

# **Saint Mary's University Pension Plan**

## **Statement of Investment Policies and Goals**

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# 1

## Purpose

- 1.1 Saint Mary's University (the "University") provides pension benefits to members of the Saint Mary's University Pension Plan (the "Plan"). The prudent and effective management of the Plan's assets (the "Fund") is intended to assist Plan members (the "Members") in achieving financial security in retirement.
- 1.2 This Statement of Investment Policies and Goals (the "Statement") addresses the manner in which the Fund shall be invested. The Pension Committee (the "Committee") has prepared the Statement to ensure continued prudent and effective management of the Fund. Investments shall be selected in accordance with the criteria and limitations set forth herein and in accordance with all relevant legislation. The Statement also defines the management structure and other procedures adopted for the ongoing operation of the Fund. The Statement complies with all relevant legislation.

## 2

### Fund Governance

2.1 The University, acting through its Board of Governors (the “Board”), has appointed the Committee the Administrator of the Plan. The Committee may delegate tasks to employees of the University and to the various agents it has retained to assist it in carrying out its duties in respect of the Fund. The Committee has overall responsibility for the Fund as set out below.

#### The Committee

2.2 The Committee shall:

- establish and adopt the Statement;
- review the Statement at least annually and confirm or amend it as needed;
- appoint the fund managers (the “Managers”) to manage the Fund’s investments;
- select the investment options to be offered to the Members;
- appoint the record-keeper (the “Record-keeper”) to hold the Fund and to maintain records for the Members;
- appoint (an) investment performance monitor(s) (the “Performance Monitor”)
- to assist the Committee;
- review the frequency of Members’ investment option transfer activity;
- review Member asset balances in excess of insured limits;
- evaluate the appropriateness of the overall Plan design and/or membership communications;
- ensure that information is provided to Members to help them in their selection of appropriate investment options;
- delegate tasks relating to the overall management of the Fund to selected employees of the University and/or to selected agents retained by the Committee;
- communicate to the Record-keeper, in the Record-keeper’s specified format, the target asset allocation of each individual component of the Diverse Growth Portfolio Option and the eight target Date Portfolio Options; and

- at least annually, review and evaluate the Managers and their performance, both quantitatively and qualitatively, including:
  - an evaluation of the rates of return achieved and a comparison to the objectives established;
  - a review of the degree of risk assumed in attaining investment returns; and
  - a review of the Managers in the context of the criteria used for their appointment.

### **The Members**

2.3 The Members shall:

- inform themselves of the risks, rewards and fees associated with various investment strategies;
- decide on the allocation and re-allocation of the contributions (both employee and employer contributions) within the available range of investment options to optimize returns, given each Member's investment horizon and risk tolerance; and
- decide on appropriate retirement income vehicles.

### **The Managers**

2.4 The Managers shall:

- manage the Fund according to the investment mandate, subject to all relevant legislation and the constraints and directives contained in the Statement, and in any supplementary document provided by the Committee; and
- be governed by the Code of Ethics and Standards of Professional Conduct of the CFA Institute.

### **The Record-keeper**

2.5 The Record-keeper shall:

- perform the regular duties required of the Record-keeper by law and generally accepted industry standards;
- perform the duties required of the Record-keeper pursuant to agreements entered into from time to time with the Committee;
- make available an arrangement permitting investment in pooled funds managed by the Managers (the "Pooled Funds");
- make available term deposits ("GICs");

- provide the Committee with a written annual credit rating report about the Record-keeper and the provider of any GICs group annuity contracts and promptly inform the Committee in writing of any credit changes;
- provide the Committee with reports containing any other information agreed upon between the Committee and the Record-keeper;
- receive contributions from the University and Members and, on the same day, remit the appropriate amounts to the Managers;
- maintain individual accounts for the Members to record their investments and administer the payment of any benefits as required;
- re-balance the Diverse Growth Portfolio Option and the Target Date Portfolio Options quarterly to match the target asset allocations described in Appendix C of the Statement;
- annually adjust the target asset allocations of the Target Date Portfolio Options as described in Appendix C of the Statement;
- provide statements to Members in accordance with the requirements of the Pension Benefits Act and according to the frequency agreed to with the Committee;
- provide the Committee with periodic portfolio reports of all the unit holdings and amount of assets held in the Fund as well as transactions during the period;
- periodically review the overall investment option transfer activity of Members and report the frequency of such activity to the Committee;
- provide the Committee with an annual list of Members whose assets exceed the insured limits for GICs;
- prepare quarterly written reports of investment performance for prompt distribution to the Committee and Members;
- provide the Committee with current descriptions and investment policies of the Pooled Funds;
- ensure all investment options meet all legislative requirements and inform the Committee in writing of any changes;
- submit annual certificates attesting to its compliance with the Statement, and if at any time an investment or group of investments does not comply with the Statement, promptly notify the Committee of this condition;
- advise the Committee of other investment options that become available from time to time; and

- assist the Committee in providing information and support to Members with the objective of helping them select their investment options.

**The Performance Monitor**

2.6 The Performance Monitor shall:

- at least annually meet with the Committee and provide a monitoring report for the Fund, including an analysis of the Managers and their performance relative to the goals and expectations as outlined in the Statement; and
- provide such other information and analysis as the Committee may request.

# 3

## Plan Overview and Investment Implications

### Plan Overview

- 3.1 The Plan is a registered pension plan that provides defined contribution benefits for Members. The University and the Members are required to contribute to the Plan. Members may elect to make additional voluntary contributions insofar as they are permitted by the Income Tax Act and Regulations.
- 3.2 The amount of a Member's pension will be a function of the accumulated value of his or her pension assets at retirement and the qualifying retirement vehicles permitted by the Income Tax Act at retirement. Under a defined contribution plan, the member bears the investment risk. A Member's account balance is directly related to the amount and timing of contributions to the Member's account and to the performance of the investment options selected by the Member.

### Investment Implications

- 3.3 The Members have diverse demographics, diverse investment and financial experience, and diverse risk tolerance. The Committee believes that the best way to address the diverse investment needs of the Members is to offer a range of investment options that cover the major asset classes and range of risk/return preferences.
- 3.4 The Committee has considered the following in selecting the investment options:
- While many Members may prefer a simplified and automated approach to managing investment risk over their working lives, some Members will want the flexibility to control the amount of risk they are willing to accept at any point in time;
  - Members are provided flexibility to select from investment options that meet a range of individual preferences;
  - Members' selection of investment options is kept as simple as possible by:
    - offering those Members looking for a simplified and automated investment approach, a series of Target Date Portfolios; and

- by offering those Members wanting to control the amount of risk they are willing to take at any point, the ability to create their own target asset allocation using a streamlined set of investment options that cover the major risk / return spectrum. The Committee believes that minimizing the amount of redundancy between these options will facilitate these Members' decisions in pursuing their target asset allocation.
- the Committee believes that active management of Canadian Government Bonds and US Large Cap Equities will likely not add value net of fees relative to indexed management and accordingly may adopt a passive approach in these areas. That being said, for practical reasons, active management for these assets may be used when it represents part of an overall portfolio or strategy;
- Canadian core plus bond strategies are not expected to materially increase (and may actually decrease) expected return volatility and provide high quality investment managers with a higher potential to add value relative to the Canadian bond universe by virtue of an expanded opportunity set;
- the Committee's responsibility to monitor the Managers is facilitated by limiting the number of actively managed investment funds;
- actively managed investment funds are selected to provide relatively low tracking error compared to their respective benchmarks, or in the case of low-volatility equity funds, provide substantially less volatility than the relevant market index;
- the Committee is concerned with the concentration of securities in the Canadian equity market and accordingly will prefer Canadian equity strategies that limit the proportion of funds that may be invested in any one security to ten percent or less;
- where small cap investment options are concerned, the Committee recognizes that global small cap investment options would provide greater diversification and liquidity than domestic small cap investment options. Accordingly, the Committee has established a preference for a global small cap mandates over domestic ones;
- the Target Date Portfolio Options will be constructed from various combinations of the individual investment funds otherwise available to provide broad diversification between asset classes;
- the Committee believes that Members may benefit from investments in alternative and diverse asset classes that can provide other sources of return by further reducing risk through exposure to different risk drivers that often have relatively low correlations with the equity risk premium associated with publicly-traded large cap

- developed market equities. Accordingly, allocations to emerging market equity, small cap equity, real assets like real estate and growth fixed income like global bonds, emerging market debt and high yield bonds would be helpful in maximizing the expected reward for a given expected volatility of returns;
- the Committee further believes that the more complex nature of, and diverse risks associated with, alternative and diverse assets warrants controls to be in place around member allocations to such investment options via the exclusive availability of such investments through the Target Date Portfolio Options and a pre-built diversification investment option (the "Diverse Growth Portfolio Option") described in Appendix C; and
  - five-year GIC funds, from two distinct financial institutions, provide both a low risk fixed income option for Members and greater insured limit for Members.
- 3.5 The Committee will select Pooled Funds and Managers that satisfy the diverse investment needs of the Members. Investment fund descriptions and guidelines as established by the Managers are attached in Appendix B. The Committee adopts these guidelines for the Pooled Funds. Where there are inconsistencies between the Manager's performance objectives and the performance objectives specified in Section 4, the Statement's performance objectives shall take precedence.
- 3.6 Members are permitted to invest in any or all of the investment funds listed in the Table 1 in Appendix B, two 5-year GIC funds, the Diverse Growth Portfolio Option and Target Date Portfolio Options in any proportion. Members may change their instructions for either future contributions or existing assets (from both employee and employer contributions) at any time.
- 3.7 Members who do not provide instructions for either future contributions or existing assets will be deemed to have selected the Target Date Portfolio Option with the maturity date closest to but not exceeding the year in which the member will attain age 65.

# 4

## Investment Performance Objectives

### Quantitative Evaluation

- 4.1 Quantitative performance of a Manager shall be considered satisfactory if the rates of return on the investments managed by the Manager meet the objectives as stated below.

Investment Option	Benchmark	Objective before fees
Canadian Equity (Large Cap)	S&P TSX Composite	+1.00%
Canadian Core Plus Bonds	FTSE Canada Universe	+0.50%
Indexed US Equity (Large Cap)	S&P 500	$\pm 0.10\%$
Non-North American Equity (Large Cap)	MSCI EAFE (Net)	+1.00%
Money Market	FTSE Canada 91 -Day T-Bill Index	+0.00%
Target Date Portfolio Options	See Section 4.2	See Section 4.2
Diverse Growth Portfolio Option	See Section 4.2	See Section 4.2
5-Year GICs	Average rate of the 5 Largest Canadian Banks	+0.25%
Global Low Volatility Equity*	MSCI World (Net)	Return volatility $\leq 80\%$ of benchmark and return $\pm 1\%$ of benchmark

<b>Investment Option</b>	<b>Benchmark</b>	<b>Objective before fees</b>
Global Small Cap Equity*	MSCI World Small Cap (Net)	+1.00%
Emerging Markets Equity*	MSCI Emerging Markets (Net)	+1.00%
Global Bonds*	J.P. Morgan Global Government Bond	+1.50%
Real Estate*	70% CPI + 4.0% 10% S&P/TSX REIT 20% FTSE Canada 30 Day T- Bill	+1.00%

\* these investment options are not available on a stand-alone basis, but may be included within the Target Date Portfolio Options and the Diverse Growth Portfolio Option.

- 4.2 Performance objectives for the Target Date Portfolio Options and the Diverse Growth Portfolio Option are set by weighting the performance objective of each of the underlying investment funds by its relative weight in the option.
- 4.3 For the purpose of measuring rates of return of the Pooled Funds, all returns shall be measured before investment management fees, but after transaction costs, and over rolling four-year periods for actively managed funds and one-year rolling periods for passively managed funds. All index returns shall be total returns. All foreign index returns shall be expressed in equivalent Canadian dollar returns

### **Real Rate of Return Expectations**

- 4.4 The expected returns of the various investment options change over time with the economic environment. Appendix A provides capital market expectations for these investment options on a real return or net of inflation basis.

### **Qualitative Evaluation**

- 4.5 The Managers will be evaluated on the following qualitative criteria at least once each year:

- overall adherence by a Manager to the Statement;
- consistency of a Manager's portfolio style and strategy with its stated style and strategy;
- retention of a Manager's professional staff; replacement of a Manager's staff lost by retirement, resignation, etc.;
- consistency of key personnel and their role in investment decisions;
- competitiveness of fees; and
- characteristics of a Manager's firm (e.g., ownership, growth in assets under management, client retention/loss, etc.).

# 5

## Conflict of Interest Policy

### Individuals or Other Bodies Governed by the Conflict of Interest Policy

5.1 The guidelines apply to the University, the Committee, the Managers, the Record-keeper, and any employee, agent, or third party retained by any of the foregoing that provide services to the Plan (collectively referred to as "Individuals").

### Conflict of Interest

5.2 Individuals may not exercise powers in their own interest or in the interest of a third person, nor may they place themselves in a situation of conflict or potential conflict between personal interest and duties with regard to the investment of the Fund.

5.3 Individuals shall disclose any direct or indirect association or material interest or involvement that would result in any actual, potential or perceived conflict of interest with regard to the investments of the Fund. Without limiting the generality of the foregoing, this would include material benefit from any asset held in the Fund, or any significant holding, or the membership on the boards of other corporations, or any actual or proposed contracts with the issuer of any securities which are or will be included in the Fund.

### Procedure on Disclosure

5.4 Individuals shall disclose in writing the nature and extent of their conflicting interest to the Committee immediately upon becoming aware of the conflict. The disclosure must be made immediately if the knowledge of the conflict arises in the course of discussion at a meeting.

5.5 If the Individual disclosing the conflict has the capacity to participate in or to make decisions affecting the investment of the Fund, the Individual may only continue to participate with the approval of the Committee. Also,

- The Individual may elect not to participate with respect to the issue in conflict;

- If the Individual disclosing the conflict has voting powers, he or she may continue to participate with respect to the issue only with the unanimous approval of the other participants with voting rights, and
  - The Individual's notification shall be considered a continuing disclosure on that issue for purposes of the obligations outlined by these guidelines.
- 5.6 The Committee shall be notified of any perceived conflict of interest arising from Members receiving assistance with the selection of investment options. The Committee shall take whatever action is deemed appropriate under the circumstances.
- 5.7 The failure of a person to comply with the procedures described in this section shall not of itself invalidate any decision, action, direction, contract or other matter.

# 6

## Miscellaneous

### Lending of Securities

6.1 The Committee may not enter into securities lending agreements, although the Pooled Funds may do so if their policies permit.

### Derivatives

6.2 The Fund may not be invested directly in derivatives, although the Pooled Funds may do so if their policies permit.

### Liquidity

6.3 The Fund may only offer investment options that are valued daily and are expected to be highly liquid.

### Voting Rights

6.4 The Managers of the Pooled Funds exercise all voting rights acquired through the investments of the Pooled Funds.

### Valuation of Investments

6.5 The Managers of the Pooled Funds shall value the Pooled Fund units. The Record-keeper shall value the GICs.

### Depositor Insurance

6.6 Assuris and/or Canadian Deposit Insurance Corporation shall protect investments in the GICs up to the respective limits where either or both are available to Members.

### Related Party Transactions

6.7 The Plan may only enter into a transaction with a related party if specifically permitted by the Committee and if the terms and conditions of the services are at least as favourable

as market terms and conditions and the transaction does not involve the making of loans to, or investments in, the related party.

# 7

## Statement Review

7.1 The Committee shall review the Statement at least annually, taking into account whether any developments such as the following have occurred:

- governance changes;
- changes in investment beliefs;
- changes in risk tolerance;
- changes to benefits provided by the Plan;
- changes to the Plan membership demographics;
- changes to Members' behaviour in managing their asset allocations;
- changes to expectations for the long term risk/return trade-offs of the capital markets;
- new investment products;
- changes to legislation; and
- practical issues that arise from the application of the Statement.

## Appendix A

### Capital Market Expectations

This appendix provides capital market expectations for the various investment options under the Plan determined by Mercer (Canada) Limited as at November 30, 2021. Over the long term, e.g. periods of 20 years, the expected real returns (return over the Consumer Price Index or "CPI") and absolute annual return volatility (standard deviation of annual returns).

Investment Option	Long Term Expected Real Return	Absolute Return Volatility
Canadian Equity	3.6%	19.5%
Canadian Core Plus Bonds <i>(modelled as 70% Canadian Bonds, 20% short-term corporate bonds, 5% high-yield bonds and 5% emerging market debt bonds)</i>	1.2%	4.7%
US Equity	3.6%	17.0%
Non-North American Equity	3.6%	17.1%
Global Low-Volatility Equity	3.1%	13.0%
Global Small Cap Equity	4.1%	17.6%
Emerging Markets Equity	5.4%	25.0%
Global Bonds Plus <i>(including emerging market debt and high yield bonds)</i>	1.5%	7.1%
Real Estate	3.8%	13.0%
Money Market Fund	-0.2%	1.5%

<b>Investment Option</b>	<b>Long Term Expected Real Return</b>	<b>Absolute Return Volatility</b>
5-Year GICs	1.3%	3.5%
Retirement Target Date Portfolio	2.7%	6.3%
Target Date Portfolio (10 Year Horizon)	3.4%	8.6%
Target Date Portfolio (20 Year Horizon)	4.0%	11.2%
Target Date Portfolio (30 Year Horizon)	4.1%	11.9%
Diverse Growth Portfolio	4.1%	10.0%

For purposes of applying this section, the CPI reference will be to “The Consumer Price Index for Canada, All-items”, catalogue # 62-001.

It is recognized that the Funds' rate of return will be significantly affected by capital market rates of returns, and accordingly the Managers' performance relative to the above-noted long term real return expectations will not be used to evaluate their performance.

## Appendix B

### Investment Fund Descriptions

The following investment options are available to those members wishing to create their own target asset allocation. In addition to these, 5-year GIC options are available as well as Target Date Portfolio Options and a Diverse Growth Portfolio Option, as described in Appendix C.

**Table 1**

<b>Investment Fund</b>	<b>Investment Fund Manager</b>
Canadian Equity	Connor, Clark & Lunn Investment Management
Canadian Core Plus Bonds	AB
Indexed US Equity	BlackRock Inc.
Non-North American Equity	MFS Investment Management
Money Market	Sun Life Financial

The following investment options are to be used in constructing the Target Date Portfolios and the Diverse Growth Portfolio options.

**Table 2**

<b>Investment Fund</b>	<b>Investment Fund Manager</b>
Global Low Volatility Equity	TD Asset Management
Global Small Cap Equity	Wellington Management
Emerging Markets Equity	Schroder Investment Management

Investment Fund	Investment Fund Manager
Global Bonds Plus (including high yield bonds and emerging market debt)	Franklin Templeton Investments
Canadian Real Estate	BentallGreenOak

The fund descriptions for these funds are available through Sun Life Financial. Sun Life Financial will update these descriptions periodically to reflect changes adopted by the corresponding investment managers. Accordingly, the reader should refer to the Sun Life Financial website for the most up-to-date investment fund descriptions.

# Appendix C

## Target Date Portfolios

### Portfolio Construction Considerations

In the construction of these portfolios, risk was described in terms of the volatility of a DC Member's expected annual lifetime retirement income. There is a presumption that risk tolerance decreases as DC Members approach retirement. This presumption is based on two factors, the time horizon until the Member's retirement and the size of the Member's account relative to the present value of future contributions.

In addition there was a presumption that the majority of members would continue investing in retirement and that these Members would have a lower tolerance for risk than an early or mid-stage career Member. A DC Member that anticipates purchasing an annuity at retirement could switch from the Target Date Portfolio to a bond portfolio shortly before retirement. It is anticipated that few members will be purchasing a lifetime annuity.

Each portfolio along the glidepath can be described as an allocation to a Base Portfolio and a Growth Portfolio, where the former is the allocation intended to manage volatility risk to the desired level and the latter is intended to pursue various sources of additional returns above that of the Base Portfolio.

### Base Portfolio

A Canadian universe bond strategy has been chosen by the Committee to reduce the risk of the Growth Portfolio along the glidepath to retirement. The strategy is currently implemented by a core plus bond strategy.

### Growth Portfolio

The Growth Portfolio is intended to be a diversified portfolio with several sources of risk and return drivers, including the equity risk premium, alpha (or active management) risk premium, small cap equity risk premium, emerging market equity risk premium, credit risk premium,

illiquidity risk premium, inflation risk premium and non-corporate Gross Domestic Product growth risk premiums. After careful analysis of these risk premiums, associated potential rewards, expected volatility and correlations, the following model Growth Portfolio was constructed:

<b>Investment Option</b>	<b>Allocation within Growth Portfolio</b>
Canadian Equity (Large Cap)	18.0%
Indexed US Equity (Large Cap)	13.0%
Non-North American Equity (Large Cap)	12.0%
Global Low Volatility Equity	10.0%
Global Small Cap Equity	7.0%
Emerging Markets Equity	10.0%
Global Bonds Plus (including high yield bonds and emerging market debt)	15.0%
Canadian Real Estate	15.0%
<b>Total</b>	<b>100.0%</b>

The Committee recognizes the allocations above to be the long-term target for the Growth Portfolio. However, in the event that a suitable investment option is not available for one or more of the asset classes comprising the Growth Portfolio, an interim target asset allocation for the Growth Portfolio may be established such that the allocation within the Growth Portfolio for all other investment options be adjusted upward on an proportional basis.

The model Growth Portfolio shall be reviewed periodically (no less frequently than once every 5 years) to determine if adjustments should be made to optimize the expected reward to expected volatility ratio.

**Asset Allocations**

The intention is to offer a “Retirement Portfolio”, consistent with the first row in the table below and 7 others labelled by year of retirement in 5 year increments (e.g. 2020, 2025, 2030, etc.)

The following table shows the target asset allocations between the Growth Portfolio and the Base Portfolio for each of the time horizons along the Target Date Portfolio Option glidepath.

The revisions to the allocations are to be made by the Record-keeper on or about the first business day in January following the year indicated. The asset mix of each Target Date Portfolio Option will be re-balanced no less frequently than quarterly.

<b>Horizon to Retirement (in years)</b>	<b>Allocation to Base Portfolio</b>	<b>Allocation to Growth Portfolio</b>
0 (Retirement)	54%	46%
1	53%	47%
2	52%	48%
3	50%	50%
4	48%	52%
5	45%	55%
6	42%	58%
7	39%	61%
8	36%	64%
9	33%	67%
10	30%	70%
11	27%	73%
12	24%	76%

<b>Horizon to Retirement (in years)</b>	<b>Allocation to Base Portfolio</b>	<b>Allocation to Growth Portfolio</b>
13	21%	79%
14	18%	82%
15	16%	84%
16	14%	86%
17	12%	88%
18	10%	90%
19	8%	92%
20	6%	94%
21	5%	95%
22	4%	96%
23	4%	96%
24	3%	97%
25	3%	97%
26	2%	98%
27	2%	98%
28	1%	99%
29	1%	99%
30	0%	100%

Horizon to Retirement (in years)	Allocation to Base Portfolio	Allocation to Growth Portfolio
31	0%	100%
32	0%	100%
33	0%	100%
34	0%	100%
35	0%	100%
36	0%	100%
37	0%	100%
38	0%	100%
39	0%	100%
40	0%	100%

## Diverse Growth Portfolio Option

To assist those Members who wish to control the risk they are willing to take by building their own target asset allocation, a Diverse Growth Portfolio Option is available to support them in further diversifying their risk exposures beyond what is available through developed market large cap equity, Canadian bonds, and short-term investments. The Committee has designed the Diverse Growth Portfolio Option of alternative and diverse investment options using the Growth Portfolio described in this appendix. The target asset allocation of this portfolio option is:

<b>Investment Option</b>	<b>Allocation within Growth Portfolio</b>
Global Low Volatility Equity	18.0%
Global Small Cap Equity	12.0%
Emerging Markets Equity	18.0%
Global Bonds Plus (including high yield bonds and emerging market debt)	26.0%
Canadian Real Estate	26.0%
<b>Total</b>	<b>100.0%</b>

# Appendix D

## Glossary

### Active Investment

This describes what most investment professionals do to earn a living. It is the attempt to add value relative to the market through security selection, sector weighting, asset allocation, or market timing, as applicable.

### Administrator

The Administrator is the body who administers the pension plan. The Nova Scotia Pension Benefits Act sets out various possible Administrators including the employer, a pension committee, an insurance company or a board of trustees (in the case of multi-employer plans). The term “administrator” as it is used in the Act entails the governance of the pension plan.

### Assuris

Assuris is an organization that provides protection similar to CDIC for some types of guaranteed instruments sold by insurance companies.

### Benchmark

The quantitative measure against which an investment manager's performance is compared. Most of the Benchmarks that are used in this policy are the returns of various capital market indices. These indices provide an indication of the returns provided by specific parts of the market, without any additional value that may be provided through Active Management.

### CDIC

Canadian Deposit Insurance Corporation (CDIC) refers to a body that provides limited protection to purchasers of some types of Guaranteed Investment Certificates (GIC) in the event that the issuing financial institution becomes insolvent. Member financial institutions include most major banks and trust companies.

**Core Plus Bonds**

A Core Plus bond strategy is a fixed income strategy that permits the investment manager to include fixed income instruments not found in the reference bond index (e.g. FTSE TMX Bond Universe) which often come with greater return potential and higher risk. The manager's performance is measured against the reference bond index for the core portion of the portfolio, but is expected to outperform to a greater degree due to the larger opportunity set.

**Derivative**

A Derivative is a security that provides payoffs that depend on or are contingent on the values of other assets. In the context of pension plans, these other assets are usually either bond or stock prices, or market index values. Two common forms of Derivatives are futures and options.

**FTSE Canada Universe Bond Index**

A daily index, with history available from December of 1979, for gauging performance in the Canadian domestic fixed income market. All publicly issued C\$ domestic bonds rated BBB or above, with a term to maturity greater than 1 year, are eligible for inclusion. Currently, the index is comprised of approximately 800 issues representing a full cross-section of Government and Corporate credits and terms.

**FTSE Canada 91 Day T-bill Index**

A market index that has been tracking performance in the 3-month T-bill market since December of 1947. It maintains an average term to maturity of 91 days through biweekly adjustments based on simulating purchases at the average yield bid at the Government of Canada T-bill auction.

**GIC**

A Guaranteed Investment Certificate (GIC) is a contract issued by a financial institution that promises a stated rate of interest over some specific time period, usually several years.

**J.P. Morgan Global Government Bond Index**

An index that tracks fixed rate bond issuances from high-income countries spanning the globe.

**Life Income Fund**

A Life Income Fund (LIF) is a retirement vehicle to which a member may choose to transfer pension assets upon retirement. A LIF allows a retiree to maintain a significant degree of control over how assets are invested, and how much they draw as income each year.

**Lifetime Annuity**

A Lifetime Annuity is a retirement vehicle to which a member may transfer pension assets upon retirement. While there are many variations, annuities are designed to provide a regular income on a guaranteed basis. The income is not impacted by changes in the investment markets, and guarantees a continuing life income for as long as a retiree lives.

**Morgan Stanley - Capital International (MSCI) Emerging Markets Index**

A non-developed market equity index which consists of approximately 1,400 securities from the following 25 countries

Brazil	Indonesia	Russia
Chile	Korea	Saudi Arabia
China	Kuwait	South Africa
Colombia	Malaysia	Taiwan
Czech Republic	Mexico	Thailand
Egypt	Peru	Turkey
Greece	Philippines	United Arab Emirates
Hungary	Poland	
India	Qatar	

MSCI's goal is to accurately represent the buyable opportunities in the markets covered. An independent group of country specialists regularly monitors the index constituents and adds or deletes companies to maintain representativeness. The index represents approximately 85% of the free-float adjusted market capitalization in each country. The index attempts to replicate the industry composition of each local market and includes a representative sampling of large,

medium and small capitalization companies. The index is market value-weighted and calculated both with net (of foreign taxes) and gross dividends reinvested.

**Morgan Stanley - Capital International (MSCI) Europe, Australia and the Far East (EAFE) Index**

An international equity index which consists of approximately 800 securities from the following 21 countries:

Australia	Ireland	Singapore
Austria	Israel	Spain
Belgium	Italy	Sweden
Denmark	Japan	Switzerland
Finland	Netherlands	United Kingdom
France	New Zealand	
Germany	Norway	
Hong Kong	Portugal	

MSCI's goal is to accurately represent the buyable opportunities in the markets covered. An independent group of country specialists regularly monitors the index constituents and adds or deletes companies to maintain representativeness. The index represents approximately 85% of the free-float adjusted market capitalization in each country. The index attempts to replicate the industry composition of each local market and includes a representative sampling of large, medium and small capitalization companies. The index is market value-weighted and calculated both with net (of foreign taxes) and gross dividends reinvested.

**Morgan Stanley - Capital International (MSCI) World Small Cap Index**

A non-developed market small cap equity index which consists of approximately 4,500 securities from the following 23 countries

Australia	Hong Kong	Portugal
Austria	Ireland	Singapore

Belgium	Israel	Spain
Canada	Italy	Sweden
Denmark	Japan	Switzerland
Finland	Netherlands	United Kingdom
France	New Zealand	United States
Germany	Norway	

MSCI's goal is to accurately represent the buyable opportunities in the markets covered. An independent group of country specialists regularly monitors the index constituents and adds or deletes companies to maintain representativeness. The index represents approximately 14% of the free-float adjusted market capitalization in each country. The index attempts to replicate the industry composition of each local market and includes a representative sampling of large, medium and small capitalization companies. The index is market value-weighted and calculated both with net (of foreign taxes) and gross dividends reinvested.

### **Morgan Stanley - Capital International (MSCI) World Index**

An global equity index which consists of approximately 1,500 securities from the following 23 countries

Australia	Hong Kong	Portugal
Austria	Ireland	Singapore
Belgium	Israel	Spain
Canada	Italy	Sweden
Denmark	Japan	Switzerland
Finland	Netherlands	United Kingdom
France	New Zealand	United States
Germany	Norway	

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### **Passive Investment**

Passive (or index) Investment entails buying a well-diversified portfolio to represent a broad-based market index without attempting to search out specific securities.

### **Pooled Fund**

A Pooled Fund is a vehicle used by investment managers to provide a common investment product to multiple investors. Securities are bought and sold within the Pooled Fund, with each investor's interest accounted for by the number of "units" that are held. Investment results cause the value of the units to vary, which in turn impacts the value of each investor's stake.

### **Securities Lending**

Securities Lending refers to the lending of securities in exchange for a fee. This practice is typically executed by a fund's custodian and provides borrowers with securities that may be needed to facilitate short selling.

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

An index that tracks the performance of an investment in the largest capitalized Canadian incorporated securities traded on the Toronto Stock Exchange (TSX). It is a market-float weighted index, meaning that the larger the capitalization of a company, the more weight it carries in the index. Since 1977, dividends have been reinvested at the index level on a daily basis.

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

A sector-based index that is comprised of Canadian-listed Real Estate Income Trusts on a market-float weighted basis, meaning the larger the capitalization of a REIT, the more weight it carries in the index.

**S&P 500 Index**

The Standard and Poor's 500 index contains a representative sample of common stocks that trade on the New York and American Stock Exchanges and some over-the-counter stocks. The index represents about 80% of the market value of all the issues traded on the NYSE. The index does not contain the 500 largest stocks. It has many relatively small companies in it because it is constructed of industry groups. Standard and Poor's first identifies important industry categories and allocates a representative sample of stocks to each group. The companies chosen to be in the S&P 500 generally do have the largest market values within their industry group. The industry categories are grouped into ten sectors: Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Telecommunication Services and Utilities. The index is weighted by market capitalization and calculated on a total return basis with dividends reinvested.

**Target Date Portfolio Options**

A Target Date Portfolio Option is an investment option available within some defined contribution pension plans. Following a pre-determined glidepath, they are designed to manage an investor's investment risk levels as they progress through their careers to retirement by gradually and automatically decreasing allocations to riskier assets (e.g. equities) in favour of less risky assets (e.g. bonds). Each Target Date Portfolio Option has a targeted year for retirement (e.g. 2035) and represents a well-diversified, pre-constructed investment portfolio.

**Tracking Error**

Tracking error is a measure of a manager's risk or volatility compared to a benchmark. A portfolio with a low tracking error will follow the index closely while a portfolio with a high tracking error may depart from the index significantly. Tracking error is best used to evaluate managers who manage portfolios directly against the index.