

**SIMON FRASER UNIVERSITY PENSION PLAN FOR
ADMINISTRATIVE/UNION STAFF**

Statement of Investment Policies and Procedures

Effective _____

It is hereby certified by the undersigned that this Statement of Investment Policies and Procedures was adopted by the Trustees of the Simon Fraser University Pension Plan for Administrative/Union Staff on.

Signature

Larry Guthrie

Name

Chair, Board of Trustees

Title

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SECTION 1 – OVERVIEW

1.1 Introduction

The Trust Agreement for the Simon Fraser University Pension Plan for Administrative/Union Staff (the “Plan”) authorizes the Trustees of the Plan to set investment policy and manage the assets of the Plan.

1.2 Purpose of Statement

This Statement of Investment Policies and Procedures (the “Policy”) is intended to set out the investment framework which shall apply for the Plan.

The purpose of this Policy is to formulate the investment principles, guidelines and monitoring procedures which are appropriate to the needs and objectives of the Plan in a manner conforming to the applicable rules in the BC Pension Benefits Standards Act and Regulations.

To the extent that the assets of the Plan (the “Fund”) are invested in Pooled Funds, and in the event that there is any conflict between the provision of the Policy and the guidelines of the Pooled Funds, the guidelines of the Pooled Funds shall prevail.

1.3 Background of the Plan

The Plan is a defined benefit plan into which the University makes contributions based on the recommendations from the actuary contained in the actuarial valuation report. Members of the Plan may make voluntary contributions. The Plan pays benefits on the termination, death and retirement of plan members. Expenses related to the on-going administration of the Plan are also paid from the Plan.

SECTION 2 – BACKGROUND, ASSET MIX AND DIVERSIFICATION POLICY

2.1 Background

The Fund will be managed on a going-concern basis. The long term investment objective is to earn sufficient returns to ensure that the benefits defined in the Plan can be paid.

In order to achieve this objective, the Trustees have adopted a diversified asset mix that currently includes allocations to equity, fixed income and real estate investments. Risk is managed by investing in a well-diversified portfolio of asset classes and Managers.

In developing the Policy, the Trustees have considered factors such as the following:

- the nature of the Plan's liabilities;
- the allocation of such liabilities between active members and retired members;
- the funded and solvency positions of the Plan;
- the net cash flow position of the Plan;
- the investment horizon of the Plan;
- historical and expected capital market returns; and
- the benefits of investment diversification

When considering asset mix and the manager structure of the Fund, the Trustees have from time to time reviewed and confirmed investment beliefs. Currently, the Trustees believe:

Asset mix is the most important factor in determining the long term investment performance of the Fund;

Higher expected returns generally require an investor to assume higher risk;

In the longer term, equities will outperform bonds to compensate for higher risk;

Diversification across and within asset classes offers the opportunity to reduce total portfolio risk;

Over the long term, currency movements will not have a significant effect on performance and the Fund will not explicitly hedge exposures, however foreign equity specialist managers may engage in short term hedging of a defensive nature.;

Short term tactical asset mix shifts are not expected to provide a consistent source of added value over the long term, and the total fund will be managed within narrow asset allocation ranges;

Active management can reduce portfolio risk below market risk and potentially add value through security selection and sector allocation strategies, however the amount of expected added value from active management decreases as efficiency of the market increases. Passive management is a reasonable option to gain low-cost broad market exposure in more efficient markets;

There is not one style that will consistently add value over another in all market environments, and it is important to maintain exposure to a range of investment styles and approaches that incorporate both fundamental and quantitative research elements;

A substantial allocation to foreign equities provides the potential for enhanced long-term returns while, at the same time increasing portfolio diversification and thereby decreasing portfolio risk;

recognized that certain alternative asset classes such as Real Estate can be illiquid, and it may take a period of time to transition to the long term benchmark allocation. It may also be impractical to rebalance to the target benchmark weight or remain within the asset class range limits over the short term.

The Managers shall comply with restrictions imposed by Federal or Provincial legislation and regulations, as well as with their respective investment mandates and/or pooled fund policies

The Trustees consider how ESG, stewardship and climate change is integrated within investment processes in appointing new Investment Managers and monitor the existing Investment Managers at least annually.

3.2 Diversification

In respect of the equity portfolio of the Fund:

North American holdings shall be diversified by stock, capitalization and industry, having regard to the relative sizes of industry sectors in the applicable stock market indices.

Non-North American holdings shall be diversified by stock, region, industry and country, having regard to the relative sizes of economic activity and stock market capitalization.

Not more than 20% of the equity portfolio shall be invested in stocks with a capitalization less than \$1 billion at time of purchase.

In respect of the fixed income portfolio of the Fund:

The portfolio holdings shall be broadly diversified in fixed income securities issued by Canadian governments and corporations and similar securities outside of Canada.

No more than 5% of the portfolio shall be invested in the securities of any one corporate issuer at time of purchase.

No more than 10% of the portfolio shall be invested in debt rated below BBB or equivalent at the time of purchase, including bonds of unrated issuers.

The weighted average credit quality of the aggregate fixed income portfolio is expected to be A or higher.

The aggregate duration of the portfolio shall of purchaserchas-

Each Manager shall be responsible for directing trades and paying the investment brokerage commissions unless otherwise specified. The Manager is responsible for choosing brokers to execute investment transactions in the most effective manner and in the best interests of the Fund.

3.3 Borrowing

No part of the Fund shall be loaned to any party, other than through the purchase of securities which otherwise meet the requirements of this Policy.

Money shall not be borrowed on behalf of the Fund and the Fund's assets shall not be pledged or otherwise encumbered in respect thereof, except:

- a) for the payment of refunds, benefits or administration costs of the Plan to the extent

SECTION 4 – MONITORING AND CONTROL

4.1 Performance Measurement

The Trustees shall review on a regular basis, as needed, and at least once a year the investment performance of the Plan and each Manager relative to the objectives of the Policy.

Total Fund Benchmark

In order to achieve the long-term return objective, the Fund is targeting to achieve, over moving four-year periods a gross return, at least equal to a composite index made of passive investments in the benchmark allocation defined in Section 4.2 plus 1.0% per annum.

A secondary objective of the Fund is to achieve, over four year periods at least second quartile performance compared to a performance measurement service pension data base.

The risk inherent in the investment strategy over a market cycle (a five to ten year period) is three

The Trustees reserve the right to direct, or override, the voting decisions of a Manager, if in their view such action is in the best interests of the Plan members.

It is recognized, however, that the above constraints and policy on voting rights will not be enforceable to the extent that part of the Fund is invested in Pooled Funds.

5.4 Related Parties and Conflicts of Interest

Related party transactions are permitted for the Plan if the transaction is for the operation or administration of the Plan, does not involve the making of loans to, or investment in, the related party, the terms and conditions of the transaction are not less favourable to the Plan than market terms or conditions, and investments in the securities of a related party are done on an indirect basis to the extent permitted by applicable legislation.

“Related Party” is defined in Section 1 of Schedule III to the Pensions Benefits Standards Regulation, 1985 (Canada) as amended from time to time. A related party is a person who is the administrator of the Plan including any officer, director or employee of the University, or any person who is a member of the Board of Governors. It also includes the Managers and their employees, a union representing employees of the University, 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.

The materiality of a particular transaction shall be determined by the Trustees on both a qualitative and quantitative basis taking into account not only the amount involved but the nature and the circumstances of the transaction itself.

In determining the amount of any transaction:

- 1) any contingency or potential liability related to or arising from the transaction or series of transactions must be included;
- 2) if the level of risk attached to any assets of the Fund is affected by the transaction, the total value of these assets must also be included;
- 3) if the transaction is one of a series or group of transactions with that party, their materiality shall be determined in the aggregate; and
- 4) for this purpose, if the transaction is part of a series of transactions that may continue in the future, all projected transactions must be included in this aggregate.

The aggregate amount will be tested for materiality against the plan assets, the fund investment return, the operating expenses and the funding deficiency or surplus on a going concern or solvency basis.

5.5 Policy Review

This Policy may be reviewed and revised at any time, but it must be formally reviewed by the Trustees at least annually.

A copy of this Policy and any amendments to it shall be delivered to the actuary for the Plan.