SUBJECT	UBC Staff Pension Plan | Statement of Investment Policies & Procedures
SUBMITTED TO	Finance Committee
MEETING DATE	June 8, 2021
SESSION CLASSIFICATION	Recommended session criteria from Board Meetings Policy: OPEN
REQUEST	Action requested - Final approval IT IS HEREBY RESOLVED that the Finance Committee, in accordance with authority delegated by the Board of Governors, approves the UBC Staff Pension Plan Statement of Investment Policies & Procedures (SIPP) appended as Appendix 1, effective July 1, 2021.
LEAD EXECUTIVE	Marcia Buchholz, Vice-President Human Resources
SUPPORTED BY	Peter Smailes, Vice-President Finance & Operations Orla Cousineau, Executive Director, Pensions

PRIOR SUBMISSIONS

The current UBC Staff Pension Plan Statement of Investment Policies & Procedures, effective January 1, 2020, was last received and approved by the Board of Governors in November 2019.

EXECUTIVE SUMMARY

Under the UBC Staff Pension Plan (Plan) Board Terms of Reference, and the Plan's Statement of Investment Policies and Procedures (SIPP), the Staff Pension Plan Board (SPP Board) is required to review the SIPP and recommend re-adoption of, or amendments to the SIPP, at least once per calendar year.

The SPP Board has reviewed the SIPP and with input from both UBC IMANT and the Plan's investment consultant, Aon Hewitt, a revised SIPP, effective July 1, 2021 was approved by the SPP Board on March 30, 2021.

The SPP Board recommends approval of the revised SIPP, effective July 1, 2021, to the Finance Committee of the Board of Governors.

The blacklined changes to the SIPP include the following:

Section	Description
2.3	Updated to refer to the 2019 valuation and the next valuation required as at December 31, 2022
4.2	Pension Board adopted a Responsible Investing Policy in December 2020, and the Responsible Investing Policy is now incorporated into Section 4 -Investment Principles and Beliefs.
5.2	Investment policy solely in the best interests of Plan "members and beneficiaries" (previously said "stakeholders")
6.3(c)	Replaced Canadian Equity and Foreign Equity with a description of Public Equity; and added public equity extension strategies as a permitted investment.

The SPP Board has identified responsible investing as an area of priority, and in December 2020, established an ESG Committee to advise the SPP Board on responsible investing and ESG issues related to the Plan's investment policy.

In July 2020, the UBC IMANT became a signatory of the United Nations Principles for Responsible Investment (PRI) on behalf of the UBC Staff Pension Plan.

In December 2020, the SPP Board approved a Responsible Investing Policy for the Plan. The Plan's Responsible Investing Policy confirms the SPP Board's belief that integrating ESG factors, including climate change, into the investment decision-making process can have a material impact on the long-term risk and financial performance of the Plan's investment portfolio. The SPP Board is focussed on the long-term sustainability of the Plan, and the Plan's Responsible Investing Policy is to be implemented in a manner that is in the best financial interests of the Plan's current and future beneficiaries. The updated investment beliefs in the Plan's SIPP provide clear guidance to UBC IMANT on how to manage the Plan's assets.

UBC IMANT is responsible for implementing the Plan's investment policy and selecting investment managers that include ESG factors, including climate change, in their investment analysis and decisions, together with other relevant financial analysis, to better manage financial risks and improve returns. The SPP Board receives quarterly investment updates from UBC IMANT including a report on their responsible investing initiatives and activities.

BACKGROUND

One of the key features of the UBC Staff Pension Plan is its target benefit nature. As both employee and employer contributions to the Plan are fixed, the basic pension benefit and inflation adjustments (post-retirement indexing) are subject to the Plan's ability to pay.

It is the priority of the SPP Board to provide the basic pension benefit with a high degree of certainty, and to maximize post-retirement indexing, subject to the funded position of the Plan. The actuarial valuation at December 31, 2019 determined that at a level of 50% indexing, the Plan is in a reasonably healthy funded position with a safety margin of 22.6%.

The Plan faces a number of risks that can impact the funding level of the Plan and the Plan's ability to pay benefits. Investment risk is one of the risks the SPP Board manages and monitors through:

- establishing an appropriate long-term asset mix policy;
- the annual review of the SIPP; and
- the ongoing review and monitoring of UBC IMANT's investment performance.

APPENDICES

1. Blackline of proposed amendments: UBC Staff Pension Plan Statement of Investment Policies and Procedures, effective July 1, 2021.

University of British Columbia (UBC)

Staff Pension Plan

Statement of Investment Policies and Procedures

Effective ~~January 1, 2020~~July 1, 2021

Reviewed and approved by the
SPP Board on March 30, 2021

Approved by the UBC Board of Governors
on xxxx

Table of Contents

SECTION 1 – PURPOSE

1.1 This document constitutes the Statement of Investment Policies and Procedures (the "**Policy**") applicable to the assets (the "**Fund**") of the Staff Pension Plan (the "**Plan**"), established by the University of British Columbia (the "**University**") to provide retirement benefits for staff members (the "**Members**").

1.2 The purpose of this Policy is to define the governance structure for the Fund and to formulate investment principles, guidelines and monitoring procedures to manage the assets of the Fund in accordance with the Pension Benefits Standards Act of British Columbia and the Regulations thereto (the "**PBSA**"). This Policy is supplementary to the rules contained in the PBSA.

1.3 Any investment manager providing services in connection with the management and investment of the Fund shall accept and comply with this Policy.

SECTION 2 – PLAN OVERVIEW

2.1 The Plan is a registered target benefit plan. Contributions are fixed for both the University and Members, based on a percentage of salary in accordance with the Plan text. It is intended that Members receive a specified level of benefits upon retirement, death and termination of employment, based on percentage of a Member's best average pensionable earnings and pensionable service (referred to as the Member's "**basic benefit**"), together with annual adjustments for inflation (referred to as the Member's "**inflation benefit**").

2.2 An actuarial valuation is conducted at least once every three years. Depending on the results of the actuarial valuation, basic benefits and/or inflation benefits may be increased or decreased.

2.3 At the December 31, ~~2016~~ 2019 actuarial valuation the Plan was sufficiently funded under the Plan's Benefits Funding Test, to be able to provide pre and post retirement indexing of benefits at 50% of CPI inflation until at least the next valuation. The next actuarial valuation is scheduled to be performed as of December 31, ~~2019~~2022. The valuation at December 31, ~~2016~~ 2019 was performed utilizing the Pension Benefits Standards Act and Regulations for target benefit plan provisions which came into force on September 30, 2015.

SECTION 3 – PLAN GOVERNANCE

3.1 The University, acting through its Board of Governors (the "**Governors**"), is for the purposes of the PBSA the Plan's "administrator", and is responsible for the overall management of the Plan and the Fund. Pursuant to Article 18 of the Plan, the Governors have constituted the Pension Board of the Staff Pension Plan ("**SPP Board**"), and have delegated to it the various powers and duties identified in the University of British Columbia Staff Pension Plan Governance Policy (the SPP "Governance Policy") and University of British Columbia Staff Pension Plan Pension Board Terms of Reference (the "**SPP Board Terms of Reference**").

3.2 Pursuant to Section 20.003 of the Plan, the University is required to adopt and maintain this Policy to govern the investment of the Fund. The Governors have delegated to the SPP Board responsibility for formulating and recommending to the Finance Committee of the Board of Governors the terms of this Policy, including the Investment Policy Portfolio described in Section 5.4. This delegation by the Governors to the SPP Board is in addition to, and not in derogation from, the delegations made to the SPP Board in Article 18 of the Plan and the SPP Board Terms of Reference.

3.3 The Governors have delegated to the University of British Columbia Investment Management Trust Inc. ("**IMANT**") responsibility for the implementation of this Policy, as formulated by the SPP Board and adopted by the Governors. IMANT acts through its board of directors (the "**IMANT Board**"), who are appointed by the Governors. The IMANT Board, in turn, has appointed a President and CEO of IMANT (the "**President**") and has delegated specific responsibilities to the President with respect to the day-to-day management, administration and investment of the Fund. Delegated responsibilities are set out below.

Responsibilities of IMANT Board of Directors

3.4 The IMANT Board shall, with recommendations from the SPP Board:

(a) implement this Policy, including the Investment Policy Portfolio described in Section 5.4;

(b) establish and approve overall Fund investment manager structure and all operating and administrative policies for the Fund, including the IMANT Code of Conduct, the IMANT conflict of interest policies and the IMANT Statement of Signing Authorizations;

(c) delegate specific responsibilities to the President to assist with the day-to-day management and administration of the Fund, but retaining ultimate responsibility for all investment management decisions;

(d) oversee the President's compliance with this Policy;

(e) rely on independent experts as required for certain aspects of the Fund's operations;

(f) monitor the Fund's investment performance and asset class returns, and report to the SPP Board on the Fund's investment performance and asset class returns;

(g) make recommendations to the SPP Board for confirmation or changes as required to this Policy;

(h) approve the following:

- Sub-asset categories,
- Asset category/asset manager risk guidelines,
- Manager structures,
- Asset manager selection process,
- Selection and removal of asset managers that are in excess of the delegated limits approved by the IMANT Board as described in IMANT's Statement of Investment Authorities.
- Addition of any new asset classes,
- Proxy voting guidelines;

(i) review and report to the SPP Board on manager monitoring and compliance based on reports prepared by the President;

(j) monitor, evaluate and report to the SPP Board on performance and cost effectiveness of investment policies and strategies; and

(k) carry out such other duties as directed or authorized by the Governors or SPP Board from time to time.

President

3.5 The President, under the direction of the IMANT Board, shall:

(a) manage the day-to-day investment activities and administration of the Fund in accordance with this Policy, the PBSA and the operating policies and procedures established by the IMANT Board;

(b) implement this Policy, including the Investment Policy Portfolio;

(c) select and appoint and/or terminate external investment managers (the "**Managers**") to assist with the management of the Fund within the guidelines established by the Statement of Investment Authorities.

(d) recommend for approval by the SPP Board the University's appointment or termination of the custodian of the Fund's assets (the "**Custodian**");

(e) appoint or terminate on IMANT's behalf, lawyers, accountants and other service providers as required;

(f) meet with individual Managers on at least an annual basis;

(g) evaluate and monitor the performance of individual Managers relative to agreed upon performance and risk objectives as established by the IMANT Board;

(h) oversee the Managers' compliance with this Policy;

(i) execute on IMANT's behalf, agreements and mandates with the Managers, service providers and agents;

(j) evaluate, monitor and report to the IMANT Board and SPP Board on the Fund's investment performance and asset class returns;

(k) make recommendations to the SPP Board for confirmation or changes to this Policy;

(l) evaluate and recommend to the IMANT Board co-investments with other institutional investors;

(m) direct investments in non-public asset classes including private equity, infrastructure and real estate;

(n) prepare reports for the IMANT Board and SPP Board on a regular basis on the management and investment activities of the Fund; and

(o) carry out such other duties as directed or authorized by the IMANT Board.

3.6 Within the guidelines and constraints set out in this Statement of Investment Policies and Procedures, IMANT shall be given the flexibility to make changes to the Plan's asset mix as described in Section 5.4, manager selection and investment fund structure. Changes related to the Investment Policy Portfolio shall only be made after consultation with the SPP Board. IMANT shall report all changes to the Plan's investments to the SPP Board at the next scheduled SPP Board meeting.

SECTION 4 – INVESTMENT PRINCIPLES AND BELIEFS

4.1 The IMANT Board, SPP Board and the University have enunciated a set of investment principles and beliefs that form the basis for the development of this Policy and the manner in which the Fund shall be invested. The beliefs apply at the portfolio level as well as within individual asset classes. The investment principles and beliefs are articulated in the IMANT Mission Statement and Statement of Investment Beliefs (September 2017) and the UBC Statement of Investment Values (September 2012). Those beliefs and values are captured in the statements detailed below.

(a) The Fund shall be managed with the prudence and standard of care that requires all fiduciaries, including the Managers, to use the same care and diligence that they would use in managing the property of another person and to apply all relevant knowledge that they possess or by reason of their profession ought to possess.

(b) Risks shall be identified, quantified, managed and reported. The identification of risks should take into account the liabilities of the Plan. The primary risk is the security of the basic benefit.

(c) The University, the SPP Board and IMANT are committed to a long term view of the Plan. A long-term investment horizon provides opportunities to earn higher expected risk premiums from illiquid or volatile assets.

(d) Investment risks shall be managed with prudence and care. The SPP Board shall manage investment risk primarily through asset class selection and asset mix selection. IMANT shall manage risk primarily through policy asset mix management, security diversification, manager diversification, credit analysis, currency management and transparent reporting. To the extent practical, investment risks shall be identified, quantified and reported to the SPP Board.

(e) Investments and investment processes must be transparent and readily communicated to the SPP Board.

(f) In the long term, asset mix is the main determinant of portfolio return and risk. Market timing does not consistently add value.

(g) Diversification can improve portfolio risk and return characteristics.

(h) It is appropriate to retain Managers to invest the Fund in an efficient and cost effective manner.

(i) Environmental, social and governance ("ESG") factors are one of the many factors that may impact the Plan's investment performance. In selecting Managers, consideration of ESG factors by the Manager as part of their investment process is an important criterion.

(j) Passive investment management should be utilized unless it can be demonstrated that, net of fees, active management can add value.

(k) Long-term bonds provide the best match to the liabilities of the Plan's basic benefit. However, an unmatched portfolio with public equities and alternative asset classes is expected to provide higher long term returns than a bond portfolio, although it may lead to higher volatility in the Plan's funded position. The volatility of the funded position arising from an unmatched portfolio is recognized.

(l) The prudent use of derivatives can help manage risk and enhance returns. Derivatives and synthetic securities may be used as a substitute for more traditional investments in order to meet Plan objectives. This includes management of asset mix, currency hedging and replication of direct investments.

(m) In the long run, currency hedging may not add value. However, strategic currency hedging can be implemented to mitigate overall portfolio volatility, particularly over the short to medium term.

(n) Flexibility and liquidity need to be considered in asset allocation. Allocations to certain alternative investment strategies must take into account that such investments may be less liquid than traditional asset classes. Overall liquidity must be sufficient to meet the Plan’s benefit obligations as they fall due.

4.2 Responsible Investing Policy

(a) The SPP Board believes that the integration of environmental, social and governance (ESG) factors into the investment decision making process can have a material impact on the long -term risk and financial performance of the Plan's investment portfolio. The SPP Board recognizes that climate change represents a financial risk to the Plan's investment portfolio.

(b) The SPP Board believes that integrating ESG factors into the investment decision making process is consistent with the SPP Board's duty to act in the best financial interests of the Plan's current and future beneficiaries.

(c) The University has delegated to the SPP Board the responsibility for formulating and recommending to the Finance Committee of the Board of Governors the Plan's investment policy. IMANT operates as a manager of external investment managers, and allocates capital to these managers via investments in pooled funds.

(d) In July 2020, IMANT, on behalf of the UBC Staff Pension Plan, became a signatory to the United Nations supported Principles for Responsible Investment (PRI). As a signatory the Plan confirms its commitment to responsible investing generally and ESG integration specifically.

(e) The SPP Board requires IMANT to select investment managers that include material and relevant climate change and other ESG factors in their investment analysis and decisions, together with other relevant financial analysis, to better manage financial risks and improve returns.

(f) The SPP Board is committed to the six PRI principles, and expects- IMANT to report on activities and progress towards implementing the PRI Principles in the Plan's Portfolio in addition to SPP's reporting on responsible investing to members. The SPP Board will provide direction to IMANT.

(g) The SPP Board is committed to being transparent with its stakeholders and to reporting on the Plan's responsible investing activities on the Plan's website and in the Plan's Annual Report.

(h) This Responsible Investing Policy will be reviewed by the SPP Board at least annually.

SECTION 5 – PLAN OBJECTIVES, INVESTMENT POLICY PORTFOLIO, INVESTMENT MANAGEMENT AND EVALUATION OF INVESTMENT PERFORMANCE

Plan Objectives

5.1 In investing the Fund, the primary objective is, with the current level of contributions, to provide the basic benefit with a high level of certainty. A secondary objective is to maximize the level of inflation adjustments.

Long-term Investment Objectives

5.2 Because investment earnings are the Plan's most important funding source, the SPP Board, with the assistance of its Investment Consultant and input from IMANT has set an investment policy solely in the best interests of the Plan ~~stakeholders~~ members and beneficiaries to ensure the long term financial sustainability of the Plan and to ensure the Plan assets are managed effectively and efficiently with the goal of providing the Plan's basic benefit and pension indexing, subject to available funds.

The SPP Board believes that the Plan objectives can best be met by having the proper long-term asset mix, including proper diversification as well as prudent management of investment risks.

Investment Policy Portfolio

5.3 The Fund's assets are to be allocated among the asset classes based on target percentages and ranges described in Section 5.4. This target asset mix is referred to throughout this Policy as the Investment Policy Portfolio, or **"IPP"**. As further discussed in Section 5.12, the Fund's performance shall be evaluated using the weighted average rate of return of passive investments invested in the market indices identified in Section 5.4 (the "**IPP Benchmark**").

5.4 The long term policy allocation, or IPP, of the Fund's assets shall be as follows:

Component Asset Classes [CH] Currency Hedged[2]	**Investment Policy Portfolio (IPP) Allocation to Asset Class (Percentage of Fund at Market Value)**	**Permitted Range for Asset Class (Percentage of Fund at Market Value)** Min	Max	**Market Index Used to Measure Asset Class Performance (collectively, the IPP Benchmark)**
Cash & Cash Equivalents	1.0%	0.0%	3.0%	FTSE Canada 91 Day TBill Index
Long Term Fixed Income	19.0%	15.0%	23.0%	FTSE Canada Long Term Bond Index
Infrastructure Debt	10.0%	7.0%	13.0%	FTSE Canada Provincial Bond Index (duration adjusted[3]) + 1.25% p.a.
Mortgages	5.0%	3.0%	8.0%	FTSE Canada Short Term Bond Index + 1.0%
Total Fixed Income	**35.0%**	**30.0%**	**45.0%**	
Cdn Equities	7.5%	5.0%	10.0%	S&P /TSX Composite Index
Foreign Equities	15.0%	10.0%	20.0%	MSCI World Net Index (Cdn)
Emerging Mkts	7.5%	5.0%	10.0%	MSCI Emerging Mkts Net Index (Cdn)
Total Public Equities	**30.0%**	**20.0%**	**40.0%**	
Private Debt [CH]	7.5%	5.0%	10.0%	FTSE Canada Short Term Federal Bond Index + 4.0% p.a.
Private Equity	5.0%	2.5%	7.5%	MSCI World Net Index (Cdn) +2% p.a. (lagged 3 months)
Real Estate [CH]	10.0%	7.5%	12.5%	CPI + 4.0% p.a. (lagged 3 months)
Infrastructure Equity [CH]	12.5%	9.0%	15.0%	CPI + 4.5% p.a. (lagged 3 months)
Other Assets (6.3(j))	0.0%	0.0%	5.0%	
Total Alternatives	**35.0%**	**25.0%**	**45.0%**	

Note 1: All market indices are in Canadian dollars.

Note 2: [CH] denotes asset class where non-Canadian currency exposure is hedged. All other asset classes are unhedged.

Note 3: The duration adjusted benchmark for infrastructure debt will use the beginning of period actual weighted average duration of manager portfolios to derive a custom blended average consisting of the FTSE Canada Mid Term Provincial Bond Index and the FTSE Canada Long Term Provincial Bond Index plus the indicated spread.

5.5 Recognizing that buying and selling securities does incur a cost and that there is a trade-off between transaction costs and benefits, for public market securities the Fund will be rebalanced on a quarterly basis as follows:

(a) If an asset class is above or below an asset class range, IMANT management must rebalance to within the range. IMANT management has discretion to rebalance to the mid-point, or within the range as it considers appropriate. Any deviations from an asset class's Policy Allocation Range identified in Section 5.4 must be reported to the IMANT Board and SPP Board.

(b) In periods of extreme market volatility, the above rebalancing policy may be suspended upon confirmation and approval by the Chair of the IMANT Board and notification to the IMANT Board and SPP Board.

5.6 If IMANT wishes to suspend further allocations or redemptions to or from an asset class as a result of unfavorable market conditions, IMANT will notify the SPP Board. Upon the approval of the SPP Board, the IPP class weights will be adjusted accordingly until such suspension is removed.

5.7 The Investment Policy Portfolio benchmark includes 0% currency hedging for foreign public and private equities and 100% currency hedging for other foreign assets. The maximum foreign currency exposure for the fund is limited to the maximum weighting permitted for investment in foreign public and private equities.

Investment Management

5.8 IMANT shall retain external investment managers ("**Managers**"), each to manage specified portions of the Fund. The selection of a Manager shall be made in a prudent manner, applying fair and reasonable identification, evaluation and selection standards.

5.9 IMANT shall prepare a written mandate for each Manager, which describes the categories and sub-categories in which the Manager may invest, the investment guidelines and constraints in respect of that mandate, and the investment performance standards.

5.10 A Manager, in performing its duties, shall:

(a) exercise the care, diligence and skill of a prudent investment manager and shall at all times act on a basis that is fair and reasonable;

(b) adhere at all times to the Code of Ethics and Standards of Professional Conduct adopted by the CFA Institute and to the internal conduct guidelines established by the Manager; and

(c) manage its portfolio in accordance with the terms of its Investment Management Agreement with IMANT and the specific guidelines set out herein.

5.11 IMANT shall review the performance of each Manager, and may, at its sole discretion, terminate the services of a Manager. Reasons for terminating the service of a Manager include, but are not limited to:

(a) failure of the Manager to meet the return expectations as specified in its mandate;

(b) changes in personnel, firm structure, or investment philosophy, style or approach which might adversely affect the potential return or risk level of the portfolio.

(c) failure to adhere to the Policy or the Manager’s mandate

(d) changes in the structure of the Fund which would no longer necessitate the use of the Manager’s services.

Evaluation of Investment Performance

5.12 The Fund is expected to achieve over moving four-year annualized periods a return, after IMANT fees and all investment management fees and expenses, the rate of return of the IPP Benchmark plus 0.40%. As implementation of the new IPP Benchmark effective January 1, 2019 will take place over a number of years, a transitional benchmark will be utilized during the interim period to reflect the timing of implementation.

5.13 The rate of return of the IPP Benchmark for a period longer than a calendar quarter shall be the geometrically-linked rate of return of the IPP Benchmark rates of return for each quarter within that period. Performance greater than one year shall be annualized.

5.14 Each Manager's rate of return will be evaluated by comparing its performance with the performance target established for the Manager in its mandate.

SECTION 6 – PERMITTED INVESTMENTS

6.1 All investments shall be made in accordance with the applicable legislation including the Income Tax Act (Canada) and the PBSA.

6.2 The Custodian shall be a trust company registered in Canada. All public investments and assets of the Plan shall be held by the Custodian and registered:

(a) in a name that clearly indicates that the investment is held in trust for the Plan and, where the investment is capable of being registered, registered in that name, or

(b) in the name of the Canadian Depository for Securities Limited, the Custodian, or a nominee thereof, in accordance with an agreement with the Custodian that clearly indicates that the investment is held for the Plan and provides that the investment:

i. constitutes part of the Fund,

ii. shall not at any time constitute an asset of the Custodian or nominee, and

iii. that further provides that records shall be maintained by the Custodian that are sufficient to allow the ownership of any investment be traced to the Fund at any time.

6.3 From time to time, and subject to this Policy, the Fund may be invested in any or all of the following asset categories and sub-categories of investments, either directly or through pooled funds or other co-mingled vehicles or limited partnerships that hold these investments:

(a) **Cash or Cash Equivalents**:

- deposits with banks or trust companies with a current term to maturity of one year or less,
- floating rate notes of Canadian issuers
- fixed income instruments as identified in 6.3 (b) with a current term to maturity of one year or less;

(b) **Fixed Income**:

- bonds, debentures, notes, or other debt instruments, including securitized investments, of Canadian and foreign issuers,
- mortgages and mortgage-backed securities,
- infrastructure debt instruments, and
- term deposits or similar instruments of trust companies and banks licensed to carry on business in Canada or the United States;

(c) **Public Equity:**

- Common stocks, convertible debentures, preferred shares, share purchase warrants, share purchase rights, installments receipts, exchangeable share, Depositary Receipts or units in income trusts or similar structures (e.g. funds, limited partnerships, etc.).
- Public equity extension strategies are permitted.

~~(c) **Canadian Equity**:~~

- ~~common stocks, convertible debentures, share purchase warrants, installments receipts, exchangeable shares, share purchase rights, preferred shares or units in income trusts;~~

~~(d) **Foreign Equity**:~~

- ~~common stocks, convertible debentures, preferred shares, share purchase warrants, share purchase rights or Depositary Receipts of non-Canadian companies or units in income trusts;~~

~~(e)~~(d) **Private Equity:**

- equity investments in non-public Canadian and foreign companies through fund structures, fund of fund structures, swap arrangements or limited partnerships or co-investment with other institutional investors;

~~(f)~~(e) **Private Debt**

- Debt investments in non-public Canadian and foreign companies through fund structures, fund of fund structures, swap arrangements or limited partnerships or co-investment with other likeminded institutional investors.

~~(g)~~(f) **Real Estate:**

- real property, whether held directly or through open or closed-end pooled funds in partnership with other likeminded institutional investors, participating debentures, shares of corporations or partnerships formed for pension funds, swap instruments to invest in real estate, units in real estate investment trusts and real estate mezzanine debt;

~~(h)~~(g) **Infrastructure Equity:**

- through fund of funds, limited partnerships, co-investments with other likeminded institutional investors, or listed infrastructure equity traded on a recognized exchange;

~~(i)~~(h) **Absolute Return Assets:**

- hedge fund strategies, as invested as of December 31, 2010;[1]

~~(j)~~(i) **Derivatives:**

- futures and options that are regularly traded upon recognized public exchanges or other organized public trading facilities where market prices are readily available,
- forward currency contracts, swap agreements (including the International Swaps and Derivatives Association (ISDA) agreement) and other derivative investments with financial institutions, business corporations or Managers;

[1] No new investments will be made in this category after December 31, 2010.

~~(k)~~(j) **Other Assets:**

- oil and gas, resource properties, commodities and timber through pooled funds, limited partnership or co-investments with other institutional investors, and
- subject to SPP Board approval, up to 5% of the Fund, inclusive of leverage, may be invested in unique market investment opportunities that may arise from time to time that do not readily fit a specific asset class category/manager structure with an appropriate benchmark.

6.4 Fund investments in pooled funds and other co-mingled vehicles will be subject to the specific policies or guidelines of the respective pooled fund or co-mingled vehicle. In the event of a conflict between the Policy and the specific policies or guidelines of the respective pooled fund or co-mingled vehicle, the latter's policies or guidelines will prevail. However, IMANT is expected to advise the IMANT Board and the SPP Board if the pooled fund or co-mingled vehicle exhibits, or may exhibit, any significant departure from this Policy.

SECTION 7 – PORTFOLIO CONSTRAINTS, DIVERSIFICATION AND LIQUIDITY

7.1 Unless otherwise indicated, all percentages used in this Section shall be calculated using market values. In addition to the PBSA's constraints:

(a) Except as permitted by the PBSA, the Fund shall not acquire securities of a corporation to which are attached more than 30% of the voting rights of the corporation.

(b) No more than 3% of the market value of the Plan's assets shall be invested in a single property, a single infrastructure asset, or securities of a single corporation and related entities at time of purchase.

7.2 All cash equivalents, including those held within the portfolios for each asset class at the discretion of the Manager, shall have a minimum credit rating of "R-1 (low)" or equivalent and be readily marketable or redeemable.

7.3 **Fixed Income**

(a) No more than 5% of the fixed income portfolio shall be invested in any one corporation or security, with the exception of those securities issued or guaranteed by the Government of Canada or a province of Canada or an agency thereof having at least an "A" rating.

(b) No more than 50% of the fixed income portfolio shall be invested in aggregate in debt securities issued by entities that are not affiliated with government.

(c) No more than 55% of the fixed income portfolio shall be invested in aggregate in debt securities having an "A" rating or lower.

(d) No more than 20% of the fixed income portfolio shall be invested in aggregate in debt securities having a "BBB" rating.

(e) No part of a fixed income portfolio shall be invested in a debt security having a rating lower than "BBB", unless such security had a rating of "BBB" or higher at the time of purchase.

(f) The aggregate amount of public and private debt securities in any single issuer, except those issued or guaranteed by the Government of Canada or a province of Canada or an agency thereof having at least an "A" rating, shall not exceed 25% of the total debt outstanding by that issuer.

(g) No more than 25% of the fixed income portfolio shall be held in securities denominated for payment in a foreign currency.

(h) Mortgage investments shall be restricted to pooled mortgage funds consisting primarily of first mortgages of industrial, residential, commercial and office properties across Canada. For a mortgage fund to be eligible, the aggregate amount of each mortgage within the mortgage fund must not exceed 75% of the appraised value of the subject real estate at the time of investment or renewal.

(i) If a security's credit rating falls below the specified level after purchase, the relevant Manager shall recommend a course of action to the President for approval.

(j) For purposes of this Section, all debt ratings refer to the ratings of Dominion Bond Rating Service (DBRS) or the equivalent rating by a recognized rating agency. For quality rating purposes, a rating is to be taken as the lower of two ratings by recognized rating agencies.

(k) With respect to infrastructure debt investments, private debt investments and mortgage investments, the ratings guidelines in Section 7.3 (b) through (e) and (j) do not apply.

(l) Not more than 2% of the Fund may be invested in any one infrastructure debt investment.

7.4 **Public Equities**

(a) Holdings shall be diversified by issuer, capitalization and industry, and in the case of foreign equities, by region and country. No more than 30% of the total public equity portfolio of the Fund shall be invested in emerging market securities.

7.5 **Real Estate**

(a) Properties shall be diversified by location, type of use and tenants. With respect to geographic diversification of the Real Estate portfolio, the permitted weights are as follows:

Country / Region	**Weight**
Canada	40-70%
US	20-40%
Europe	0-20%
Rest of World	0-20%

(b) At least 80% of the Real Estate portfolio shall be invested in income producing properties. Investments in land held for development shall not exceed 10% of the real estate allocation. For purposes of calculating these limits, investments structured as participating debentures or debt will be looked through to the income producing or development components of the investment.

(c) Income-producing real estate holdings may be mortgaged, except that the aggregate principal amount of such mortgages and debt shall not exceed 50% of the Real Estate portfolio, and no mortgage or debt on any single holding shall be more than 75% of the market value of such holding at the time the mortgage is given or renewed.

7.6 **Private Debt**

(a) Private debt investments shall be restricted to pooled, unlevered, private debt funds consisting primarily of assets that are senior in the capital structure, diversified by issuer, industry and global region.

7.7 **Infrastructure Equity**

(a) Investments shall be diversified by revenue type, life cycle, vintage year, industry sector, geography, and manager.

(b) Leverage is limited to 60% of the Infrastructure Equity portfolio. Individual investment leverage limits are set at 75% of their market value and at 90% for Public Private Partnership transactions, at the time of investment.

7.8 Private Equity

Investments shall be diversified by vintage year, manager, geography, industry sector and life cycle. Single industry exposure will be limited to 30% of the Private Equity portfolio.

7.9 Derivatives

(a) Derivatives instruments may not be used to leverage the Fund or for speculative purposes.

(b) Derivative instruments may be used only to:

i. create an asset mix position (e.g. exchange traded funds) within the ranges and among the asset classes set out in this Policy;

ii. adjust the duration of the fixed income portfolio within the ranges set out in this Policy;

iii. replicate direct investments in the underlying assets or asset classes (e.g. indexes) allowed under this Policy so as to achieve an advantage of lower cost, transactional ease, market exposure or manager skill;

iv. manage the currency exposure of a portfolio of foreign assets as defined in Section 5.8; or

v. reduce risk as part of a hedging strategy, including market, interest rate, credit, liquidity and currency risk.

(c) The aggregate net notional value of all the derivative instruments shall not exceed 30% of the Fund.

(d) Managers shall be responsible for assessing counterparty risk associated with derivative instruments.

(e) For greater clarity, derivatives used in currency hedging or in absolute return strategies as defined in Section 6.3(h) do not violate any of the provisions set out in this Section 7.7.

7.10 Counterparties

(a) The counterparty to any derivative transaction must have a long-term credit rating of at least “A” from Standard & Poor’s Corporation, “A2” from Moody’s Investor Service Inc., or equivalent credit rating as rated by another nationally recognized rating organization.

(b) IMANT shall monitor the overall level of counterparty risk in the Plan.

7.11 Liquidity

IMANT shall maintain sufficient liquidity in the Fund to meet the Plan’s liabilities as they fall due and avoid the untimely disposal of securities.

SECTION 8 – LOANS AND BORROWING

8.1 No part of the Fund shall be loaned to any party, other than by purchasing securities which otherwise meet the requirements of this Policy for fixed income or cash equivalents.

8.2 Money shall not be borrowed on behalf of the Plan and the Plan'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 that such borrowing is limited to the aggregate of such disbursements in any one month and that the term of the borrowing does not exceed 90 days,

(b) for and to the extent of temporary overdrafts that occur in the course of normal day-to-day portfolio management; or

(c) for a non-recourse loan secured by a mortgage on a real estate investment of the Fund or debt financing of an infrastructure investment secured by the infrastructure asset.

SECTION 9 – VOTING RIGHTS

9.1 Responsibility for exercising voting rights of the Plan's investments is delegated to the President who may sub-delegate this responsibility to the Managers. All voting rights shall be exercised in the best interests of the Plan's members.

9.2 The President and Managers shall conform to the principle of voting in favour of measures that promote good corporate governance and vote against measures that do not appear to create value for shareholders. Voting of proxies shall be exercised at all times in the best interest of the Plan's members.

9.3 The President and or Managers shall maintain a record of how voting rights have been exercised.

9.4 It is recognized, however, that the above policy on voting rights may not be enforceable to the extent that part of the Fund is invested in pooled funds.

SECTION 10 – VALUATION OF INVESTMENTS

10.1 Marketable securities shall be valued by the Custodian no less frequently than monthly at their market value.

10.2 Investment in a pooled fund comprising marketable securities shall be valued according to the unit values calculated at least monthly by the custodian of that pooled fund. The Custodian shall be responsible for requesting and recording the unit values on a monthly basis.

10.3 If a market valuation of an investment is not readily available, an estimate of fair value shall be supplied by the relevant Manager to the Custodian no less frequently than annually. Such fair value may be determined by reference to the most recent independent expert appraisal or by other means such as discounted cash flow or comparison with similar assets which are publicly traded. In all cases the methodology should be applied consistently over time and in accordance with generally accepted industry valuation procedures. This valuation methodology shall also apply to non-tradable investments held directly or through co-investment with other investors.

10.4 Independent expert appraisal of each such non-traded investment shall be obtained by or for the IMANT Board as needed.

SECTION 11 – RELATED PARTY TRANSACTIONS

11.1 For the purposes of this Policy, "Related Party" has the meaning given in the PBSA, but for greater certainty includes:

(a) the University, an affiliate of the University, or a member of the Board of Governors of the University,

(b) an officer or employee of the University,

(c) a member of the IMANT Board, or

(d) an officer or employee of IMANT.

Related Party Transactions

11.2 The Plan may enter into a transaction with a Related Party only if:

(a) the transaction is required for the operation or administration of the Plan, and the terms, conditions and monetary value of the transaction are not less favourable than market terms, conditions and value; or

(b) i. the transaction does not exceed 1% of the market value of the Fund at the time of the transaction; and

ii. the transaction involves the purchase or sale of securities of the Related Party on a public exchange.

11.3 The IMANT Board shall monitor transactions with Related Parties to ensure ongoing compliance with this Policy.

Conflicts of Interest

11.4 From time to time, real or perceived conflicts of interest may arise if a member of the IMANT Board, or any agent of or advisor to the Plan, or any employee of IMANT has or acquires any material interest, direct or indirect, in any matter in which the Fund is invested, or may benefit materially from knowledge of, participation in, or by virtue of an investment decision or holding of the Fund. If this occurs, such real or perceived conflict must be promptly disclosed as follows. In the case of an IMANT staff member, the disclosure is to the President; in the case of the President, to the Chair of the IMANT Board; in the case of a member of the IMANT Board, to the Chair of the IMANT Board; in the case of the Chair of the IMANT Board, to the Chair of the Governance Committee of the IMANT Board. The Chair or President shall then advise all the members of the IMANT Board of the matter so disclosed.

After such disclosure, the Board shall decide on an appropriate course of action prior to discussing the related business matter. The person who made such disclosure will not participate in the discussions, and thereafter take no part in any discussions or decision making with respect to the area of conflict, unless otherwise determined by unanimous decision of the remaining members of the IMANT Board.

11.5 Every disclosure of interest under this Section shall be recorded in the minutes of the relevant IMANT Board meeting.

11.6 The failure of a person to comply with the procedures described in this Section shall not of itself invalidate any decision, contract or other matter.

11.7 The President shall satisfy himself that an appropriate policy regarding conflicts of interest exists and is followed by any fiduciary of the Plan, including the Managers. As a minimum, the Code of Ethics and Standards of Professional Conduct adopted by the Chartered Financial Analysts Institute shall be expected to apply to such fiduciaries.

SECTION 12 – MONITORING

12.1 IMANT shall monitor the performance of each Manager relative to the Manager's mandate. In its analysis, IMANT shall review the portfolio holdings of each Manager and shall undertake any analysis that may be required to confirm the Manager's compliance with this Policy.

12.2 IMANT shall prepare a report at the end of each calendar quarter. The report shall show:

(a) the assets and net cash flow of the Plan,

(b) the current asset mix of the Fund,

(c) the investment performance of the Fund relative to the performance of the IPP Benchmark,

(d) analysis, commentary and discussion of the next steps in respect of each Manager that has not achieved its performance objectives or for which IMANT has concerns,

(e) the fees and expenses incurred in managing the Fund (reported at least annually, or quarterly as requested), and

(f) confirmation of compliance with this Policy by IMANT and by each Manager.

12.3 IMANT shall distribute their reports to the SPP Board, and shall make themselves available to discuss their contents.

12.4 The SPP Board shall evaluate whether any information discovered through the foregoing monitoring activities require specific communication to the Governors.

SECTION 13 – POLICY REVIEW AND AMENDMENT

13.1 This Policy, including the IPP, shall be reviewed at least annually by the SPP Board in order to determine whether any modifications are necessary or desirable. Such review shall address the following considerations:

(a) changes in the design of the Plan,

(b) revisions to the expected long-term relationship between risk and reward on key asset classes,

(c) changes in the actuarial valuation basis, the funded status, the membership/ liability distribution, or the contribution/expense expectation in respect of the Plan,

(d) changes required to the Policy that emerge in its practical operation,

(e) changes in applicable legislation,

(f) recommendations by IMANT Board or the SPP Board's Investment Consultant, and

(g) such other factors as the SPP Board considers relevant.

13.2 In assisting the SPP Board with its review, its Investment Consultant shall recommend any changes to the investment structure that the SPP Board should consider that may better achieve the Plan objectives, including any changes to the MRP or the IPP.

13.3 Upon the conclusion of each such annual review, the SPP Board shall report the results of the review to the Finance Committee of the Governors and recommend to the Finance Committee of the Governors such changes to the Policy, if any, as it considers appropriate or necessary. Any amendments to this Policy must be evidenced by a resolution adopted by the Finance Committee of the Governors.

13.4 Despite Section 13.3, the SPP Board may, on the University's behalf, adopt by resolution amendments to this Policy which i) on the advice of its legal counsel are required to comply with applicable law, or ii) on the advice of the President or the IMANT Board are required for the efficient investment of the Fund and are consistent with the IPP; provided that all amendments so adopted by the SPP Board must be submitted to the Finance Committee of the Governors for ratification as part of the next annual review of this Policy in accordance with Sections 13.1 and 13.3. Any such amendments which are not ratified by the Finance Committee of the Governors within one year of their adoption by the SPP Board shall without further act or formality cease to be of any further force or effect.

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

APPENDIX A – INVESTMENT POLICY PORTFOLIO BENCHMARK (IPP BENCHMARK) HISTORY

	January 1, 2019 – December 31, 2019	
	Weight	
Equities (Cdn)	7.5%	S&P/TSX Composite Index
Equities (Foreign)	15%	MSCI World Net Index (Cdn)
Equities (Emerg.)	7.5%	MSCI Emerging Markets Net Index (Cdn)
Fixed Income	19%	FTSE Canada Long Term Bond Index
Mortgages	5%	FTSE Canada Short Term Bond Index + 1.0%
Cash	1%	FTSE Canada 91 Day T-Bills Index
Infrastructure Debt	10%	FTSE Canada Federal Bond Index (duration adjusted) + 1.90%
Infrastructure Eq.	12.5%	CPI + 4.5% (lagged 3 months)
Real Estate	10%	CPI + 4.0% (lagged 3 months)
Private Equity	5%	MSCI World Net Index (Cdn) + 2% (lagged 3 months)
Private Debt	7.5%	FTSE Canada Short Term Federal Bond Index + 4.0%
	June 30, 2016 – December 31, 2018	
	Weight	
Equities (Cdn)	10%	S&P/TSX Composite Index
Equities (Foreign)	10%	MSCI World Net Index (Cdn)
Equities (Emerg.)	5%	MSCI Emerging Markets Net Index (Cdn)
Fixed Income	29%	FTSE TMX Long Bond Index
Fixed Income	5%	FTSE TMX Real Return Bond Index
Fixed Income	1%	FTSE TMX 91 Day T-Bills Index
Infrastructure Debt	10%	FTSE TMX Duration Adjusted Federal Government Index + 1.90%
Infrastructure Eq.	12.5%	CPI + 4.5% (lagged 3 months)
Real Estate	12.5%	CPI + 4.0% (lagged 3 months)
Private Equity	5%	MSCI World Net Index (Cdn) + 2% (lagged 3 months)
	June 30, 2015 – June 30, 2016*	
	Weight	
Equities (Cdn)	10%	S&P/TSX Composite Index
Equities (Foreign)	10%	MSCI World Net Index (Cdn)
Equities (Emerg.)	5%	MSCI Emerging Markets Net Index (Cdn)
Fixed Income	29%	FTSE TMX Long Bond Index
Fixed Income	5%	FTSE TMX Real Return Bond Index
Fixed Income	1%	FTSE TMX 91 Day T-Bills Index
Infrastructure Debt	10%	FTSE TMX Long Federal Government Index + 1.90%
Infrastructure Eq.	12.5%	CPI + 4.5%
Real Estate	12.5%	CPI + 4.0%
Private Equity	5%	MSCI World Net Index (Cdn) + 2% (lagged 3 months)
		**Transition quarterly benchmark weights were used as policy portfolio was not yet fully implemented*

March 31, 2013 – June 30, 2015*		
	Weight	
Equities (Cdn)	10%	S&P/TSX Composite Index
Equities (Foreign)	10%	MSCI World Net Index (Cdn)
Equities (Emerg.)	5%	MSCI Emerging Markets Net Index (Cdn)
Fixed Income	24%	DEX Long Bond Index
Fixed Income	5%	DEX Real Return Bond Index
Fixed Income	5%	65%/35% DEX Long & Mid Federal Government Index +1.35%
Fixed Income	1%	DEX 91 Day T-Bills Index
Infrastructure Debt	10%	DEX Long Federal Government Index + 1.90%
Infrastructure Eq.	12.5%	CPI + 4.5%
Real Estate	12.5%	CPI + 4.0%
Private Equity	5%	MSCI World Net Index (Cdn) + 2% (lagged 3 months)
		**Transition quarterly benchmark weights were used as policy portfolio was not yet fully implemented*

December 31, 2010 – March 31, 2013*		
	Weight	
Equities (Cdn)	15%	S&P/TSX Composite Index
Equities (EAFE)	7.5%	MSCI EAFE Net Index (Cdn)
Equities (US)	7.5%	S&P 500 Index (Cdn)
Fixed Income	24%	DEX Long Bond Index
Fixed Income	5%	DEX Real Return Bond Index
Fixed Income	5%	65%/35% DEX Long & Mid Federal Government Index +1.35%
Fixed Income	1%	DEX 91 Day T-Bills Index
Infrastructure Debt	10%	DEX Long Federal Government Index + 1.90%
Infrastructure Equity	12%	30% DEX Real Return Bond/70% MSCI World Index Net (Cdn) (lagged 3 months)
Real Estate	8%	ICREIM/IPD Canada All Property Index (lagged 3 months)
Private Equity	5%	MSCI World Net Index (Cdn) + 2% (lagged 3 months)
		**Transition quarterly benchmark weights were used as policy portfolio was not yet fully implemented*

April 1, 2007 – December 31, 2010		
	Weight	
Equities (Cdn)	15%	S&P/TSX Composite Index
Equities (EAFE)	12.5%	MSCI EAFE Net Index (Cdn)
Equities (US)	12.5%	S&P 500 Index (Cdn)
Fixed Income	23%	DEX Universe Bond Index
Fixed Income	5%	DEX Long Bond Index
Fixed Income	5%	DEX Real Return Bond Index
Fixed Income	2%	DEX 91 Day T-Bills Index
Hedge Funds	10%	HFRI Fund of Funds: Conservative Index (Cdn)
Real Estate	10%	ICREIM/IPD Canada All Property Index (lagged 3 months)
Private Equity	5%	MSCI World Net Index (Cdn) + 2% (lagged 3 months)

	January 1, 2005 – March 31, 2007	
	Weight	
Equities (Cdn)	15%	S&P/TSX Composite Index
Equities (EAFE)	12.5%	MSCI EAFE Net Index (Cdn)
Equities (US)	12.5%	S&P 500 Index (Cdn)
Fixed Income	23%	Scotia Capital Universe Bond Index
Fixed Income	5%	Scotia Capital Long Bond Index
Fixed Income	5%	Scotia Capital Real Return Bond Index
Fixed Income	2%	Scotia Capital 91 Day T-Bills Index
Hedge Funds	10%	HFRI Fund of Funds: Conservative Index (Cdn)
Real Estate	10%	UBC Staff Pension Plan Total Fund Return
Private Equity	5%	UBC Staff Pension Plan Total Fund Return
	October 1, 2001 – December 31, 2004	
	Weight	
Equities (Cdn)	20%	S&P/TSX Composite Index
Equities (EAFE)	20%	MSCI EAFE Net Index (Cdn)
Equities (US)	17.5%	S&P 500 Index (Cdn)
Equities (US)	7.5%	S&P 400 Index (Cdn)
Fixed Income	25%	Scotia Capital Universe Bond Index
Fixed Income	5%	Scotia Capital Long Bond Index
Real Estate	5%	API Real Estate Index
	January 1, 2000 – September 30, 2001	
	Weight	
Equities (Cdn)	20%	S&P/TSX Composite Index
Equities (EAFE)	20%	MSCI EAFE Net Index (Cdn)
Equities (US)	15%	S&P 500 Index (Cdn)
Equities (US)	5%	S&P 400 Index (Cdn)
Fixed Income	35%	Scotia Capital Universe Bond Index
Fixed Income	2%	Scotia Capital 91 Day T-Bills Index
Real Estate	3%	API Real Estate Index
	July 1, 1999 – December 31, 1999	
	Weight	
Equities (Cdn)	17%	S&P/TSX Composite Index
Equities (EAFE)	19%	MSCI EAFE Net Index (Cdn)
Equities (US)	19%	S&P 500 Index (Cdn)
Fixed Income	35%	Scotia Capital Mid-Term Bond Index
Fixed Income	5%	Scotia Capital 91 Day T-Bills Index
Real Estate	5%	API Real Estate Index
	Benchmark prior to July 1, 1999	
	Weight	
Equities (Cdn)	25%	S&P/TSX Composite Index
Equities (EAFE)	15%	Morgan Stanley Capital International World Net Index (CAD)
Equities (US)	5%	S&P 500 Index (Cdn)
Fixed Income	45%	Scotia Capital Mid-Term Bond Index
Fixed Income	5%	Scotia Capital 91 Day T-Bills Index
Real Estate	5%	API Real Estate Index