

Statement of  
Investment Policies  
and Procedures

The University of  
Winnipeg

Trusteed Pension  
Plan

Defined Benefit  
Component

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## Section 1—Overview

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### 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 (DB Plan) was closed to new members on January 1, 2000. The defined contribution component, established on the same date, remains open to new members. The number of active members in the DB component is declining and the average age of the active members continues to increase. As a result, liabilities attributable to pensioners continue to grow as percentage of total liabilities.

The primary purpose of the DB Plan is to provide retirement and related benefits for members after retirement in respect of service as employees of the University of Winnipeg.

As per the December 31, 2013 Actuarial Valuation Report, the DB Plan had a going-concern unfunded liability of \$7.6 million on assets of \$126.4 million and liabilities of \$144.0 million. The DB Plan's going-concern funding ratio was 0.88 as of December 31, 2013. The DB Plan's solvency ratio was 0.76 as of December 31, 2013.

DB Plan membership as of December 31, 2014 was 477; 163 actives, 269 pensioners and beneficiaries, and 45 members who have left the Plan and whose settlement is pending.

The DB Plan members are each required to contribute 8% of pensionable salary, reduced by 1.8% of that part of the salary on which CPP contributions are made. The University makes regular contributions that are one percent of pensionable salary higher than the contributions made by the members.

The University is also responsible for any additional Current Service Cost and Going Concern funding required under the Pension Benefits Act, and has been granted exemption from solvency deficiency payments while the Plan is ongoing.

(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.

## Section 2—Roles and Responsibilities

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### 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 management structure. The Board delegates certain responsibilities to various agents retained to assist 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) Recommend a Statement of Investment Policies and Procedures;
  - (ii) Recommend an appropriate investment management structure;
  - (iii) Recommend appointment of Investment Managers;
  - (iv) Recommend appointment of Custodian;
  - (v) Recommend appointment of Actuary and administrator;
  - (vi) Recommend appointment of Investment Consultant;
  - (vii)

- (iv) Notify the Committee, in writing, of any changes in the Investment Manager's organization, personnel or investment process;
  - (v) Notify the Committee, in writing, of any legal or regulatory proceedings or charges against the Investment Manager's firm or investment personnel, or sub-advisors or that firm's investment personnel; and
  - (vi) Provide quarterly compliance verification.
- c) Custodian
- (i) Perform the regular duties required of a trustee/custodian by law;
  - (ii) Receive all DB contributions to the Fund and disburse all DB payments from the Fund;
  - (iii) Perform the duties required of the Custodian pursuant to agreements entered into from time to time with the Committee;
  - (iv) Execute the instructions of the Committee, delegated to any Investment Manager appointed to manage the assets of the Fund; and
  - (v) Provide monthly reporting, of all assets of the Fund and reports of all transactions during the period.
- d) Actuary
- (i) Provide actuarial valuations of the DB Plan as required; and
  - (ii) Provide recommendations to the Committee with respect to any matters relating to DB Plan funding and contribution rates.
- e) Investment Consultant
- (i) Assist in the development and implementation of this policy and provide related research;
  - (ii) Prepare reports on the investment performance and asset mix of the Fund, and Investment Manager updates on a quarterly basis;
  - (iii)

## Section 3—Asset Mix, Benchmark, Ranges and Rebalancing

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### 3.01 Fund Performance Objectives

The Fund's primary performance objective is to improve the DB Plan's funded status on a going-concern basis.

A secondary performance objective is to achieve or exceed the return of the Fund Benchmark portfolio, net of fees, as described in Appendix B.

The third performance objective is to achieve the return objectives, net of fees, in each asset class as listed below over a four year rolling period.

Canadian equities - S&P/TSX Capped Composite Index + 1.0%

Global equities - MSCI World Index (Cdn.\$) + 1.0%

Emerging Markets - MSCI EMF Index (Cdn.\$) + 2.0%

Real estate - IPD Canadian Property Index + 0.0%

Bonds - FTSE/TMX Universe Bond Index + 0.10%

### 3.03 Fixed Income Transition

As part of the de-risking glidepath the Liability Matching Portfolio is to transition from a combination of universe bonds and high yield bonds to a combination of long term bonds and high yield bonds. Appendix C outlines a transition schedule to move from universe bonds to long bonds.

### 3.04 Fund Asset Mix and Benchmark

The Fund's asset mix is determined subject to the schedules developed for the de-risking glidepath and fixed income transition schedule. The asset mix schedule is provided in Appendix B.

### 3.05 Asset Mix Rebalancing

The Board of Trustees adopted the de-risking glidepath in Appendix B. Subsequent to each annual valuation or annual update, the funded ratio will be determined and the asset mix will be confirmed or reset as per the glidepath. Exempt from solvency funding requirements, the Plan's going concern ratio will trigger movements between risk stages, including de-risking and re-risking. A trigger is met when the Fund remains in the subsequent risk stage even after the asset reallocation is completed (i.e. the Fund will remain in the appropriate investment mix for the funded ratio after the valuation rate of return assumption has been adjusted to reflect the new asset mix).

The Administrator will maintain the Liability Matching Portfolio and Growth Portfolio to within +/- 3% of the target allocation, given the funding level. In addition, should any asset class fall outside of policy ranges found in Appendix B, that asset class will be rebalanced to the target weight, where practical. Rebalancing will be accomplished by transferring cash to (from) other asset classes in order of greatest variance from target as soon as is practical. In order to reduce cost, the number of asset classes/managers involved in the rebalancing should be the fewest possible to bring the weight back to target.

Under normal circumstances the Investment Consultant will report on the Fund's asset mix each calendar quarter, and when necessary provide a recommendation on timing, amounts and implementations of potential rebalancings. Based on the recommendation, and other relevant influencing factors, including upcoming Fund changes, liquidity of each asset class and cash flows, the DB Committee may provide direction as to the rebalancing to Administration.



## Section 4—Permitted and Prohibited Investments

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### 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 on recognized exchanges as well as listed equity substitutes that are convertible into equities traded on those same exchanges.
- (ii) Unlisted equity securities, such as private placement equity, where the investment manager determines the security will become eligible for trading on a recognized exchange within a reasonable and defined timeframe, not to exceed six months, and the issuing company is publicly listed on a recognized exchange

#### (b) Fixed Income

- (i) Bonds, debentures, notes, non-convertible preferred stock and other evidence of indebtedness of Canadian or ~~over~~ developed market foreign issuers whether denominated and payable in Canadian dollars or a foreign currency
- (ii) Mortgage-backed and asset-backed securities
- (iii) Term deposits and guaranteed investment certificates

#### (c) Cash and Short Term Investments

- (i) Cash on hand and demand deposits
- (ii) Treasury bills issued by the federal and provincial governments and their agencies
- (iii) Mortgage-backed and asset-backed securities
- (iv) Obligations of trust companies and Canadian and foreign banks chartered to operate in Canada, including bankers' acceptances
- (v) Commercial paper and term deposits

#### (d) Real Estate



- (iii) If all three agencies disagree, use the middle rating.
- (c) Downgrades in Credit Quality  
The Investment Manager will take the following steps in the event of a downgrade in the credit rating of a portfolio asset by a recognized bond rating agency to below the purchase standards set out in Section 4.03 (a):
  - (i) The Committee will be notified of the downgrade at the earliest possible opportunity;
  - (ii) Within ten business days of the downgrade, the Investment Manager will advise the Committee in writing of the course of action taken or to be taken by the Investment Manager, and its rationale; and
  - (iii) The Investment Manager will provide regular reporting on the status of the asset until such time as the security matures ~~or~~ or is upgraded to a level consistent with the purchase quality standards as expressed in the above guidelines.
- (d) Rating Agencies  
For the purposes of this Policy, the following rating agencies shall be considered to be 'recognized bond rating agencies':
  - (i) DBRS;
  - (ii) Standard and Poor's;
  - (iii) Moody's Investors Services; and
  - (iv) Fitch Ratings (foreign issuers only).

#### 4.04 Maximum Quantity Restrictions

- (a) Individual Investment Manager Level  
The Investment Managers shall adhere to the following restrictions:
  - (i) *Equities*
    - (a) No one equity holding shall represent more than 10% of the market value of the respective equity portfolio of any one Investment Manager within the Fund
    - (b) No one equity holding shall represent more than 30% of the voting shares of a corporation within the Fund
    - (c) No one equity holding shall represent more than 10% of the available public float of such equity security within the Fund
    - (d) Within global equity portfolios, a maximum of 10% of the portfolio may be invested in stocks domiciled in non-MSCI World index (emerging market) countries
    - (e) Within emerging market equity portfolio, a maximum of 10% of the portfolio may be invested in stocks domiciled in non-MSCI EMF index (frontier market) countries

(ii) ***Bonds and Short Term Investments***

- (a) Except for federal and provincial bonds (including government guaranteed bonds), no more than 10% of the market value of an Investment Manager's bond portfolio may be invested in the bonds of a single issuer and its related companies
- (b) Except for federal and provincial bonds, no one bond holding shall represent more than 10% of the market value of the total outstanding for that bond issue
- (c) 'BBB' or equivalent rated bonds may not be purchased if the purchase would raise the 'BBB' holdings to more than 15% of the market value of the universe bond portfolio
- (d) Within the high yield bond portfolio, no more than 30% holdings may be rated below BBB
- (e) Within the high yield bond portfolio, no more than 10% holdings may be rated below BB
- (f) No more than 15% of the market value of an Investment Manager's bond portfolio shall be invested in bonds of foreign issuers
- (g) Foreign currency exposure is limited to 10% of the market value of the bond portfolio

(iii) ***Pooled Fund Investments***

- (a) An investment by the Fund in a single pooled fund should not exceed 10% of the market value of that pooled fund. The Fund may exceed the 10% limit if a provision has been made to transfer assets out of the Fund "in kind", excluding real estate pooled funds.

#### 4.05 Prior Permission Required

The following investments require prior permission from the Committee:

- (a) Direct investments in resource properties;
- (b) Direct investments in venture capital financing;
- (c) Derivatives other than those otherwise permitted in Section 4.02(e) above; and
- (d) Investments in any other securities not specifically referenced in this policy statement.

#### 4.06 Securities Lending

The securities of the Fund may be loaned for the purpose of generating revenue, subject to the provisions of the applicable legislation and provided that:

- (a) The custodian provides borrower default protection related to counterparty risk and collateral risk;

(b)

## Section 5—Administration

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### 5.01 Conflicts of Interest

#### (a) Responsibilities

This standard applies to the Board, the DB Committee and any employees of the University who have responsibilities in administration of the DB Plan, as well as to all agents employed by them, in the execution of their responsibilities to the Fund (the “Affected Persons”).

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

In carrying out their fiduciary responsibilities, these parties must act at all times in the best interest of the Fund.

#### (b) Disclosure

In the execution of their duties, the Affected Persons shall disclose any material conflict of interest relating to them, or any material ownership of securities, which would appear to a reasonable person to impair their ability to render unbiased advice, or to make unbiased decisions, affecting the administration of the Fund.

Further, it is expected that no Affected Person shall make any personal financial gain (direct or indirect) because of his or her fiduciary position. However, normal and reasonable fees and expenses incurred in the discharge of their responsibilities are permitted if documented and approved by the Committee.

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

It is incumbent on any Affected Person who believes that he/she may have a conflict of interest, or who is aware of any conflict of interest, to disclose in writing the full details of the situation to the attention of the Committee immediately. The Committee, in turn, will decide what action is appropriate under the circumstances but, at a minimum, will have the matter tabled and recorded in the minutes of the next regular meeting of the Committee.

No Affected Person who has or is required to make a disclosure which is determined to be in conflict as contemplated in this Policy shall participate in any discussion, decision or vote relating to any proposed investment or transaction in respect of which he or she has made or is required to make disclosure.

5.02

## 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) Fund                         Investment assets of The University of Winnipeg Trusteed Pension Plan Trust Fund
- (e) Committee                  The Defined Benefit Committee of the Board of Trustees
- (f) 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
- (g) Investment Managers      Professional investment managers hired to manage the assets of the Fund
- (i) DB Plan                      The University of Winnipeg Trusteed Pension Plan – Defined Benefit Component
- (j) Prudent Person              As defined by the Office of the Superintendent of Financial Portfolio

(p) **Asset Backed Securities** A debt security backed by the cash flows from a specific assets, such as a collateralized pool of credit card receivables or car loans. An asset backed security differs from conventional debt securities that are backed by the general cash flows and credit of the issuing entity whether it corporate or government.

# Appendix B—Performance Measurement

## Performance Measurement

The performance of the Fund shall be measured monthly and return calculations shall be as follows:

Time weighted rates of return; and

Total returns, including realized and unrealized gains and losses and income from all sources.

Normally be assessed over rolling four-year periods.

### (a) Fund Benchmark

The Fund Benchmark portfolio asset mix is subject to the de-risking glidepath and fixed income transition and will be set based on the asset mix corresponding to the going-concern status and bond transitions status at any one quarter.

The Fund Benchmark asset mixes based on the DB Plan funding ratio are as follows.

Going-Concern Funding Ratio	<85%	85% to 90%	90% to 95%	95% to 100%	100% to 105%	>105%
Canadian equities	20.0	17.5	15.0	12.5	12.5	10.0
Global equities	35.0	30.0	25.0	22.5	17.5	15.0
Emerging market equities	10.0	7.5	5.0	5.0	5.0	5.0
Real Estate	<u>10.0</u>	<u>10.0</u>	<u>10.0</u>	<u>10.0</u>	<u>10.0</u>	<u>10.0</u>
Total Growth Portfolio	75.0	65.0	55.0	50.0	45.0	40.0
Universe/Long bonds	20.0	30.0	40.0	45.0	50.0	55.0
High yield bonds	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>
Total Liability Matching	25.0	35.0	45.0	50.0	55.0	60.0
Total Fund	100.0	100.0	100.0	100.0	100.0	100.0

<sup>1</sup> The fixed income component is determined by the transition schedule outlined in Appendix C

As of January 1, 2015, based on the Plan's December 31, 2013 going-concern funding ratio, the Fund Benchmark was set at the 85% to 90% Funding Ratio asset mix.

### (b) Indices and Min/Max Range

The following table summarizes the market indices used to measure the returns of the Fund Benchmark portfolios and describes the asset-mix tolerances within each specific Fund Benchmark portfolio for the various funding statuses of the DB Plan as presented above:

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Asset Class

Market Index

Range in Relation to the Fund Benchmark %

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## Appendix C—Fixed Income Transition Schedule

Percent of Bond Holdings to be Moved to Long Bonds

## Appendix D—Policy Revision History



## Policy Revision History

Date Adopted	Amended By	Comments
December 9, 2013	Aon Hewitt	Full revision of SIPP Incorporated new Asset Mix and Management Structure Incorporated De-risking Glidepath Incorporated Long Bond Transition Strategy

Updated Asset Mix as per the De-risking x dç0x É00

## Appendix E—Pooled Fund Policies

## **INVESTMENT OBJECTIVE**

The FGP Canadian Equity Fund (the "Fund") aims to generate an attractive total investment return through long-term capital growth as well as dividend and other income. To achieve this, the Fund will primarily invest in a diversified mix of Canadian equity securities.

## **INVESTMENT STRATEGY**

FGP employs a long-term, bottom-up value-oriented approach to security selection. The portfolio manager,



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## INVESTMENT OBJECTIVE

The FGP Bond Fund (the “Fund”) aims to generate an attractive total investment return through income and long-term capital appreciation through investments in debt obligations and other evidences of indebtedness of Canadian, U.S., and international issuers. To achieve this, the Fund will invest primarily in a diversified mix of fixed-income securities.

## INVESTMENT STRATEGY

FGP utilizes interest rate anticipation, credit sector and security selection strategies in the context of a long-term, bottom-up, value-oriented approach. The portfolio manager, supported by FGP’s research team, is responsible for security selection and portfolio construction within FGP’s diversification and risk control guidelines.

## PERFORMANCE OBJECTIVE

The Fund’s objective is to exceed the return of its Performance Benchmark over five-year periods.

### Performance Benchmark

DEX Universe Bond Index

## PERMISSIBLE INVESTMENTS

Eligible fixed income investments include bonds, debentures, notes, coupons, residuals and other evidence of indebtedness of Canadian or foreign issuers, whether denominated and payable in Canadian dollars or a foreign currency, mortgage-backed securities, asset-backed securities, floating rate notes, private placements, real return bonds, extendible/retractable bonds, and other fixed income oriented securities. Private placements over \$100 million in issue size may be included in the Fund as long as the securities have received an investment grade rating from a recognized credit rating agency, and a liquid market for the securities is maintained by a recognized broker/dealer.

Eligible cash and short-term investments include cash and demand deposits, treasury bills issued by the Federal, Provincial or Territorial governments or any of their agencies, bankers’ acceptances, term deposits and commercial paper.

The Fund may use derivatives, such as currency forwards as permitted by Canadian securities laws, to hedge against potential currency fluctuations.

Indirect investments are primarily units of other FGP Funds.

### Diversification and Risk Control Guidelines

The Fund has established guidelines to ensure the investments of the Fund are diversified. The assets of the Fund are invested in a prudent fashion, with securities selected for their overall contribution to the investment objective of the Fund.

**Security Level Guidelines:** The number of direct holdings will typically range from 10 to 25.





## INVESTMENT OBJECTIVE

The FGP Corporate Bond Fund (the “Fund”) aims to generate an attractive total investment return through income and long-term capital appreciation through investments in debt obligations and other evidences of indebtedness of Canadian, U.S., and international issuers. To achieve this, the Fund will invest primarily in a diversified mix of fixed-income securities of corporate issuers.

## INVESTMENT STRATEGY

FGP utilizes interest rate anticipation, credit sector and security selection strategies in the context of a long-term, bottom-up, value-oriented approach. The portfolio manager, supported by FGP’s research team, is responsible for security selection and portfolio construction within FGP’s diversification and risk control guidelines.

## PERFORMANCE OBJECTIVE

The Fund’s objective is to exceed the return of its Performance Benchmark over five-year periods.

### Performance Benchmark

DEX Universe All Corporate Bond Index

## PERMISSIBLE INVESTMENTS

Eligible fixed income investments include bonds, debentures, notes, coupons, residuals and other evidence of indebtedness of Canadian or foreign issuers, whether denominated and payable in Canadian dollars or a foreign currency, mortgage-backed securities, asset-backed securities, floating rate notes, private placements, real return bonds, extendible/retractable bonds and other fixed income oriented securities. Private placements over \$100 million in issue size may be included in the Fund as long as the securities have received an investment grade rating from a recognized credit rating agency and a liquid market for the securities is maintained by a recognized broker/dealer.

Eligible cash and short-term investments include cash and demand deposits, treasury bills issued by the Federal, Provincial or Territorial governments or any of their agencies, bankers’ acceptances, term deposits and commercial paper.

The Fund may use derivatives, such as currency forwards as permitted by Canadian securities laws, to hedge against potential currency fluctuations.

Indirect investments are primarily units of other FGP Pooled Funds.

### Diversification and Risk Control Guidelines

The Fund has established guidelines to ensure the investments of the Fund are diversified. The assets of the Fund are invested in a prudent fashion, with securities selected for their overall contribution to the investment objective of the Fund.

### Security Level G



## **INVESTMENT OBJECTIVE**

The Fund aims to generate income primarily through



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