



**Special Resolution II.5**

# **Statement of Investment Policies and Procedures**

The Contributory Pension Plan for Employees Represented by Ontario Public Sector Employees Union (OPSEU) Local 365 and Exempt Administrative Staff of Trent University and Special Investment Fund

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## Section 1—Overview

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### 1.01 Purpose of Statement

This Statement of Investment Policies and Procedures (the “Policy”) provides the framework for the investment of the assets in respect of the following:

- (a) The Contributory Pension Plan for Employees Represented by Ontario Public Sector Employees Union (OPSEU) Local 365 and Exempt Administrative Staff of Trent University, registration number 0310409 (the “Plan”);
- (b) The Special Investment Fund which supports Trent University’s Voluntary Early Retirement (VER) Program (the “Special Investment Fund”).

The funds for the Plan, together with the Special Investment Fund, are referred to as the “Funds”.

The administrator of the Plan is the Trent University Board of Governors (the “Board”). The Board designates a senior administrative official of Trent University (the “University”) who is responsible to the Board of Governors for the Plan and for the Special Investment Fund.

This Policy is based on the “prudent person portfolio approach” to ensure the prudent investment and administration of the assets of the Plan within the parameters set out in the **Pension Benefits Act, (Ontario)** and the Regulations thereunder. While the Special Investment Fund is not subject to the **Pension Benefits Act, (Ontario)** and the Regulations thereunder, these will also be governed by this policy.

### 1.02 Plan Background and Profiles

The liability data presented below is taken from the latest actuarial valuation reports. This information will be reviewed and updated following the filing of the next actuarial valuation reports with the regulatory authorities.

(a) **The Contributory Pension Plan for Employees Represented by Ontario Public Sector Employees Union (OPSEU) Local 365 and Exempt Administrative Staff of Trent University**

(i) Background

This pension plan was established as a defined benefit pension plan effective July 1, 1969 and restated July 1, 1998. Full-time staff (OPSEU and exempt) of the University are required to become members of the Plan upon their date of hire.

(ii) Contributions

Members are normally required to contribute an agreed percentage of earnings each year (**per the current collective agreement**). The University contributes in accordance with the terms of the Plan and the actuarial valuation.

(iii) Benefits

The Plan provides an annual benefit equal to 2.0% of the member's Final Average Earnings for each year of pensionable service. Pensions payable under the Plan may be increased annually in accordance with indexation formulas outlined in the Plan.

(iv) Liabilities

Refer to the most recent actuarial valuation.

**(b) The Special Investment Fund**

(i) Background

The liabilities and assets of the Special Investment Fund are held outside of the Plan. The VER Program covers a closed group of Faculty members who had a Normal Retirement Date on or before July 1, 2005 and who made an election on or before July 1, 1997 to take early retirement within the 5-year period prior to their Normal Retirement Date. The VER Program enhanced the early retirement benefits payable from the Trent University Faculty Association Plan ("TUFA Plan"). As such, all the liabilities for which the Special Investment Fund has been established are in respect of retired participants. All of the retired participants are currently over age 65. Pension benefits payable under the VER Program are indexed after age 65 at the same rate as under the TUFA Plan.

(ii) Contributions

Members do not contribute to the cost of the VER Program.

(iii) Benefits

Eligible members were able to choose to elect to retire on any July 1 during the 5-year period preceding Normal Retirement Date. During each year of Voluntary Early Full Retirement, the member is to receive a Transition Pension equal to the pension that would have been paid, in accordance with the TUFA Plan, with the early retirement reduction waived, as if the member had continued in employment at the appropriate normal salary during the immediately preceding academic year. Ultimately, at the Normal Retirement Date, the member will receive the pension which would otherwise have

been payable had the option for Voluntary Early Full Retirement not been chosen.

(iv) Liabilities

The average age of the VER members is approximately 79 so the expected time horizon for the VER Program liability is considerably shorter than for the TUFA Plan. With pension liabilities of this maturity, the plan will be forced to liquidate assets in order to pay benefits each year after such time that any funding ceases. Any indexation generated under the TUFA Plan from the excess investment earnings formula (4-year average pension fund investment returns in excess of 6.0%) is extended to pension benefits payable from the VER Program.

### **1.03 Objective of the Plan and Special Investment Fund**

The objective of the Plan is to provide members of the Plan with retirement benefits prescribed under the terms thereof. The objective of the Special Investment Fund is to provide eligible members with a Transition Pension.

### **1.04 Investment and Risk Philosophy**

The Plan's investment policy has been designed to provide levels of return to finance defined benefit levels, which keep pace with inflation while maintaining stability of employee and employer contribution rates. The investment policy is also designed to help avoid actuarial deficits and excessive volatility in annual rates of return.

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

In order to meet the Plan's objectives, the long-term policy asset mix for the Plan's funds has a bias to equities.

The Special Investment Fund liability is being funded over a fixed period ending May 1, 2019. As a result of the relatively short funding amortization period and the mature nature of the liabilities, there is considerably less room for risk in this arrangement.

### **1.05 Administration**

The Trent University Board of Governors (the "Board") is the legal administrator of the Plan. The Board has appointed an Audit and Investment Committee (the "Committee") to whom the Board has delegated responsibilities related to the administration of the Plan and the oversight of the Special Investment Fund. In addition, there is a pension subcommittee of the Management/Union joint

committees for the Plan which the Board consults on certain matters as set out in the Plan.

## Section 2—Asset Mix and Diversification Policy

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### 2.01 Portfolio Return Expectations

The investment manager(s) appointed by the Committee to manage the investment of part or all of the assets of the Plan and the Special Investment Fund (the “Investment Manager”) is expected to achieve a satisfactory return through a diversified portfolio, consistent with acceptable risks and prudent management.

The long-term target, measured over rolling four-year periods, is to achieve a total annual real rate of return (i.e. greater than the annual increase in the Total Consumer Price Index), net of all expenses, of at least 3.75%.

The four-year rolling period investment objective is to earn, gross of fees, the target policy benchmark return indicated in 4.02 below, plus or minus a tracking error of up to +/- 12 basis points per annum. The long-term asset mix policy has been established in order to provide a reference for long-term return requirements which are consistent with the Plan’s and Special Investment Fund’s liabilities at a risk level acceptable to the Committee.

### 2.02 Expected Volatility

The volatility of the Plan is directly related to its asset mix, specifically, the balance between the asset classes chosen in the asset mix reflected in Section 2.03 (Asset Mix) below. Since the Investment Manager does not have the authority to make any type of leveraged investment on behalf of the Plan, the volatility should be similar to the volatility of the Benchmark Portfolio set out in Section 4.02 (Performance Measurement).

### 2.03 Asset Mix

#### (a) Total Asset Mix

Taking into consideration the investment and risk philosophy of the Plan and the Special Investment Fund, the following asset mixes (market value) have been established:

<b>Assets</b>	<b>Minimum %</b>	<b>Benchmark %</b>	<b>Maximum %</b>
Canadian Equities	20.0	30.0	40.0
U.S. Equities	12.5	15.0	17.5
Non-North American Equities	12.5	15.0	17.5
<b>Total Equities</b>	<b>45.0</b>	<b>60.0</b>	<b>75.0</b>
Bonds	26.5	36.5	46.5



Short Term Investments and Cash	0.0	3.5	10.0
<b>Total Fixed Income</b>	<b>26.5</b>	<b>40.0</b>	<b>56.5</b>
<b>Total:</b>	<b>N/A</b>	<b>100.0</b>	<b>N/A</b>

<b>Asset Class under Sub-section 76(12) of the Pension Benefits Act (Ontario)</b>	<b>Long Term Target Allocation</b>	<b>Accessed Through Pooled Funds (Y/N)</b>
1. Insured Contracts	0.0%	-
2. Mutual or pooled funds or segregated funds	0.0%	-
3. Demand deposits and cash on hand	0.0%	-
4. Short-term notes and treasury bills	3.5%	Y
5. Term Deposits and guaranteed investment certificates	0.0%	-
6. Mortgage Loans	0.0%	-
7. Real Estate	0.0%	-
8. Real Estate Debentures	0.0%	-
9. Resource properties	0.0%	-
10. Venture Capital	0.0%	-
11. Corporations referred to in subsection 11(2) of Schedule III to the federal investment regs	0.0%	-
12. Employer issued securities	0.0%	-
13. Canadian stocks other than investments referred to in 1 to 12 above	30.0%	Y
14. Non-Canadian stocks other than investments referred to in 1 to 12 above	30.0%	Y
15. Canadian bonds and debentures other than investments referred to in 1 to 12 above	36.5%	Y
16. Non-Canadian bonds and debentures other than investments referred to in 1 to 12 above	0.0%	-
17. Investments other than investments referred to in 1 to 16 above	0.0%	-

The minimum rating for target investment allocations of fixed income assets in these investment categories are as follows:

Credit Rating Agency	Rating – Bond Market Securities	Rating – Money Market Securities
DBRS	BBB	R-2 (middle)
Fitch Ratings	BBB-	F-3
Moody's Investors Services	Baa3	P-3
Standard & Poor's	BBB-	A-3

### Special Investment Fund:

Assets	Minimum %	Benchmark %	Maximum %
Canadian Equities	20.0	30.0	45.0
U.S. Equities	7.5	10.0	12.5
Non-North American Equities	7.5	10.0	12.5
<b>Total Equities</b>	<b>35.0</b>	<b>50.0</b>	<b>70.0</b>
Bonds	36.5	46.5	56.5
Short Term Investments and Cash	0.0	3.5	5.0
<b>Total Fixed Income</b>	<b>36.5</b>	<b>50.0</b>	<b>61.5</b>
<b>Total:</b>	<b>N/A</b>	<b>100.0</b>	<b>N/A</b>

For purpose of the total asset mixes described above, the Investment Manager's asset class pooled funds are deemed to be 100% invested, even though these funds may contain a portion held in cash and cash equivalent instruments.

In order to ensure that the Funds operate within the minimum and maximum ranges, the University shall monitor the asset mix on an on-going basis. In addition, the Committee shall review the asset mix at least quarterly. Re-balancing will be effected quarterly by the Investment Manager by redirecting net cash flows to and from the Funds and transferring cash or securities between portfolios, as required.

### (b) Balanced Passive Investment Manager

The investment objective of the Investment Manager is to achieve the return and risk profile of each asset class indicated in this Section 2.03, as represented by the benchmarks in Section 4.02 (Performance Measurement). It is also the responsibility of the Investment Manager to ensure that the Total Fund asset mix remains within the ranges established in this Section 2.03 above.

### **(c) Currency Hedging**

In recognition that foreign equity investment carries with it potential risks related to currency exposure, the Plan has adopted a hedging policy, which the Committee may review from time to time. The current policy is to hedge one-half of the Plan's U.S. dollar exposure. Due to the diversification provided by indexed non-U.S. equities and the higher cost to hedge such currency exposure, the current policy is to leave exposure to non-U.S. dollar currencies unhedged.

## **2.04 Management Structure**

A passive management structure has been adopted for the Plan consisting of indexed portfolios for each of the asset classes in Section 2.03 (Asset Mix).

It is Trent University's view that passive management of fund assets best serves the interests of the plan membership because it protects the Funds from potential below-index returns that are experienced by many funds pursuing active management programs. Theory and experience have demonstrated that many active managers and active management programs do not consistently outperform suitably constructed market indices, net of associated fees and expenses. This was the University's twenty-year experience and the experience that motivated the move to passive from active management in 2009.

Active management programs can be successful but only for those organizations managing much larger asset pools and that have the requisite resources, organizational commitment and skills to find, hire and manage skill-based investment managers. All things considered, the Committee and the Board believe that passive management is prudent and will likely be more profitable after fees and expenses than active management over the long-term.

## Section 3—Permitted and Prohibited Investments

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### 3.01 General Guidelines

The investments of the Plan's funds must comply with the requirements and restrictions set out in the Federal Investment Regulations, the **Income Tax Act** (Canada) and the **Pension Benefits Act** (Ontario) and their respective Regulations. As described in 1.01 above, the Special Investment Fund, due to a similar risk profile and similar return objectives, will also be governed to comply with these requirements and restrictions.

### 3.02 Permitted Investments

The Investment Manager will invest the Fund's assets on a passive basis<sup>1</sup> and may invest in any of the following asset classes and investment instruments listed below:

#### (a) Canadian and Foreign Equities

- (i) Common and convertible preferred stock.
- (ii) Debentures convertible into common or convertible preferred stock provided such instruments are traded on a recognized public exchange or through established investment dealers.
- (iii) Rights warrants and special warrants for common or convertible preferred stock,
- (iv) Installment receipts, American Depository Receipts and Global Depository Receipts.
- (v) Units of real estate investment trusts (REITs).
- (vi) Units of income trusts domiciled in jurisdictions that provide limited liability protection to shareholders.

#### (b) Bonds

- (i) Bonds, debentures, notes and other evidence of indebtedness of Canadian, supranational or developed market foreign issuers whether denominated and payable in Canadian dollars or a foreign currency.
- (ii) Mortgage-backed securities.
- (iii) Asset backed securities.

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<sup>1</sup> Except for cash and short term investments, which are not passively managed

- (iv) Term deposits and guaranteed investment certificates.
- (v) Private placements of bonds subject to Section 3.03 below, provided that they are marketable and meet the liquidity and minimum issue size requirements for inclusion in the FTSE TMX Canada Universe Bond Index.
- (i) protection to shareholders.

**(c) Cash and Short Term Investments (not passively managed)**

- (i) Cash on hand and demand deposits.
- (ii) Canadian Treasury bills issued by the federal and provincial governments and their agencies.
- (iii) Sovereign short-term debt instruments of developed countries, with maturities not exceeding 18 months.
- (iv) Obligations of trust companies and Canadian and foreign banks chartered to operate in Canada, including bankers' acceptances.
- (v) Commercial paper and term deposits.

**(d) Other Investments**

- (i) Investments in open-ended or closed-ended pooled funds provided that the assets of such funds are permissible investments under this Policy.
- (ii) Deposit accounts of the custodian can be used to invest surplus cash holdings.
- (iii) Currency forward and futures contracts to hedge the currency risk of investment positions in non-Canadian dominated securities.
- (iv) Index-linked futures contracts/swaps are permissible derivative investments for stock/bond exposure.

**(e) Pooled Funds**

Investment in pooled funds is permissible subject to the prior approval of the Committee. While the guidelines in this Policy are intended to guide the management of the Funds, it is recognized that, where pooled funds are held, there may be instances where there is a conflict between this policy and the investment policy of a pooled fund. In that case, the pooled fund policy shall dominate, subject to the compliance reporting procedures outlined in Section 4.03 and Appendix A. However, the Investment Manager is expected to advise the Committee in the event of any material discrepancies between the above guidelines and the pooled fund's own

investment guidelines. In addition, the Investment Manager will ensure that the Committee has received a copy of the most recent version of the pooled fund policy and of any amendments made to the pooled fund policy.

**(f) Mutual Funds**

Investment in mutual funds is permissible subject to the prior approval of the Committee. While the guidelines in this Policy are intended to guide the management of the Funds, it is recognized that, where mutual funds are held, there may be instances where there is a conflict between this Policy and the investment policy or prospectus of the mutual fund. In that case, the mutual fund policy shall dominate, subject to the compliance reporting procedures outlined in Section 4.03 and Appendix A. The Investment Manager is expected to advise the Committee in the event of any material discrepancies between the above guidelines and the pooled fund's own investment guidelines. In addition, the Investment Manager will ensure that the Committee has received a copy of the most recent version of the mutual fund policy and of any amendments made to the mutual fund policy.

**(g) Derivatives**

The Fund may invest derivatives of equity, fixed-income or currency-related investments, futures and/or forward contracts, swaps, options, warrants, depository receipts, rights or other similar instruments are all permitted for the purposes of exposure and/or hedging. The exposure should be consistent with the Plan's investment objectives and guidelines laid out in this document.

Any derivative will be measured against its underlying exposure. Derivatives cannot be used for speculative purposes or to leverage the portfolio. Similarly, the Fund may indirectly invest in derivatives through its investment in pooled or mutual funds, if the objectives and strategies of these funds permit.

### **3.03 Minimum Quality Requirements**

**(a) Quality Standards**

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

- (i) The minimum quality standard for individual bonds and debentures is 'BBB' rating or equivalent as rated by at least two of the three recognized bond rating Agencies at the time of purchase. Unrated bonds should be assigned a rating by the Investment Manager before purchase.
- (ii) The minimum quality standard for individual short term investments is 'R-1' or equivalent as rated by at least two of the three recognized bond rating agencies, at the time of purchase.

- (iii) The minimum quality standard for individual preferred shares is 'P-1' or equivalent as rated by at least two of the three recognized bond rating agencies, at the time of purchase.
- (iv) All investments shall be reasonably liquid.

#### **(b) Split Ratings**

In cases where recognized bond rating agencies do not agree on the credit rating, the bond will be classified according to the methodology used by FTSE TMX, which states

- (i) If two agencies rate a security, use the lower of the two ratings;
- (ii) If three ratings agencies rate a security, use the most common; and
- (iii) If all three ratings disagree, use the middle rating.

#### **(c) Downgrades in Credit Quality**

- (i) An active Investment Manager, based on their own internal credit analysis, may invest in fixed income securities with credit ratings that do not meet the Quality Standards described above in Section 3.03 (a), as rated by the Recognized Rating Agencies described in 3.03 (d)., provided that they supply a detailed report on the credit ratings for fixed income securities in the portfolio or pooled fund in question, at least semi-annually.
- (ii) A passive Investment Manager will not comply with the above notification requirements. Their reporting will be limited to the compliance reporting as described under Section 4.03.

#### **(d) Rating Agencies**

For the purposes of this Policy, the following rating agencies shall be considered to be 'a recognized bond rating agency':

- (i) Dominion Bond Rating Service (Canadian issuers only);
- (ii) Standard and Poor's;
- (iii) Moody's Investors Services; and,
- (iv) Fitch Ratings (foreign issuers only).

#### **(e) Derivatives**

The Fund may indirectly invest in derivatives through its investment in pooled or mutual funds, if the objectives and strategies of these funds permit.

**Derivative instruments utilized by the Funds, or on the Funds' behalf, shall only be entered into with a major financial institution acting as counterparty, with a long-term credit rating of at least 'A'-from Standard and Poor's or equivalent rating as rated by another rating agency.**

For both direct and indirect utilization of derivatives, the exposure to the derivatives must be subject to limits based on the intended use and strategies for derivatives, and the risks associated with them. Investment in derivatives must also comply with all applicable statutory provisions and regulations, including the Prudent Person Rule, and must be invested and managed in accordance with regulatory derivatives best practices.

**(f) Environmental, Social and Governance Factors**

"ESG" refers to the environmental, social and governance factors relevant to an investment that may have a financial impact on that investment.

Consistent with its obligation to act in the best interest of the Plan and its members, the Board chooses Investment Funds that it believes will deliver superior financial performance over the longer term. The Board believes that ESG issues can have a material impact on the value of the companies and securities that comprise investment funds, and that ESG risks and opportunities should offer commensurate long-term reward potential. The primary responsibility of the Board requires that there be an appropriate balance between the need to seek long-term investment returns to help secure promised pensions for all members of the Plan and the needs for those returns to be delivered in as stable a manner as possible to limit downward impact (given the nature and behaviour of the investment markets).

Notwithstanding the foregoing, the Administrator does not take environmental, social or governance factors ("ESG factors") directly into account when making investment decisions for the Plan. The Board recognizes; however, that some fund managers may consider ESG factors as a way of determining which investments will have the best economic outcome, but this is not a factor considered by the Board when choosing fund managers nor are the fund managers instructed to monitor the policies and practices of the various investments relating to ESG factors. In order to protect and enhance the value of the fund's investments, when choosing fund managers, the Board considers criteria that include the Investment Manager's business, staff, historical performance, and investment process. The Committee neither favours nor avoids asset managers based on ESG integration in their management style. However, the Committee believes asset managers may take account of ESG factors to the extent that these are relevant in meeting the above goals.



### 3.04 Maximum Quantity Restrictions

#### (a) Total Fund Level

The administrator of the Plan shall not directly or indirectly lend or invest moneys equal to more than 10% of the total market value of the plan's assets in any one person, two or more associated persons or two or more affiliated corporations.

#### (b) Individual Investment Manager Level

The Investment Manager shall adhere to the following restrictions for each of the Funds:

##### (i) Equities

- (A) No one equity holding or private placement shall represent more than 10% of the total market value of the Investment Manager's equity portfolio.
- (B) No one equity holding shall represent more than 10% of the voting shares of a corporation.
- (C) No one equity or private placement holding shall represent more than 10% of the available public float of such equity or private placement security.
- (D) No more than 15% of the Canadian equity portfolio shall be invested in income trusts and limited partnerships.

##### (ii) Bonds and Short Term

- (A) Except for federal and provincial bonds, no more than 10% of an Investment Manager's bond portfolio may be invested in any one company or affiliated group of companies.
- (B) No more than 15% of the market value of a manager's bond portfolio shall be invested in bonds rated 'BBB'.
- (C) Net foreign currency exposure is limited to no more than 5% of the market value of the bond portfolio.
- (D) No more than 20% of the market value of the bond portfolio may be held in foreign issuer bonds.
- (E) No more than 10% of the market value of the bond portfolio shall be invested in direct mortgages backed by Canadian real estate.

(iii) Pooled Funds

The investment by the University in a pooled fund may not exceed 10% of the market value of the pooled fund.

(iv) Other

The use of derivative securities shall be supported at all times by the explicit allocation of sufficient assets to back the intended derivative strategy. For greater certainty, the Investment Manager is not permitted to leverage the assets of the Funds. The use of derivative securities is only permitted for the uses described in this Policy. Purchase or sale of any of these instruments cannot expose the Funds to any more risk than the cash market.

### 3.05 Prior Permission Required

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

- (a) Direct investments in resource properties;
- (b) Direct investments in real estate;
- (c) Direct investments in venture capital financing;
- (d) Investments in a pooled fund that conflicts with this Policy;
- (e) Investments in private placement equities;
- (f) Derivatives other than those otherwise permitted by this Policy;
- (g) Commercial and residential mortgages secured against Canadian real estate;
- (h) Units of limited partnerships which are listed on the TSX exchange.
- (i) Private Placement Bonds

Private placement bonds that do not qualify for inclusion in the FTSE TMX Canada Universe Bond Index are only permitted subject to all of the following conditions:

- (i) The issues acquired must be at least 'A' or equivalent rated;
- (ii) The total investment in such issues must not exceed 10% of the market value of the Investment Manager's bond portfolio;
- (iii) The Investment Manager's portfolio may not hold more than 5% of the market value of any one private placement; and

- (iv) The Investment Manager must be satisfied that there is sufficient liquidity to ensure sale at a reasonable price.

### **3.06 Prohibited Investments**

The Investment Manager shall not:

- (a) Invest in companies for the purpose of managing them;
- (b) Purchase securities on margin or engage in short sales;
- (c) Invest in debt instruments issued by the University; or,
- (d) Make any investment not specifically permitted by this Policy.

### **3.07 Securities Lending**

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

Such loans must be secured by cash and or/readily marketable government bonds, treasury bills and/or letters of credit, discount notes, banker's acceptances of Canadian chartered banks or high quality, liquid equities. The amount of collateral taken for securities lending should reflect OSFI standards and best practices in local markets. This market value relationship must be calculated at least daily.

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

### **3.08 Borrowing**

The Funds shall not borrow money, except to cover short-term contingency and the borrowing is for a period that does not exceed ninety days, subject to the **Pension Benefits Act** (Ontario) and the **Income Tax Act**, as applicable, and only with the written permission of the Board.

## Section 4—Monitoring and Control

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### 4.01 Delegation of Responsibilities

The Board has responsibility for the Plan and Special Investment Fund as stated in Section 1.05 of this Policy. The Committee assists the Board in fulfilling its fiduciary duties and provides direction to the senior University official with respect to the Funds. The Committee may also hire or terminate the Investment Manager(s) at its discretion.

The Committee has delegated certain functions relating to the management and administration of the Funds to external organizations, as outlined below:

#### (a) Investment Manager

The Investment Manager will:

- (i) Invest the assets of the Funds in accordance with this Policy;
- (ii) Meet with the Committee as required and provide written reports regarding their past performance, their future strategies and other issues requested by the Committee;
- (iii) File quarterly compliance reports, unless the investment is in a mutual fund (see section 4.03);
- (iv) Reconcile their own records with those of the custodian, at least monthly;
- (v) Provide quarterly a performance report in a form acceptable to the Committee. The performance should be provided for the total portfolio managed by the Investment Manager and for each major asset class; and,
- (vi) Where investment via a pooled fund has been authorized by the Committee, the Investment Manager will provide the Committee with copies of each pooled fund's audited financial statements within 180 days of the pooled fund's fiscal year end.

#### (b) Custodian/Trustee

The custodian/trustee will:

- (i) Maintain safe custody over the assets of the Funds;
- (ii) Execute the instructions of the Board, the Committee and the Investment Manager; and,
- (iii) Record income and provide monthly financial statements to the University or as required.

### **(c) Actuary**

The actuary will:

- (i) Perform actuarial valuations of the Plan and Special Investment Fund as required;
- (ii) Advise the Committee on any matters relating to the Plan design, membership and contribution rates; and
- (iii) Assist the Committee in any other way required.

### **4.02 Performance Measurement**

For purposes of evaluating the performance of the Funds and the Investment Manager, all rates of return are measured over rolling four-year periods, and on a time-weighted return basis. Return objectives for the Investment Manager are gross of fees and include realized and unrealized capital gains or losses plus income from all sources.

#### **(a) Total Fund**

The absolute performance objective of the Plan and Special Investment Fund is to outperform the CPI by at least 3.75% over four-year rolling periods. In addition, investment weightings and results of the Funds are to be tested regularly against a Benchmark Portfolio comprising:

<b>Benchmark</b>	<b>%</b>
S&P/TSX Composite Index	30.0
S&P 500 Index (C\$)	7.5
S&P 500 Hedged Index (C\$)	7.5
MSCI EAFE Index (C\$)	15.0
FTSE TMX Canada Universe Bond Index	36.5
FTSE TMX Canada 91-day Treasury Bill Index	3.5

### Special Investment Fund:

Benchmark	%
S&P/TSX Composite Index	30.0
S&P 500 Index (C\$)	5.0
S&P 500 Hedged Index (C\$)	5.0
MSCI EAFE Index (C\$)	10.0
FTSE TMX Canada Universe Bond Index	46.5
FTSE TMX Canada 91-day Treasury Bill Index	3.5

### (b) Balanced Passive Investment Manager

The investment objective of the Investment Manager is to achieve the annual market rate of return for each asset class component within the following tracking variance ranges over four-year rolling periods:

### The Contributory Pension Plan for Employees Represented by Ontario Public Sector Employees Union (OPSEU) Local 365 and Exempt Administrative Staff of Trent University and Special Investment Fund:

Benchmark	Tracking Variance (+/- %)
S&P/TSX Composite Index	0.12
S&P 500 Total Return Index (C\$)	0.12
S&P 500 Total Return Hedged Index (C\$)	0.15
MSCI EAFE Index (c\$)	0.20
FTSE TMX Canada Universe Bond Index	0.08
FTSE TMX Canada 91-day Treasury Bill Index	-10/+50

### 4.03 Compliance Reporting by the Investment Manager

The Investment Manager is required to complete and deliver a compliance report to the Committee each quarter (a sample is included in Appendix A). The compliance report will indicate whether or not the Investment Manager was in compliance with this Policy during the quarter.

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

The Funds may invest in pooled funds with separate investment policies. Should a conflict arise between those investment policies and this Policy, the Investment Manager is required to advise the Committee as per section 3.02(e).

The Funds may invest in mutual funds with separate fund prospectuses. In this case, at inception the Investment Manager is required to provide the prospectus to the Committee and identify any areas in which the investment policy of the mutual fund may not be fully compliant with this Policy. Subsequent to this initial disclosure, the Investment Manager must notify the Committee if it is not in compliance with its own policy or fund prospectus.

#### **4.04 Standard of Professional Conduct**

All professional service providers are expected to comply with the standards of their professions and general prudence.

The Investment Manager will manage each Fund with the care, diligence and skill that an investment manager of ordinary prudence would use in dealing with similar pension or investment funds. The Investment Manager will also use all relevant knowledge and skill that it possesses or ought to possess as a prudent investment manager.

## Section 5—Administration

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### 5.01 Conflicts of Interest

#### (a) Responsibilities

This standard applies to members of the Board and its Committee, members of all other committees involved in supporting the work of the Plan and Special Investment Fund, and all administrators and agents employed by the University (e.g. Investment Manager, trustees, actuaries, consultants) to support the work of the Plan and Special Investment Fund, in the execution of their responsibilities under the **Pension Benefits Act** (Ontario) if applicable and this Policy (the “Affected Persons”).

An “agent” is defined to mean an organization, association or individual, as well as its employees who are retained by the Committee to provide specific services with respect to the investment, administration and management of the assets of the Funds.

#### (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 Funds’ assets.

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 University.

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

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 Committee immediately. The Committee, 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 Committee.

An Affected Person who has or is required to make a disclosure as contemplated in this Policy shall normally withdraw from the meeting until the issue causing the conflict has been dealt with. He or she may be present at, or take part in the discussions on the issue causing the conflict only if the voting members of the Committee unanimously agree that circumstances warrant such participation. Regardless of the position taken by the



Committee, an individual member may still elect to suspend all activities relating to the conflict. In no case is a member permitted to vote on any resolution to approve a contract or investment transaction in which he or she has a material interest.

Notwithstanding the above, the parties listed above may, instead of adhering to this Conflict of Interest Policy, adhere to an alternate Conflict of Interest Policy that the University and the Board deem reasonable.

## 5.02 Related Party Transactions

The University, on behalf of the Plan or Special Investment Fund, may not enter into a transaction with a related party unless:

- a) The transaction is made for the operation or administration of the Plan or Special Investment Fund under terms and conditions that are not less favourable to the Plan or Special Investment Fund than market terms and conditions and such transaction does not involve the making of loans to, or investments in, the related party; or
- b) The combined value of all transactions with the same related party is nominal or the transaction(s) is immaterial to the Plan or Special Investment Fund.

For the purposes of this section, only the market value of the combined assets of the Plan or Special Investment Fund shall be used as the criteria to determine whether a transaction is nominal or immaterial to the Plan or Special Investment Fund. Transactions less than 0.5% of the combined market value of the assets of the Plan or Special Investment Fund are considered nominal.

In addition, the prohibition to entering into transactions with a related party does not apply to investments:

- a) In an investment fund (as that term is defined in Schedule III to the **Pension Benefits Standards Regulations, 1985 (Canada)**) or segregated fund in which investors other than the Administrator and its affiliates may invest and that complies with the requirements set out in Sections 9 and 11 of Schedule III to the **Pension Benefits Standards Regulations, 1985 (Canada)**.
- b) In an unallocated general fund of a person authorized to carry on a life insurance business in Canada;
- c) In securities issued or fully guaranteed by the Government of Canada, the government of a province, or an agency of either one of them;
- d) In a fund composed of mortgage-backed securities that are fully guaranteed by the Government of Canada, the government of a province, or an agency of either one of them;

- e) In a fund that replicates the composition of a widely recognized index of a broad class of securities traded at a marketplace (as that term is defined in the **Pension Benefits Standards Regulations, 1985 (Canada)**); and
- f) That involve the purchase of a contract or agreement in respect of which the return is based on performance of a widely recognized index of a broad class of securities traded at a marketplace (as that term is defined in the **Pension Benefits Standards Regulations, 1985 (Canada)**).

A “related party” in respect of the Plan or Special Investment Fund means:

- a) A person who is the administrator of the Plan or Special Investment Fund including any officer, director or employee of the administrator. It also includes the Managers and their employees, a union representing employees of the employer, a member of the Plan or Special Investment Fund, 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, or a bank, trust company or other financial institution that holds the assets of the Plan or Special Investment Fund, where that person is not the administrator of the Plan or Special Investment Fund;
- b) An officer, director or employee of one of the administrators of the Retirement Program;
- c) A person responsible for holding or investing the assets of the Plan or Special Investment Fund, or any officer, director or employee thereof;
- d) An association or union representing employees of the University, or an officer or employee thereof;
- e) A member of the Plan or Special Investment Fund;
- f) The spouse or child of any person referred to in any of paragraphs (a) to (e);
- g) An affiliate of the University;
- h) A corporation that is directly or indirectly controlled by a person referred to in any of paragraphs (a) to (f),
- i) An entity in which a person referred to in paragraph (a), (b), or (e), or the spouse or a child of such a person, has a substantial investment, and/or
- j) An entity that has made a substantial investment in the University.

### **5.03 Appointing and Monitoring the Investment Manager**

In accordance with its terms of reference, the Committee is responsible for the appointment of the Investment Manager and is not required to obtain the approval of the Board before appointing any Investment Manager. The committee will monitor and review the:

- (a) Assets and net cash flow of the Funds;
- (b) Investment Manager's financial stability, staff turnover, consistency of style and record of service;
- (c) Investment Manager's current economic outlook and investment strategies;
- (d) Investment Manager's compliance with this Policy where a manager is required to complete and sign a compliance report; and,
- (e) Investment performance of the assets of the Funds in relation to the rate of return expectations outlined in this Policy, on a quarterly basis.

#### **5.04 Dismissal of an Investment Manager**

It is the responsibility of the Committee to monitor the performance of the Investment Manager and to remove any Investment Manager where necessary, in accordance with this Section. Reasons for considering the termination of the services of an Investment Manager include, but are not limited to, the following factors:

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

When one of these or any other serious concern arises, the Committee will normally request a special meeting with the Investment Manager to discuss the issue. In any such case, the Committee may recommend corrective action up to and including termination of the services of the Investment Manager. The Committee is not required to obtain Board approval to terminate the services of an Investment Manager.

#### **5.05 Voting Rights**

The Board has delegated voting rights acquired through the investments held by the Funds to the custodian of the securities to be exercised in accordance with the Investment Manager's instructions. The Investment Manager is expected to exercise all voting rights related to investments held by each of the Funds in the interests of the members of that plan or fund. Upon request, the Investment Manager shall report their voting activities to the Committee.

The Board reserves the right to take-back voting rights of assets held in segregated portfolios for specific situations.

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

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

### **(a) Equities**

Average of bid-and-ask prices from two major investment dealers, at least once every month.

### **(b) Bonds**

Same as for equities.

### **(c) Mortgages**

Unless in arrears, the outstanding principal plus/minus the premium/discount resulting from the differential between face rate and the currently available rate for a mortgage of similar quality and term, determined at least once every month.

### **(d) Real Estate**

A certified written appraisal from a qualified independent appraiser at least every two years.

## **5.07 Policy Review**

This Policy must be formally reviewed by the Committee at least annually and may be amended by the Board at any time. A copy of the most current Policy is to be provided to the actuary and Investment Manager

## Appendix A—Compliance Reports

The Contributory Pension Plan for Employees Represented by Ontario Public Sector Employees Union (OPSEU) Local 365 and Exempt Administrative Staff of Trent University Passive Balanced Manager Compliance Report for the period (date).

<b>[Private] Asset Mix (at Market Value)</b>	<b>Guidelines (%)</b>	<b>Policy Complied With (Yes/No)</b>
Equities	1. Canadian: 20-40 2. U.S.: 12.5-17.5 3. Non-North American: 12.5-17.5	1. <input type="checkbox"/> Yes <input type="checkbox"/> No Specifics: 2. <input type="checkbox"/> Yes <input type="checkbox"/> No Specifics: 3. <input type="checkbox"/> Yes <input type="checkbox"/> No Specifics:
Fixed Income	1. Bonds: 26.5-46.5 2. Short-term & Cash: 0-10	1. <input type="checkbox"/> Yes <input type="checkbox"/> No Specifics: 2. <input type="checkbox"/> Yes <input type="checkbox"/> No Specifics:

\* If policy not complied with, comment on specifics

The undersigned hereby confirms that throughout the reporting period noted above:

1. The management of the Pooled Funds was in accordance with all the terms, conditions and guidelines stipulated in the Pooled Funds' Confidential Offering Circular dated or Simplified Prospectus dated (the "Policy").

If not, attached are details of what activities were outside the Policy guidelines, the consequence of such activities to the Pooled Funds, and the actions taken to remedy the situation.

2. The Pooled Funds were managed in compliance with provisions of the income tax, pension and other legislation, as applicable, which govern the investment of assets.

If not, attached are details of any non-compliance issues.

3. The Policy was not amended during the reporting period.

If the Policy was amended, Trent University was notified in writing of such amendments on

- The Investment Manager has complied with the Standard of Professional Conduct contained in Section 4.04 of this Statement of Investment Policies & Procedures.

If not, attached are details of any non-compliance issues.

- The manager and/or its professional staff are not currently under investigation by any regulatory authority.

If yes, attached are details of such investigations.

**Completed by:**

**Signed by.:**

### Trent University Special Investment Fund

Passive Balanced Manager Compliance Report for the period (date).

<b>[Private] Asset Mix (at Market Value)</b>	<b>Guidelines (%)</b>	<b>Policy Complied With (Yes/No)</b>
Equities	1. Canadian: 20-45 2. U.S.: 7.5-12.5 3. Non-North American: 7.5-12.5	1. <input type="checkbox"/> Yes <input type="checkbox"/> No Specifics: 2. <input type="checkbox"/> Yes <input type="checkbox"/> No Specifics: 3. <input type="checkbox"/> Yes <input type="checkbox"/> No Specifics:
Fixed Income	1. Bonds: 36.5-56.5 2. Short-term & Cash: 0-5	1. <input type="checkbox"/> Yes <input type="checkbox"/> No Specifics: 2. <input type="checkbox"/> Yes <input type="checkbox"/> No

		Specifics:
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\* If policy not complied with, comment on specifics

The undersigned hereby confirms that throughout the reporting period noted above:

1. The management of the Pooled Funds was in accordance with all the terms, conditions and guidelines stipulated in the Pooled Funds’ Confidential Offering Circular dated \_\_\_\_\_ or Simplified Prospectus dated \_\_\_\_\_ (the “Policy”).

If not, attached are details of what activities were outside the Policy guidelines, the consequence of such activities to the Pooled Funds, and the actions taken to remedy the situation.

2. The Pooled Funds were managed in compliance with provisions of the income tax and other legislation, as applicable, which govern the investment of assets.

If not, attached are details of any non-compliance issues.

3. The Policy was not amended during the reporting period.

If the Policy was amended, Trent University was notified in writing of such amendments on \_\_\_\_\_

4. The Investment Manager has complied with the Standard of Professional Conduct contained in Section 4.04 of this Statement of Investment Policies & Procedures.

If not, attached are details of any non-compliance issues.

5. The manager and/or its professional staff are not currently under investigation by any regulatory authority.

If yes, attached are details of such investigations.

**Completed by:**

**Signed by:**

## Appendix B—Glossary of Terms

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As used in this Policy:

### **Active Management**

Managing the investments of a fund with the objective of outperforming the return of a broad-based index or combination of broad based indices.

### **Administrator**

Person or persons that administer the pension plan.

### **American Depository Receipt (ADR)**

Receipt for the shares of a foreign-based corporation held in the vault of a U.S. bank and entitling the shareholder to all dividends and capital gains.

### **Asset**

Anything having exchange value.

### **Asset Classes**

Groups of securities or assets with similar characteristics. These may be broadly defined (equities, bonds) or more narrowly defined (Canadian small cap equities, Real Return Bonds).

### **Basis Point**

One-one hundredth of one percent (0.01%).

### **Bond**

Any interest-bearing or discounted government or corporate security that obligates the issuer to make specified payments of interest and principal to the holder over a specified period.

### **Book Value**

The acquisition cost of an asset, including all direct costs associated with the acquisition, prior to any external financing.

### **Common Stock**

Units of ownership of a public corporation where owners typically are entitled to vote on the selection of directors and other important matters as well as to receive dividends on their holdings, and in the event that a corporation is liquidated, the claims of secured and unsecured creditors and owners of bonds and preferred stock take precedence over the claims of those who own common stock.

### **Consumer Price Index (CPI)**



The Consumer Price Index for Canada as published by Statistics Canada under the authority of the Statistics Act (Canada).

### **Custodian**

A bank or other financial institution that holds the investment assets of the Plan.

### **Debenture**

A general debt obligation backed only by the integrity of the borrower and documented by an agreement called an indenture.

### **Derivative Instruments or Securities**

Financial contracts that derive their value from the value of an underlying asset (such as a financial instrument, index, or commodity) through contractual relationships. Derivatives include forwards, swaps, futures, options and warrants.

### **FTSE TMX Canada Universe Bond Index**

An index maintained by FTSE TMX that covers all marketable Canadian bonds with term to maturity of more than one year. The purpose of the index is to reflect the performance of the broad Canadian bond market, including federal, provincial and municipal government issues, as well as corporate issues.

### **FTSE TMX Canada 91-day T-Bill Index**

An index maintained by FTSE TMX that covers Canadian Treasury Bills. The index is constructed by selling and repurchasing Government of Canada T-bills with an average term to maturity of 91 days.

### **Diversification**

The spreading of risk by investing assets in different categories of investments.

### **Duration**

The weighted-average time (in years) to cash flow recovery.

## **Equity**

The ownership interest possessed by a shareholder in a corporation - stocks as opposed to bonds.

## **Foreign Equity**

Ownership in non-Canadian stocks.

## **Foreign Exchange Contract**

A contract for the immediate (spot) delivery of a specified amount of foreign currency in exchange for Canadian dollars.

## **Forwards**

Any over-the-counter (OTC) contract, which calls for the delivery of an underlying asset, for a specified price (the forward delivery price), to be delivered at contract maturity.

## **Futures**

Any exchange-traded contract, which calls for the delivery of an underlying asset at a predetermined maturity date, for a pre-specified price (the futures delivery price), to be delivered at contract maturity.

## **Funded Position**

The ratio of the Plan's ongoing assets to its ongoing liabilities.

## **Global Depository Receipt**

A receipt denoting ownership of foreign-based corporation stock shares, which are traded in numerous capital markets around the world.

## **Income Tax Act (ITA)**

The Income Tax Act (Canada) and the regulations made thereunder, as amended from time to time.

## **Income Trust**

An investment structured as a trust that invests in income-producing assets where the revenues, net of expenses, are distributed to investors.

## **Index**

A statistical composite that measures changes in the economy or in financial markets, often expressed in percentage changes from a base year or from the previous month.

## **Indexing**

Tying pension benefits to an index, such as the CPI.

## **Inflation**

The rise in the prices of goods and services.

## **Investment Manager**

An investment counselor who is an individual or company with the responsibility for providing investment advice to clients and executing discretionary investment decisions.

## **Liquidity**

- a) The characteristics of a security or commodity with enough units outstanding to allow large transactions without a substantial drop in price, and
- b) The ability of an individual or company to convert assets into cash or cash equivalents without a significant loss.

## **Market Value**

The most probable price that would be obtained for property in an arm's length sale in an open market under conditions requisite to a fair sale, the buyer and seller each acting prudently, knowledgeably and willingly.

## **MSCI EAFE Index**

An index maintained by MSCI, the MSCI EAFE Index is free float-adjusted market capitalization index that is designed to measure developed market equity performance globally, excluding North America.

## **Mortgage**

A debt instrument by which the borrower (mortgagor) gives the lender (mortgagee) a lien on property as security for the repayment of a loan.

## **Options**

Any contract granting the purchaser of the contract, the right, but not the obligation, to exercise or fulfill the terms and conditions specified in the contract.

## **Passive Management**

Managing the investments of a fund with the objective of matching the return of a broad-based index such as the S&P/TSX Composite Index.

## **Pension Benefit Act (Ontario)**

The Pension Benefit Act (Ontario) and the regulations made thereunder, as amended from time to time.

## **Policy**

The Statement of Investment Policies and Procedures for the Trent University Pension Plan.

## **Preferred Stock**

A class of capital stock that pays dividends at a specified rate, usually does not have voting rights and that has preference over common stock in the payment of dividends and the liquidation of assets.

## **Private Placement**

Stocks, bonds or other investments that are issued directly to an institutional investor and are not publicly traded.

## **Real Estate**

Investments with returns derived from rental incomes from properties and gains from development, redevelopment and/or sale of properties including office buildings, multi-unit residential buildings and retail space.

## **Resource Property**

Any property that is,

- a) A right, license or privilege to explore for, drill for or take petroleum, natural gas or related hydrocarbons;
- b) A right, license or privilege to;
  - i. Store underground petroleum, natural gas or related hydrocarbons; or
  - ii. (Prospect, explore, drill or mine for minerals in a mineral resource;
- c) An oil or gas well or real property, of which the principal value depends on its petroleum or natural gas content, excluding any depreciable property used or

to be used in connection with the extraction or removal of petroleum or natural gas there from;

d) A real property, of which the principal value depends on its mineral resource content, excluding any depreciable property used or to be used in connection with the extraction or removal of minerals there from; or

e) A right to or interest in any property described in clause (a) to (d) above.

### **S&P/TSX Composite Index**

An index maintained by the S&P/TSX Canadian Index Policy Committee that measures the return on the largest companies that trade on the Toronto Stock Exchange. The index is float-weighted and calculated on a total return basis with dividends reinvested.

### **S&P/TSX Composite Capped Index**

Contains all the constituents of the S&P/TSX Composite Index, with weight of any single index constituent capped at 10 percent.

### **S&P 500 Index**

An index maintained by the Standard & Poors U.S. Index Committee, this widely recognized index measures the performance of 500 large cap U.S stocks.

### **Securities Lending Agreement**

An agreement entered into by the trustees of Trent University and a borrower of the securities outlining the terms of the loan.

### **Security**

Any document, instrument or writing commonly known as a security and includes a share of any class or series of shares or a debt obligation of a corporation, a certificate evidencing such a share or debt obligation and a warrant.

### **Segregated Fund or Portfolio**

A fund established by a sponsor that is duly authorized to operate a fund in which money from one or more contributors is accepted for investment and the assets of the fund are maintained by the sponsor as separate and distinct from the general funds of the sponsor.

### **Supranational bonds**

Debt issued by supranational organizations such as the World Bank (IBRD), the European Development Bank (EIB) or Inter-American Development Bank (IADB).

**Total Fund Benchmark**

A portfolio that represents the long-term asset allocation set by the Board of Governors in order to meet the portfolio return expectations.

**Warrant**

A type of security, usually issued together with a bond or preferred stock that entitles the holder to buy a proportionate amount of common stock at a specified price, usually higher than the market price at the time of issuance, for a period of years or to perpetuity.