

**Statement of
Investment Policies
and Procedures**

The University of
Winnipeg

Trusteed Pension
Plan

Defined Benefit
Component

As of July 2020

APPROVED in June 2020
on behalf of the Board of Trustees

Chair

Secretary

Contents

Section 1—Overview

1.01 Background of the DB component of the Plan

This policy document covers the defined benefit component of the University of Winnipeg Trusteed Pension Plan (the Plan) and the Pension Trust Fund (the Fund). The Plan is subject to the *Pension Benefits Act of Manitoba*, and the *Income Tax Act*, and as a registered pension plan is required to prepare a Statement of Investment Policies and Procedures.

The DB component of the Plan

(Growth Portfolio), consisting of equities and real estate. As well, a de-risking strategy has been implemented to systematically manage the mix between the Liability Matching Portfolio and the Growth Portfolio based on the funding ratio over time. As illustrated in Section 3.02, the de-risking strategy will increase the amount of assets allocated to the Liability Matching Portfolio as the funding status improves.

The Board believes that active management provides superior returns in the long-run, particularly in more risky asset classes, and that value can be added by using best in class managers.

The Board believes the assessment of Environmental, Social and Governance (ESG) factors is an important element in the development of investment portfolios expected to deliver optimal risk-adjusted returns. The incorporation of ESG factors within the investment process will be considered by the Board in the assessment of existing Investment Managers and in the selection process for new Investment Managers.

Section 2—Roles and Responsibilities

2.01 Delegation of Responsibilities

The Board of Trustees is the legal Administrator of the DB Plan and is responsible for the overall management, including the development of this Statement, and establishing and maintaining an investment manager structure. The Board delegates certain responsibilities to various agents retained to assist it in carrying out its duties in respect of the DB Plan. Plan administration and actuarial services are primarily provided under a third-party administration and consulting agreement; certain other day to day administration services are provided by the University under a Plan Services Agreement. The Board, however, retains overall responsibility for the DB Plan. The Board has allocated tasks in respect of the DB Plan as set out below, which include, but are not limited to:

a) Defined Benefit Committee

- (i) Record-keeping

Section 3—Asset Mix, Benchmark, Ranges and Rebalancing

the Government of Canada 10-year bond yield (V39055.) The transition allows for the duration to increase as longer dated bonds yields increase.

The Liability Matching Portfolio transition was developed to move the portfolio duration increasingly to the duration of Plan liabilities. The portfolio duration will not be reduced should yields fall below any previously achieved threshold.

3.04 Fund Asset Mix and Benchmark

The Fund's asset mix is determined subject to the schedule

Section 4—Permitted and Prohibited Investments

4.01 General Guidelines

The investments of the Fund must comply with the requirements and restrictions imposed by the applicable legislation, including but not limited to the requirements of *The Pension Benefits Act of Manitoba*, which refers to the federal *Pension Benefits Standards Act* on investment related issues, the *Income Tax Act and Regulations*, and all subsequent amendments.

4.02 Permitted Investments

(a) Canadian and Foreign Equities

- (i) Equity securities traded through a marketplace as well as listed equity substitutes that are convertible equity

governed by its own investment policy, desirable traits in selection of a real estate manager and investment fund include:

- (i) An institutional investment focus;
- (ii) A core style of real estate investing that is predominately focused on developed income-producing properties;
- (iii) A well-diversified portfolio by property type and by region; and
- (iv) Modest use of leverage, not to exceed 75% of the value of an individual property and 50% of the total investment fund assets.

(e) Derivatives

The use of derivatives (such as options, futures and forward contracts) is permitted as a substitute for direct investment. No derivatives can be used for speculative trading or to create a portfolio with leverage.

(f) Investment Funds

Investment in investment funds is permissible. Investment fund investments are governed by the policies for each fund.

4.03 Minimum Quality Requirements

(a) Quality Standards

Within the investment restrictions for individual Investment Manager portfolios, including pooled funds, all portfolios should hold a prudently diversified exposure to the intended market.

- (i) The minimum quality standard for individual bonds, debentures and mortgage backed securities, is 'BBB' or equivalent as rated by a recognized bond rating agency listed in Section 4.03(d), at the time of purchase (includes all sub-rating levels within the overall 'BBB' rating).
- (ii) The minimum quality standard for individual short-term investments is 'R

Investment Managers may use soft dollars to pay for research and other investment-related

Appendix A—Glossary of Definitions

Definitions

For the purposes of this document the following words, phrases and abbreviations are assigned:

- (a) Actuary Actuarial firm hired by the Board to provide actuarial valuations and other advice regarding DB Plan funding and contribution rates
- (b) Administrator As defined by *The Pension Benefits Act of Manitoba*, administrator means The University of Winnipeg Trusteed Pension Plan Board of Trustees
- (c) Board Board of Trustees for The University of Winnipeg Trusteed Pension Plan
- (d) Committee The Defined Benefit Committee of the Board of Trustees
- (e) Custodian Trust Company responsible for safekeeping of the assets, income collection, settlement of investment transactions, and accounting for the investment transactions.
- (f) DB Plan The University of Winnipeg Trusteed Pension Plan – Defined Benefit Component
- (g) Fund Investment assets of The University of Winnipeg Trusteed Pension Plan Trust Fund
- (h) Investment Consultant Consulting firm retained by the Board to provide strategic advice regarding the DB Plan’s investment policy, investment managers and investment performance issues
- (i) Investment Managers Professional investment managers hired to manage the assets of the Fund
- (j) Investment Fund As defined in the *Pension Benefits Standards Regulations, 1985 (Canada)*
- (k) Marketplace As defined in the *Pension Benefits Standards Regulations, 1985 (Canada)*
- (l) Prudent Person Approach As defined by the Office of the Superintendent of Financial Portfolio Institutions (OSFI), the Prudent Person Portfolio Approach requires the Board to establish, and the Fund to adhere to, “investment and lending policies, standards and procedures that a reasonable and prudent person would apply in respect of a portfolio of investments and loans to avoid undue risk of loss and obtain a reasonable return”.
- (m) Related Party "Related party" is defined in section 1 of Schedule III to the *Pension Benefits Standards Regulations, 1985 (Canada)*. A related party is a person who is the administrator of the Plan including any officer, director or employee of the administrator, or any person who is a member of the Board or Committee. It also includes, the Investment Managers and Investment Consultant and their employees, a union representing employees of the employer, a member of the Plan, a spouse or child of the persons named previously, or a corporation that is directly or indirectly controlled by the persons named previously, among others. Related party does not include government or a government agency

Appendix B—Performance Measurement

Asset Class	Market Index	Range in Relation to the Fund Benchmark %
Canadian equities	S&P/TSX Capped Composite Index	Between 5% below and 10% above
Global equities	MSCI World (Cdn. \$)	Between 5% below and 10% above
Emerging market equities	MSCI Emerging Markets (Cdn. \$)	Between 5% below and 2.5% above*
Real Estate	MSCI/REALPAC Canada Annual Property Index	Between 10% below and 5% above
Custom Liability Matching Bonds	Custom Liability Matching Portfolio Benchmark**	Between 3% below and 3% above

Custom Liability Matching Portfolio Transition Schedule

The duration target of the Custom Liability Matching Portfolio will be determined based on the going-concern duration of Plan liabilities and Canadian federal bond yields. The target duration will be set as a percentage of the Plan going-concern liabilities duration, as calculated by the Actuary for the preceding year.

The 10-year government of Canada Bond Yield (V39055) will be monitored each quarter by the Investment Consultant and reported to the DB Committee. Should the noted bond yield meet or exceed a threshold within the Transition Schedule, the DB Committee will confirm the move to the next target duration. Administration will then contact the Investment Manager with the notification that the target duration of the Custom Liability Matching Portfolio was amended.

Base 10-year Government of Canada Bond Yield as of June 30, 2020: 0.51%

Transition Schedule

10-Year GOC Yield	Target Duration
Base Yield	20%
+ 25 bps	30%
+ 50 bps	40%
+ 75 bps	60%
+100 bps	80%
+125 bps	100%

Based on the 10.6 years duration of Plan liabilities as of December 31, 2018, and the base 10-year Government of Canada bond yield, the target duration was set as 2.12 years, effective July 1, 2020.

Policy Revision History

Date Adopted	Amended By	Comments
December 9, 2013	Aon Hewitt	Full revision of SIPP <ul style="list-style-type: none"> • Incorporated new Asset Mix and Management Structure • Incorporated De-risking Glidepath • Incorporated Long Bond Transition Strategy
March 2, 2015	Aon Hewitt	Annual Review and Update <ul style="list-style-type: none"> • Updated Asset Mix as per the De-risking glidepath • Revised value-added objectives • Amended list of permissible equity investments
March 7, 2016	Aon Hewitt	Annual Review and Update <ul style="list-style-type: none"> • Amended to reflect changes to <i>Pension Benefit Standards Regulations</i> • Clarified fixed income transition schedule
March 6, 2017	Aon Hewitt	Annual Review and Update <ul style="list-style-type: none"> • Amended to reflect new terminology in <i>Pension Benefit Standards Regulations</i> • Updated Asset Mix as per the De-risking glide path • Added language on the role of Environmental, Social and Governance factors within the Plan’s investment strategy
December 4, 2017	Aon Hewitt	Annual Review and Update <ul style="list-style-type: none"> • Updated Asset Mix as per the De-risking glide path
December 10, 2018	Aon	Annual Review and Update <ul style="list-style-type: none"> • Updated to reflect change in bond index

		<p>names</p> <ul style="list-style-type: none"> • Updated to accommodate the FGP Universe Bond Fund
June 8, 2020	Aon	<p>Annual Policy Review</p> <ul style="list-style-type: none"> • Amended the Liability Matching Portfolio approach to incorporate Plan liability duration • Adopted new Custom Liability Matching Transition Schedule