MANITOBA MUNICIPAL EMPLOYEES PENSION PLAN

Statement of Investment Policies and Procedures

July 1, 2020

(effective July 1, 2020)

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Section I - General

1.1 Purpose and Scope

1.1.1 This Statement of Investment Policies and Procedures (SIPP) has been approved and adopted by the Board of Trustees (the “Board”) of the Manitoba Municipal Employees Pension Plan (“MEPP”) with respect to the assets held in the pension trust fund (the "Fund") in respect of the liabilities of the Manitoba Municipal Employees Pension Plan (the “Plan”). The SIPP establishes investment policies and goals giving particular consideration to the type of pension plan, its characteristics and its financial obligations.

1.1.2 The Board is the administrator of the Plan and has ultimate responsibility for the prudent investment of the Fund. The Board has appointed an Investment Committee (the “Committee”) and has established terms of reference for the Committee.

1.1.3 All Trustees, Committee members, MEPP employees and investment managers (the "Managers") providing services in connection with the investment of the Fund, shall receive a copy of, accept and adhere to this SIPP.

1.1.4 The Plan is subject to the provisions of the Pension Benefits Act of Manitoba (the "PBA") and the Income Tax Act (Canada) (the “ITA”).

1.1.5 The SIPP may be changed or modified at any time by action of the Board.

1.1.6 The Plan members, participating employers and participating unions are entitled to review the SIPP, a copy of which will be made available within 30 days of receiving a written request.

1.1.7 Investments not specifically referred to in this SIPP are prohibited.

1.1.8 All Committee members, MEPP employees and the Managers providing services in connection with the investment of the Fund, shall be held to the same level of fiduciary responsibility as is held by the Board pursuant to the Pension Plan Trust Agreement, the SIPP and all applicable legislation.

1.2 Fund Governance

1.2.1 Responsibilities of the Board

The Board is responsible for the overall management of the Fund. In fulfilling its responsibilities, the Board may delegate certain duties and responsibilities to committees of the Board and to the Executive Director with the power to sub-delegate. The Board shall supervise management.

As part of its duties the Board shall establish or require to be established, written investment policies and procedures including this SIPP.

The Board, its delegates and the sub-delegates shall exercise the degree of care, diligence and skill in the investment of the Fund that a person of ordinary prudence would exercise in dealing with the property of others. In doing so, they shall use all relevant knowledge and skill that they possess or, by reason of their profession, business calling, ought to possess.

1.2.2 Management's Responsibilities

Management shall be responsible for the day-today operations of the Fund, including adherence to Board policies and guidelines and supervision of employees and agents.

1.2.3 Custodian's Responsibilities

The custodian appointed by the Board shall perform the duties required of the custodians pursuant to written agreements entered into with the Board.

1.3 Plan Overview

1.3.1 The Plan provides defined benefits to members upon retirement or other cessation of employment as described in the Text of the Plan and modified by the Board from time to time. The Plan is contributory for all members. Benefits are based on the highest average earnings and years of service of Plan members. The Plan may also provide discretionary ad hoc cost-of-living adjustments to pensions in payment, subject to approval by the Board.

1.3.2 All members and participating employers contribute to the Plan based on contribution rates as set out in the Plan Text. Under the terms of the Plan, the participating employers' contributions are at least equal to member contributions and must be sufficient to fund the benefits as described in the Plan Text.

1.3.3 Because of the above design and financing features, the Plan's benefit levels have a direct exposure to risk in investment return. As long as the Fund's assets are sufficient to meet the present value of the accumulated benefits earned to date, the members' benefits are secure. The Board is intent on managing the Fund to ensure that sufficient assets are in place to meet the obligations of the Plan. Additionally, the Board is intent on managing the Fund to ensure that a surplus of assets over liabilities exists to further provide for a margin of safety for adverse or unexpected investment experience. This surplus may also allow the Board to consider benefit improvements for the Plan.

1.3.4 As of the last actuarial valuation, (December 31, 2019), the Plan's going concern funded status was 99.7% (actuarial assets below liabilities). As of this date the Plan's solvency funded status was 72.3%.

1.4 Expected Return Requirements

1.4.1 The security of the Plan's benefits is directly related to the investment return achieved by the Fund. The expected return on the Fund is an objective which recognizes that the nature of the Plan and its liabilities will change over time.

1.4.2 As of December 31, 2019, active members constitute approximately 49.9% of the Plan's liabilities and retirees, deferred vested members and reserves account for the remainder of the liabilities. It is expected that the liability structure will not change significantly in the near term.

1.4.3 Ongoing liabilities for active employees are related to inflation by virtue of the highest average earnings nature of the benefit formula. The liabilities for retirees are essentially fixed except to the extent of any ad hoc pensioner increases that are granted in the future; to this extent they may also be considered as partially sensitive to future inflation. As a result, the Board views the majority of the Plan liabilities as inflation sensitive. The present value of all liabilities is also sensitive to changes in long-term interest rates.

1.4.4 The expected rate of return of the Fund is an objective which recognizes that the nature of the Plan and its liabilities will change over time. Accordingly, the Fund objective will be reviewed by the Board from time to time in view of the emerging structure of the Plan liabilities and its funded status.

1.4.5 The long term total rate of return necessary to fund the benefits of the Plan, including inflation protection for retirees, is defined to include capital gains, investment income, net of all investment management and custodial expenses. The objective is a long-term total rate of return of 100% of the annual change in the Consumer Price Index for Canada plus 5.0% per annum, net of expenses. This objective should be viewed as an average annual compound rate to be sought over a 4 year moving average period.

As of December 31, 2019, the Plan's actuary has confirmed that the achievement of this objective is expected to fund all basic promises of the Plan on a going-concern basis.

1.5 Risk Assessment

1.5.1 As of the most recent actuarial valuation, the Plan is marginally underfunded on an ongoing basis and very underfunded on a solvency basis. The plan has sufficient margins based on the latest going concern valuation results to sustain adverse investment returns.

1.5.2 The Plan has 2 fundamental investment risk exposures: (1) that the Fund will not earn the long term expected return required to fund the benefits accrued and (2) and that short term capital market volatility will negatively impact the fully funded status of the Plan. There is no present requirement for the Fund to hold liquid investments for the sole purpose of funding pension and termination payments or other disbursements from the Fund.

The Plan's main funding risk is related to its solvency surplus.

1.5.3 The Board has approved a funding policy which, on a going concern basis, over the long term, is intended to provide a sufficient return to meet the Plan's obligations. The overall asset mix has been set as identified in 2.2.1 herein. The Board believes that this asset mix should generate a long term return sufficient to meet the actuarial required real return of the plan.

1.5.4 The Plan's investment horizon is long term. The duration of the active members' liabilities is 19 years, while the duration of the retired and deferred liabilities is 10 years for an overall liability duration of 15 years. The SIPP sets forth minimum diversification criteria for the Fund, which will reduce the Fund's exposure to short term volatility of specific asset classes.

1.5.5 The current method of valuing assets for actuarial purposes is to use market values for all investments less an adjustment for the investment experience gain/loss over a 5 year period. This method reduces the short-term impact of capital market volatility on the Plan's financial position and allows the Plan to focus on a long-term investment horizon. As of the last actuarial valuation, the market value of the plan's assets was less than the actuarial assets by $1.9 million.

Section II - Asset Allocation

2.1 Diversification

2.1.1 The asset allocation targets shown below recognize the principle that diversification can reduce the volatility of overall Plan returns without reducing the long term expected returns. All possible asset allocations have a risk that the expected return to fund the benefits of the Plan may not be met in a given year.

2.2 Target Asset Mix

2.2.1 Based on the recommendations of the Committee, the Board has established the following target asset mix for the Fund:

Asset Class	**Policy Asset Mix**		**Range**
	2017	**Ultimate**	
Return Seeking Assets			
Canadian Equity	12%	12%	10 - 25%
US Equity	16%	16%	11 - 21%
International	18%	18%	13 - 23%
Private Equity	4%	4%	0 - 8%
Private Credit	1%	3%	0 – 5%
Infrastructure	4%	8%	0 - 10%
Real Estate	10%	10%	7 - 13%
Total	**65%**	**71%**	**41 - 78%**
Fixed Income			
Cash and Short-term	1%	1%	0 - 10%
Bonds, mortgages & debentures	34%	28%	22 - 59%
Total	**35%**	**29%**	**22 - 59%**

2.3 Liquidity Requirements

2.3.1 Investment income and contributions represent over 1.5 times the dollar amount of all benefits, terminations and other expenses of the Plan. As such, there is no requirement for the Fund to hold liquid investments for the sole purpose of funding pension and termination payments or other disbursements from the Fund. The Committee will ensure that sufficient monies are available to fund all disbursements from the Plan.

2.3.2 To ensure adequate liquidity of investment is available at all times, a maximum limit of 25% of total assets may be directed to non-liquid investments (including Private Equity, Private Credit, Infrastructure and Real Estate).

Section III - Permitted Categories of Investments

3.1 Categories

From time to time, and subject to this Policy, The Fund assets may be invested in the following asset categories:

3.1.1 Equities, which shall consist of:

(a) common stocks, income trusts, REITS, exchange traded funds, convertible debentures and preferred securities listed for trading on a recognized stock exchange or similar organization;

(b) private placements of common stocks, convertible debentures and preferred securities that are not listed for trading on a stock exchange or similar organization;

(c) interests in mutual, pooled, commingled or segregated funds, incorporated or unincorporated partnerships and trusts which may invest in any or all of the instruments or assets described in this section;

(d) derivative instruments such as options, futures, warrants, rights or other securities where the underlying assets are described in this section;

(e) Private equity consisting of common shares, convertible debentures, debentures, preferred securities and equity-like securities in entities that are not listed for trading on a recognized stock exchange or over the counter market and have a time frame for value realization measured over a period of 5 –10 years;

(f) Infrastructure.

3.1.2 Fixed Income, which shall consist of:

(a) bonds, debentures, notes, asset backed securities, private placements, foreign bonds issued in Canadian currency or other debt instruments of governments, government agencies or corporations;

(b) mortgage loans and mortgage backed securities;

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

(d) annuities, deposit administration contracts or other similar instruments regulated by the Insurance Companies Act (Canada) or a comparable provincial law, as amended from time to time;

(e) term deposits with term to maturity of one year or more, or similar instruments issued or unconditionally guaranteed by trust companies or banks;

(f) interests in mutual, pooled, commingled or segregated funds, incorporated or unincorporated partnerships and trusts which may invest in any or all of the instruments or assets described in this section;

(g) derivative instruments such as options, futures, warrants, rights or other securities where the underlying assets are described in this section;

(h) real estate, which shall consist of:

(i) interests in real property;

(ii) mortgage loans arising in the course of the sale of real estate owned by the Fund;

(iii) interests in mutual, pooled, commingled or segregated funds, incorporated or unincorporated partnerships and trusts formed specifically to invest in real estate on behalf of one or more pension plans;

(iv) common stocks, convertible debentures and preferred securities of corporations formed specifically to invest in real estate on behalf of one or more pension plans;

(v) bonds, debentures, notes or other debt instruments of corporations formed specifically to invest in real estate on behalf of one or more pension plans.

(i) Short term paper, which shall consist of:

(i) term deposits of less than one-year term to maturity, or similar instruments issued or unconditionally guaranteed by trust companies or banks;

(ii) cash or money market securities of less than one-year term to maturity issued by governments, government agencies or corporations.

(iii) interests in mutual, pooled, commingled or segregated funds, incorporated or unincorporated partnerships and trusts which may invest in any or all of the instruments or assets described in this section;

(iv) derivative instruments such as options, futures, warrants, rights or other securities where the underlying assets are described in this section;

3.1.3 Currency, which shall consist of:

(a) cash and other deposits referred to in section 3.1.2 (i);

(b) interests in mutual, pooled, commingled or segregated funds, incorporated or unincorporated partnerships which may invest in any or all of the instruments or assets and trusts described in this section;

(c) derivative instruments such as options, futures, forwards or other securities where the underlying assets are described in this section;

3.2 Legislation

3.2.1 Investment in foreign property as defined by the ITA shall normally be made so that no amount of income tax becomes payable; however, subject to Committee approval, this requirement may be temporarily waived when specific opportunities arise.

3.2.2 Notwithstanding the foregoing, no investment shall be made that contravenes the provisions of the Manitoba Pension Benefits Act (PBA). In addition, all investments must comply with the PBSR 1985 Investment Regulations, as incorporated by reference in the Manitoba Pension Regulations.

3.2.3 Without limitation to clause 3.2.2, the Fund must comply with the “10% Rule” and the “30% Rule” under the PBSR Investment Regulations:

(a) Not more than 10% of the market value of the Fund as a whole (measured at the time of the investment) will be invested, directly or indirectly, in any one investee or in any two or more associated or affiliated investees (whether as equity and/or debt securities), except where expressly permitted by the PBSR Investment Regulations (the “10% Rule”), and

(b) The Board will not invest in or hold in the Fund securities of an investee to which are attached more than 30% of the votes that may be cast to elect directors of that investee, with the exception of securities in real estate corporations, resource corporations or investment corporations the ownership of which complies with the PBSR Investment Regulations (the “30% Rule”).

3.2.4 No part of the Fund shall be loaned to a “related person” as defined in the PBA except where the transaction is required for the operation of the Plan and the terms and conditions of the transaction are not less favourable to the Plan than market terms and conditions.

3.2.5 The Fund shall not, directly or indirectly, be invested in securities of a listed person as defined by the United Nations Suppression of Terrorism Regulations, or loaned to or used for the benefit of such a person.

Section IV - Portfolio Diversification and Constraints

4.1.1 Within each asset class, there will be a prudent level of diversification subject to the following percentage limits, based on market value.

4.2.1 Equity

(a) With respect to the total equity content of the Fund, not more than 10% shall be invested in the securities of any one corporation based on market value.

(b) Not more than 10% of the total fund assets shall be invested in private equity as defined in 3.1.1(e). Not more than 6% of total fund assets shall be invested in Superman Resources Inc. and shall be included in the 10% limit noted above.

(c) No single holding shall represent more than 10% of a portfolio's total holdings.

(d) A maximum of 9% of total Fund assets may be invested in the International Equity Pooled Funds.

(e) A target of 25% of US Equities will be invested in a passive strategy to provide a return equivalent to the S&P 500 Index. The Investment Manager has discretion to adjust the weight of passive management between 0% to 50% of the total US Equity portfolio.

(g) Passive management may be used in all Equity asset classes, subject to prior approval from the Board.

4.3.1 Bonds

References to credit ratings shall refer to the Standard & Poors Rating Service (S&P), Dominion Bond Rating Service or Moody's unless otherwise indicated; however, equivalent ratings by another major credit rating agency can be used. In the case of split rated securities, the lowest rating by a major credit rating shall be used.

In respect of the total bond content of the Fund:

(a) All bond investments will be investment grade (BBB- or higher) at the time of purchase.

(b) Purchase of non-investment grade (less than BBB-) required investment committee approval.

(c) Quality standards for bond investments shall be as follows:

Quality Standards for Conventional Bond Investments
(Total All Issuers)

Debt Rating	Maximum %
A- Or higher	No limit
Less than A-	15%

All debt ratings refer to the ratings of Standard & Poor's, Dominion Bond Rating Service or Moody's unless otherwise indicated; however, equivalent ratings by another major credit rating can be used. In the case of split rated securities, the lowest rating by a major credit rating shall be used. Investments shall be diversified appropriately among industry groups.

If a bond holding is downgraded to below investment grade (lower than BBB-), it will be reported to the Investment Committee and reported as out of compliance. If the bond holding is not sold once it is downgraded below investment grade, the Investment Committee must be presented with a plan for its continued holding or eventual disposition.

(d) Not more than 10% of the Bond Portfolio shall be invested in single issuers that are rated A- or higher.

(e) Not more than 5% of the Bond Portfolio shall be invested in single issuers that are rated below A-.

(f) Securities denominated in currencies other than the Canadian dollar shall be limited to 10% of the portfolio, whether swapped or unswapped.

(g) The maximum investment in Mortgage-Backed/Asset-Backed (MBS/ABS) securities or those secured by real estate shall be 20% of the Bond Portfolio. MBS securities shall be classified as Government of Canada or if the security is guaranteed by the Government of Canada or one of its agencies. ABS securities shall be classified as corporates.

(h) All securities shall be readily marketable.

The allowable modified duration range of the Bond Portfolio is the benchmark modified duration plus or minus 3.5 years. As of December 31, 2016 the benchmark modified duration was 9.7 years.

4.4.1 Short Term Paper

(a) any short term portion of a portfolio shall be invested in liquid securities with a term to maturity (or in the case of floating rate securities, to interest rate re-establishment) of not more than one year, or held in cash;

(b) all short-term investments shall be rated A-2 or better by S&P or equivalent

(c) short-term investments held by an investment manager within their respective mandate should be considered to be part of the manager's asset class as provided within their mandate.

(d) short-term investments shall be combined with bond investments for purposes of section 4.3.0 (a) above.

4.5.1 Real Estate

In respect of the total real estate content of the Fund, excluding mortgage investments:

(a) properties shall be broadly diversified by location, type of use and tenants;

(b) not more than 1% of total fund assets shall be invested in non-income producing properties unless it is part of an approved development project;

(c) not more than 1% of total fund assets shall be invested in a single property;

(d) mortgage loans may be secured on specific income-producing real estate holdings, except that such loans shall not exceed 35% of the aggregate market value of the holdings, and no more than 75% of the market value of any single holding shall be used to secure such loans;

(e) Development and/or non-Canadian holdings shall not exceed 25% of the real estate portfolio.

A development project is defined as a real estate investment that comprises the acquisition of land for the construction of a building. The building in turn is intended to create further value to the land investment. The investment is no longer deemed a Development Project when same is certified by the project architect as being substantially complete. This term is widely accepted in the construction industry and confirms that the building is completed to allow for safe occupancy.

4.6.1 Derivative Instruments

(a) Derivative instruments are futures contracts, forward contracts, options, rights, warrants and other securities on which the underlying securities are acceptable Fund investments pursuant to this SIPP.

(b) Derivative instruments may be employed only when their use will not involve the use of leverage. Further, the portion of the Fund's investment exposures that is related to, or affected in any way by, derivative instruments shall not exceed 25% of the Fund's market value.

(c) The Committee shall clearly establish the use and restrictions of all derivative instruments used by the Fund and each of its managers.

(d) Derivative instruments may only be used to:

(i) hedge Fund investment exposures, or achieve prudent diversification of currency exposures;

(ii) replicate the investment performance of a recognized market index or that of a customized market index;

(iii) facilitate the timely and economical achievement of the desired level of exposure to any asset class;

(iv) replicate the investment performance of an underlying security where the investment in that security is allowable under the terms of the SIPP.

(e) With respect to hedging through foreign currency contracts, the use of Repurchase Agreements (“Repo”) is permitted. A Repo is a transaction whereby the manager transfers the custody of a bond holding to a counterparty bank in exchange for cash with the explicit agreement to repurchase the bond at the same price from the counterparty at an agreed upon expiry date plus interest. Repo’s allow for a flexible low cost and safe way to manage cash for short periods of time and for cost minimization purposes. The cash raised from a Repo can only be invested in short-term investments as defined under Section 4.4.1. Repo’s and Reverse Repurchase Agreements (Reverse Repo’s) shall not have a term longer than 95 days per agreement.

4.7.1 Mutual, Pooled, Commingled, Segregated Funds, Trusts and Partnerships

(i) It is recognized that the standards as set out in the SIPP cannot necessarily be adhered to within a pooled fund. The Committee shall monitor the mutual, pooled, commingled, segregated funds, trusts and partnerships for their degree of compliance with the SIPP.

4.8.1 Infrastructure

In respect of the total infrastructure content of the Fund:

(a) Infrastructure assets are illiquid and long-term in nature that generate stable and significant cash flows (6%-12% estimated yields).

(b) Infrastructure investing generally involves direct investments in inflation sensitive assets that are monopolistic or have significant barriers to entry, have inelastic demand for services and usually have pricing and/or service levels that may be regulated by a government regulatory body.

(c) Infrastructure will not comprise more than 10% of the market value of the Fund measured at the time of any investment in an Infrastructure asset.

(d) Investments in infrastructure can be made in a diversified fund or by investing directly in assets by co-investing with partners.

(e) Excluding an investment in an infrastructure fund, no single investment in infrastructure will represent more than 1% of the market value of the Fund measured at the time of the investment in such infrastructure asset.

Section V - Loans and Borrowing

5.1.1 The lending of securities through the Fund custodian shall be allowed, subject to applicable legislation and provided that a minimum collateral coverage of at least 102% of the current market value of the loaned securities is maintained on a daily basis in cash or readily marketable securities, consistent with normal industry practice at the time of the transaction.

5.2.1 Leveraging of investments other than real estate is not allowed.

5.3.1 With the exception of mortgages on real estate holdings of the Fund, the assets of the Fund may not be pledged, hypothecated, or otherwise encumbered in any way except for short term overdrafts in the normal course of business. Such borrowing is limited to $5,000,000 and for a term not to exceed 90 days.

Section VI - Valuation of Investments

6.1.1 Investments in publicly traded securities shall be valued by the Fund custodian no less frequently than monthly at their market value.

6.2.1 Investments in mutual, pooled, commingled or segregated funds, incorporated or unincorporated partnerships and trusts shall be valued by the trustee of each vehicle. The Managers shall advise the Committee of the valuation procedures used and any changes thereto.

6.3.1 If a market valuation of the investment is not readily available from regular trading in the public markets, then a fair value shall be determined by the appropriate Manager and reviewed by the Committee. For each such non-traded investment, an estimate of fair value shall be supplied to the Committee by a third party or management opinion no less frequently than annually, which may be determined by reference to the most recent independent expert appraisal or by other means such as risk-adjusted discounted cash flows or comparison with similar assets which are publicly traded. In all cases the methodology should be applied consistently over time.

6.4.1 The Fund shall be subject to an audit annually.

Section VII - Voting Rights

7.1.1 The responsibility for exercising and directing voting rights acquired through the Fund's investments shall normally be delegated to the Civil Service Superannuation Board’s (CSSB) Chief Investment Officer and external Managers, who shall at all times act prudently and in the best interests of the Fund and its beneficiaries. The responsibility for executing proxies shall be the responsibility of the Custodian. The CSSB Board adopted a Proxy Voting Policy and Guidelines in December/2013 to provide direction as to how it approaches voting and proxies for companies in which it is invested. These Guidelines are reviewed periodically by the Investment Committee. Each external Manager shall provide a copy of its proxy voting policy to the Committee.

7.2.1 The CSSB Chief Investment Officer shall advise the Committee and provide details when:

(a) the vote will be exercised contrary to the recommendations of the management of the company that issued the stock;

(b) the vote is related to anti-takeover charter and bylaw amendments of shareholder rights

(c) the vote is related to a contentious and/or controversial issue

(d) the voting rights have been sub-delegated by the CSSB Chief Investment Officer of external Manager.

7.3.1 The Board reserves the right, on the recommendation of the Committee, to direct, or override, the voting decisions if in its view such action is in the best interests of the Fund.

7.4.1 It is recognized, however, that the above constraints and policy on voting rights are not enforceable to the extent that the Fund is invested in pooled funds. Nevertheless, a pooled fund manager is expected to advise the Committee if a significant breach of policy is likely to occur or has occurred.

Section VIII - Conflicts of Interest

8.1.1 A conflict of interest, whether actual or perceived, is defined for the purposes of this SIPP as any event in which the Board, an employee of MEPP, any member of the Committee, any Manager, Fund advisor or delegate, the Fund custodian, or any party directly related to any of the foregoing, may benefit materially from knowledge of, participation in, or by virtue of, an investment decision, holding or activity of the fund, or a decision of the Committee with respect to a Manager or any other supplier of service.

8.2.1 Should a conflict of interest arise, the party in the actual or perceived conflict, or any person who becomes aware of a conflict of interest situation, shall immediately disclose the conflict to the Chair and Vice-Chair of the Committee. The Chair and Vice-Chair will immediately advise all members of the Committee that a potential conflict has been registered and that all details will be provided at the next Committee meeting. Any such party will thereafter abstain from decision making with respect to the area of conflict, and a written record of the conflict shall be maintained by the Committee.

8.3.1 In the event of a conflict of interest as defined above, it shall be declared to the Board as soon as practical.

8.4.1 The Committee shall satisfy itself that each Manager shall maintain an appropriate policy regarding conflicts of interest. As a minimum, the Code of Ethics and Standards of Professional Conduct adopted by the CFA Institute shall apply to every Investment Manager. The Manager shall disclose to the Committee any directorship of companies whose securities are held in their respective portfolio, and the name of any company for which the manager controls, through the aggregate of all client accounts, more than 10% of the voting shares.

Section IX – Soft Dollar Practices

9.1.1 The use of the Fund's brokerage commission to obtain products or services to aid in the investment decision making process shall be, at a minimum, subject to the CFA Institute Soft Dollar Standards.

9.2.1 All Investment managers shall report their soft dollar practices annually to the Committee.

Section X - Investment Manager

10.1.1 Insurance companies, trust companies, banks, investment counsellors and other organizations licensed by a recognized authority to provide investment management services shall be eligible for consideration as a Manager of the Fund. The Board has approved the Civil Service Superannuation Board (CSSB) as an investment manager. CSSB is not licensed in any jurisdiction to provide investment management services. CSSB shall confirm annually to the Board that it has and will continue to maintain a professional errors and omissions insurance policy satisfactory to the Trustees in an amount not less than $20 million;

10.2.1 The Manager is required to provide a written report to the Committee, at least on a quarterly basis, with the content of the report determined by the Committee. This report shall include written confirmation as to the Manager's compliance with this SIPP.

10.3.1 The Manager shall notify the Committee without delay, in writing, of any significant change in personnel, ownership or business of the manager.

10.4.1 A Manager with active investment mandates shall personally meet with the Committee at least once a year, or more frequently if requested.

Section XI – SIPP Review

11.1.1 The SIPP shall be reviewed by the Committee when a material change is necessary, or at least annually. The Committee shall submit its recommendations to the Board for approval. Such review may be caused by:

(a) a fundamental change in the benefits of the Plan;

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

(c) a major change in the actuarial calculation basis, the membership/liability distribution, the funded status, or the expectation for future contribution or expense levels;

(d) shortcomings of the SIPP that emerge in their practical application;

(f) applicable changes in legislation.

(g) changes in the Trust agreement.

Section XII - Investment Objectives and Performance Measurement

12.1 Total Fund Performance

12.1.1 The primary investment objective is to ensure that the assets of the Fund shall be sufficient to meet the Plan's obligations. This can be achieved by earning a minimum real return of 5%, net of expenses, per year. This objective should be viewed as an average annual compound rate to be sought over a moving 4 year period.

12.1.2 The fund is expected to earn a return in excess of the total rate of return obtained from a "passive" investment based on the normal asset mix as set out in section 2.2.1 herein, net of expenses, over moving 4 year periods.

12.1.3 An investment performance report shall be prepared quarterly, which will compare the performance of the Fund and each manager/asset class relative to their respective benchmarks.

12.2 Managers' Performance

12.2.1 The Committee shall establish investment performance standards with each Manager. The primary focus of performance measurement will be on a moving 4 year basis, but performance over shorter time periods will also be considered. Consideration will also be given to asset classes whose capital markets cycle may be in excess of 4 years.

12.2.2 If the Investment Manager fails to achieve (before investment expense) at least the hypothetical four-year return on the benchmark portfolio over three consecutive measurement periods of six months each, the Board of Trustees shall conduct a review of the Investment Manager for potential replacement.

12.2. 3 A decision by the Board of Trustees regarding whether or not to dismiss the Investment Manager for consistent failure to perform, as defined above, must be documented and supported by a review of the Investment Manager's performance. This review may include, without being limited to, the following:

a) performing a detailed attribution analysis of the performance of the Investment Manager;
b) performing a detailed analysis for each asset class of the performance of the Investment Manager in relation to other similar styled Investment Managers in their peer group and an index benchmark if available;
c) a detailed review of qualitative factors including change in key personnel, investment process, investment style, change in ownership and research capabilities;
d) interview the Investment Manager to assess their capability to meet the performance objective in the future.

12.3 Index Benchmarks

12.3.1 The following indices (in Canadian dollars) will be utilized as benchmarks for the Fund's overall performance monitoring:

Canadian Equities:	S&P/TSX Composite Total Return Index
International Equities:	Morgan Stanley Capital International (MSCI) All World ex U.S. and Canada
US Equities:	Standard & Poor's 500 Total Return Index
Real Estate:	ICREIM/IPD Canada Property Total Return Index.
Fixed Income:	FTSE/TMX Universe Bond Index (67 ½) + FTSE/TMX Capital Long Term Bond Index (32 ½)
Cash & Cash Equivalent:	91-day Canadian Treasury Bills.
Infrastructure	CPI + 5%
Private Equity	Custom Benchmark based on funds
Private Credit	CPI + 5%