity).

Asset Allocation

Approximately 3.75% of the total portfolio.

Underlying Portfolio Manager

The mandate will be actively managed by Fiera Capital.

Portfolio Limitations, Characteristics and Diversification Limits

The mandate is expected to be broadly diversified across issuer and market sector and geography. Further details regarding portfolio limitations are outlined in Appendix C. The mandate is expected to be fully invested with cash holdings kept at a minimum.

Performance Objectives

Performance objectives will be based on both return and volatility objectives over 4-year rolling periods.

Return Objectives: Produce a return that:

- Is greater than or equal to 100% of the MSCI ACWI-ex U.S. Index (C$), plus 1.5%.
- Ranks in the top third of a survey of returns generated by a relevant peer group.

Volatility Objective: Produce a volatility measure (standard deviation) less than or equal to:

- 100% of the volatility of the MSCI ACWI-ex U.S. Index (C$).

The mandate will be placed “on watch” when performance fails to achieve objectives within the following tolerance limits:

- 4-year rolling annualized performance below the objective for 2 consecutive quarters.

In the event that only one of the objectives are met, a risk adjusted comparison between the mandate and the index will be factored in determining if the mandate is to be placed on watch.

Notwithstanding the investment performance, the Committee may place a mandate on watch for reasons that they believe could reasonably impair the ability of the mandate to achieve performance objectives.

Performance for periods shorter than 4-years will be reviewed to the extent that shorter term performance would impair the ability of the portfolio to achieve the longer term objectives.

Description of the Mandate

The mandate will be an all country equity mandate (excluding U.S. equity) that is focused on achieving a long term rate of return in excess of the broad global market (excluding U.S. equity). This return objective is expected to be achieved with a risk profile similar to or lower than the broad global market (excluding U.S. equity).

Asset Allocation

Approximately 3.75% of the total portfolio.

Underlying Portfolio Manager

The mandate will be actively managed by Wellington Management.

Portfolio Limitations, Characteristics and Diversification Limits

The mandate is expected to be broadly diversified across issuer and market sector and geography. Further details regarding portfolio limitations are outlined in Appendix C. The mandate is expected to be fully invested with cash holdings kept at a minimum.

Performance Objectives

Performance objectives will be based on both return and volatility objectives over 4-year rolling periods.

Return Objectives: Produce a return that:

- Is greater than or equal to 100% of the MSCI ACWI-ex U.S. Index (C$), plus 1.5%.
- Ranks in the top third of a survey of returns generated by a relevant peer group.

Volatility Objective: Produce a volatility measure (standard deviation) less than or equal to:

- 100% of the volatility of the MSCI ACWI-ex U.S. Index (C$).

The mandate will be placed "on watch" when performance fails to achieve objectives within the following tolerance limits:

- 4-year rolling annualized performance below the objective for 2 consecutive quarters.

In the event that only one of the objectives are met, a risk adjusted comparison between the mandate and the index will be factored in determining if the mandate is to be placed on watch.

Notwithstanding the investment performance, the Committee may place a mandate on watch for reasons that they believe could reasonably impair the ability of the mandate to achieve performance objectives.

Performance for periods shorter than 4-years will be reviewed to the extent that shorter term performance would impair the ability of the portfolio to achieve the longer term objectives.

Description of the Mandate

The mandate is a passively managed Canadian fixed income portfolio expected to replicate the exposure of the broad Canadian bond market within an acceptable level of tracking error. The manager is expected implement a replication strategy that represents an acceptable tradeoff between implementation costs and overall risk and return characteristics.

Asset Allocation

Approximately 12.5% of the total portfolio.

Underlying Portfolio Manager

The mandate will be passively managed by CIBC Global Asset Management.

Portfolio Limitations, Characteristics and Diversification Limits

The quality, maturity, and diversification constraints imposed by the Policy on the fixed income portfolio are waived in respect of the indexed bond portfolio; to the extent they would impede the indexed bond manager from building a bond portfolio whose characteristics replicate those of the index. Further details regarding portfolio limitations are outlined in Appendix C. The mandate is expected to be fully invested with cash holdings kept at a minimum.

Performance Objectives

Performance objectives will be based on both return and volatility objectives over 4-year rolling periods.

Return Objectives: Produce a return that:

- Is equal to 100% of the FSTE TMX Universe Bond Index plus or minus 0.10%.

Volatility Objective: Produce a volatility measure (standard deviation) less than or equal to:

- 100% of the volatility of the FSTE TMX Universe Index.

The mandate will be placed “on watch” when performance fails to achieve objectives within the following tolerance limits:

- 4-year rolling annualized performance below the objective for 2 consecutive quarters.

In the event that only one of the objectives are met, a risk adjusted comparison between the mandate and the index will be factored in determining if the mandate is to be placed on watch.

Notwithstanding the investment performance, the Committee may place a mandate on watch for reasons that they believe could reasonably impair the ability of the mandate to achieve performance objectives.

Performance for periods shorter than 4-years will be reviewed to the extent that shorter term performance would impair the ability of the portfolio to achieve the longer term objectives.

Description of the Mandate

The mandate will be an actively managed Canadian fixed income and cash mandate that is focused on achieving a long term rate of return in excess of the broad Canadian fixed income mandate. This return objective is expected to be achieved with a risk profile similar to or lower than the broad Canadian fixed income market.

Asset Allocation

Approximately 7.75% of the total portfolio.

Underlying Portfolio Manager

The mandate will be actively managed by Jarislowsky Fraser Limited.

Portfolio Limitations, Characteristics and Diversification Limits

The mandate is expected to be broadly diversified across issuer and market sector. Further details regarding portfolio limitations are outlined in Section 6. The mandate is expected to be fully invested with cash holdings kept at a minimum.

Performance Objectives

Performance objectives will be based on both return and volatility objectives over 4-year rolling periods.

Return Objectives: Produce a return that:

- Is greater than or equal to 100% of the FSTE TMX Universe Bond Index plus 0.50%.
- Ranks in the top third of a survey of returns generated by a relevant peer group.

Volatility Objective: Produce a volatility measure (standard deviation) less than or equal to:

- 100% of the volatility of the FSTE TMX Universe Bond Index.

The mandate will be placed "on watch" when performance fails to achieve objectives within the following tolerance limits:

- 4-year rolling annualized performance below the objective for 2 consecutive quarters.

In the event that only one of the objectives are met, a risk adjusted comparison between the mandate and the index will be factored in determining if the mandate is to be placed on watch.

Notwithstanding the investment performance, the Committee may place a mandate on watch for reasons that they believe could reasonably impair the ability of the mandate to achieve performance objectives.

Performance for periods shorter than 4-years will be reviewed to the extent that shorter term performance would impair the ability of the portfolio to achieve the longer term objectives.

Description of the Mandate

The mandate will be an actively managed Canadian fixed income and cash mandate that is focused on achieving a long term rate of return in excess of the broad Canadian fixed income mandate. This return objective is expected to be achieved with a risk profile similar to or lower than the broad Canadian fixed income market.

Asset Allocation

Approximately 7.75% of the total portfolio.

Underlying Portfolio Manager

The mandate will be actively managed by Greystone Managed Investments.

Portfolio Limitations, Characteristics and Diversification Limits

The mandate is expected to be broadly diversified across issuer and market sector. Further details regarding portfolio limitations are outlined in Section 6. The mandate is expected to be fully invested with cash holdings kept at a minimum.

Performance Objectives

Performance objectives will be based on both return and volatility objectives over 4-year rolling periods.

Return Objectives: Produce a return that:

- Is greater than or equal to 100% of the FSTE TMX Universe Bond Index plus 0.50%.
- Ranks in the top third of a survey of returns generated by a relevant peer group.

Volatility Objective: Produce a volatility measure (standard deviation) less than or equal to:

- 100% of the volatility of the FSTE TMX Universe Bond Index.

The mandate will be placed “on watch” when performance fails to achieve objectives within the following tolerance limits:

- 4-year rolling annualized performance below the objective for 2 consecutive quarters.

In the event that only one of the objectives are met, a risk adjusted comparison between the mandate and the index will be factored in determining if the mandate is to be placed on watch.

Notwithstanding the investment performance, the Committee may place a mandate on watch for reasons that they believe could reasonably impair the ability of the mandate to achieve performance objectives.

Performance for periods shorter than 4-years will be reviewed to the extent that shorter term performance would impair the ability of the portfolio to achieve the longer term objectives.

Description of the Mandate

The mandate will be a core, broadly diversified real estate pooled fund with an open, liquid structure. The fund is expected to be diversified across geography and property type and invest primarily in income generating freehold or leasehold interests in income generating buildings and development projects.

Asset Allocation

Approximately 4.8% of the total portfolio.

Underlying Portfolio Manager

The mandate will be actively managed by Greystone Managed Investments.

Portfolio Limitations, Characteristics and Diversification Limits

The mandate is expected to be broadly diversified across sector and geography. Further details regarding portfolio limitations are outlined in Appendix C. The mandate is expected to be fully invested with cash holdings kept at a minimum.

Performance Objectives

Performance objectives will be based on both return and volatility objectives over 4-year rolling periods.

Return Objectives: Produce a return that is:

- Greater than or equal to 100% of the Canadian CPI plus 4.0%.

Volatility Objective: Produce a volatility measure (standard deviation) less than or equal to:

- 100% of the volatility of the Canadian CPI.

The mandate will be placed "on watch" when performance fails to achieve objectives within the following tolerance limits:

- 4-year rolling annualized performance below the objective for 2 consecutive quarters.

In the event that only one of the objectives are met, a risk adjusted comparison between the mandate and the index will be factored in determining if the mandate is to be placed on watch.

Notwithstanding the investment performance, the Committee may place a mandate on watch for reasons that they believe could reasonably impair the ability of the mandate to achieve performance objectives.

Performance for periods shorter than 4-years will be reviewed to the extent that shorter term performance would impair the ability of the portfolio to achieve the longer term objectives.

Description of the Mandate

The mandate will be Canadian core, broadly diversified real estate. The portfolio is expected to be diversified across geography and property type and invest primarily in income generating freehold or leasehold interests in income generating buildings and development projects.

Asset Allocation

Approximately 3.2% of the total portfolio, invested in one or more limited partnership(s).

Underlying Portfolio Manager

The mandate will be actively managed by IAM Real Estate Group.

Portfolio Limitations, Characteristics and Diversification Limits

The mandate is expected to be broadly diversified across sector and geography. Further details regarding portfolio limitations are outlined in Appendix C. The mandate is expected to be fully invested with cash holdings kept at a minimum.

Performance Objectives

Performance objectives will be based on both return and volatility objectives over 4-year rolling periods.

Return Objectives: Produce a return that is:

- Greater than or equal to 100% of the Canadian CPI plus 4.0%.

Volatility Objective: Produce a volatility measure (standard deviation) less than or equal to:

- 100% of the volatility of the Canadian CPI.

The mandate will be placed “on watch” when performance fails to achieve objectives within the following tolerance limits:

- 4-year rolling annualized performance below the objective for 2 consecutive quarters.

In the event that only one of the objectives are met, a risk adjusted comparison between the mandate and the index will be factored in determining if the mandate is to be placed on watch.

Notwithstanding the investment performance, the Committee may place a mandate on watch for reasons that they believe could reasonably impair the ability of the mandate to achieve performance objectives.

Performance for periods shorter than 4-years will be reviewed to the extent that shorter term performance would impair the ability of the portfolio to achieve the longer term objectives.

Description of the Mandate

The mandate will be a core, broadly diversified commercial mortgage pooled fund. The fund is expected to be diversified across geography and property type.

Asset Allocation

Approximately 8.0% of the total portfolio.

Underlying Portfolio Manager

The mandate will be actively managed by Greystone Managed Investments.

Portfolio Limitations, Characteristics and Diversification Limits

The mandate is expected to be broadly diversified across sector and geography. Further details regarding portfolio limitations are outlined in Appendix C. The mandate is expected to be fully invested with cash holdings kept at a minimum.

Performance Objectives

Performance objectives will be based on both return and volatility objectives over 4-year rolling periods.

Return Objectives: Produce a return that is:

- Greater than or equal to 60% FTSE TMX Short Term Bond Index, plus 40% FTSE TMX Mid Term Bond Index plus 0.5%.

Volatility Objective: Produce a volatility measure (standard deviation) less than or equal to:

- 60% FTSE TMX Short Term Bond Index, plus 40% FTSE TMX Mid Term Bond Index.

The mandate will be placed "on watch" when performance fails to achieve objectives within the following tolerance limits:

- 4-year rolling annualized performance below the objective for 2 consecutive quarters.

In the event that only one of the objectives are met, a risk adjusted comparison between the mandate and the index will be factored in determining if the mandate is to be placed on watch.

Notwithstanding the investment performance, the Committee may place a mandate on watch for reasons that they believe could reasonably impair the ability of the mandate to achieve performance objectives.

Performance for periods shorter than 4-years will be reviewed to the extent that shorter term performance would impair the ability of the portfolio to achieve the longer term objectives.

APPENDIX C POOLED FUND INVESTMENT POLICIES

Available upon request