



SUBJECT	UBC Staff Pension Plan – Amended Statement of Investment Policies and Procedures (SIPP)
SUBMITTED TO	Finance Committee
MEETING DATE	March 13, 2024
SESSION CLASSIFICATION	Recommended session criteria from Board Meetings Policy: OPEN
REQUEST	APPROVAL REQUESTED IT IS HEREBY RESOLVED that the Finance Committee, in accordance with authority delegated by the Board of Governors, approves as circulated amendments to the UBC Staff Pension Plan Statement of Investment Policies and Procedures (SIPP).
LEAD EXECUTIVE	Frank Laezza, Vice-President Finance & Operations
SUPPORTED BY	Marcia Buchholz, Vice-President Human Resources Derrick Johnstone, Executive Director, Pensions

EXECUTIVE SUMMARY

The UBC Staff Pension Board approved revisions to the Plan’s Statement of Investment Policies & Procedures (SIPP) at the Board’s November 28, 2023 meeting. The SIPP was updated to reflect the results of the 2022 actuarial valuation. Additionally, references to ‘UBC IMANT’ were replaced with ‘UBC Investment Management (UBCIM)’.

APPENDICES

1. UBC Staff Pension Plan Statement of Investment Policies & Procedures – Blackline
2. UBC Staff Pension Plan Statement of Investment Policies & Procedures – For Approval

The University of British Columbia (UBC)

Staff Pension Plan

Statement of Investment Policies and Procedures

Effective November 28, 2023~~July 1, 2022~~

Reviewed and approved by the
SPP Board on November 28,
2023~~March 29, 2022~~

Approved by the UBC Board of
Governors on March 27,
2024~~June 15, 2022~~

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Table of Contents

SECTION 1 – PURPOSE	<u>43</u>
SECTION 2 – PLAN OVERVIEW	<u>54</u>
SECTION 3 – PLAN GOVERNANCE	<u>65</u>
SECTION 4 – INVESTMENT PRINCIPLES AND BELIEFS.....	<u>98</u>
SECTION 5 – PLAN OBJECTIVES, INVESTMENT POLICY PORTFOLIO, INVESTMENT MANAGEMENT AND PERFORMANCE OBJECTIVES	<u>1312</u>
SECTION 6 – PERMITTED INVESTMENTS	<u>1918</u>
SECTION 7 – PORTFOLIO CONSTRAINTS, DIVERSIFICATION AND LIQUIDITY	<u>2120</u>
SECTION 8 – LENDING OF CASH AND SECURITIES	<u>2423</u>
SECTION 9 – VOTING RIGHTS	<u>2524</u>
SECTION 10 – VALUATION OF INVESTMENTS	<u>2625</u>
SECTION 11 – RELATED PARTY TRANSACTIONS	<u>2726</u>
SECTION 12 – CONFLICTS OF INTEREST AND CODE OF CONDUCT	<u>2827</u>
SECTION 13 – POLICY REVIEW AND AMENDMENT	<u>2928</u>

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.

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, 2022¹⁹ 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 750% of CPI inflation until at least the next valuation. The next actuarial valuation is scheduled to be performed as of December 31, 2052²². The valuation at December 31, 2022¹⁹ 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 Text, 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 20.03 of the Plan Text, 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 5.2. 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 Text and the SPP Board Terms of Reference.
- 3.3 The Governors have delegated to UBC Investment Management Trust Inc. (“**UBCIMIMANT**”) responsibility for the implementation of this Policy, as formulated by the SPP Board and adopted by the Governors. UBCIMIMANT acts through its board of directors (the “**UBCIMIMANT Board**”), who are appointed by the Governors. The UBCIMIMANT Board, in turn, has appointed a President and CEO of UBCIMIMANT (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.
- 3.4 UBCIMIMANT shall:
- (a) comply with this Policy;
 - (b) implement this Policy, including the Investment Policy Portfolio described in Section 5.2;
 - (c) establish and determine the overall Fund investment manager structure and all operating and administrative policies for the Fund;

- (d) manage investment risk, including through policy asset mix implementation, security diversification, manager diversification, credit analysis, currency management and transparent reporting;
- (e) retain external investment managers (“**Managers**”) to manage specified portions of the Fund;
- (f) recommend for approval by the SPP Board the University’s appointment or termination of the custodian of the Fund (the “**Custodian**”);
- (g) maintain the necessary internal policies and procedures that are required to support this policy, including:
 - i. asset class guidelines,
 - ii. investment manager selection and termination process,
 - iii. active ownership guidelines,
 - iv. code of professional conduct including conflict of interest procedures;
- (h) review the performance of the Fund, and of each manager, and terminate the services of a Manager as appropriate;
- (i) oversee the Managers’ compliance with this Policy;
- (j) prepare and present a written report to the SPP Board that includes:
 - i. the asset mix and net cash flow of the Plan,
 - ii. investment performance of the Fund and each asset class,
 - iii. analysis, commentary and discussion of next steps regarding any Manager that has not achieved its performance objective or for which UBC~~IM~~~~MANT~~ has concerns,
 - iv. fees and expenses incurred in managing the Fund,
 - v. compliance with this Policy by UBC~~IM~~~~MANT~~;
- (k) make recommendations to the SPP Board for confirmation or changes as required to this Policy;

- (l) provide transparency to the SPP Board over the activities of UBC~~IM-MANT~~ and the Managers; and
- (m) carry out such other duties as directed or authorized by the Governors or SPP Board from time to time.

3.5 Within the guidelines and constraints set out in this Statement of Investment Policies and Procedures, UBC~~IM-MANT~~ shall be given the flexibility to make changes to the Plan's asset mix as described in Section 5.2, manager selection and investment fund structure. Changes related to the Investment Policy Portfolio shall only be made after consultation with the SPP Board. UBC~~IM-MANT~~ 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 Introduction

The SPP Board has enunciated a set of investment principles and beliefs (the “Beliefs”) that form the basis for the development of this Policy and the manner in which the Plan shall be invested. In setting the Beliefs, the investment beliefs of UBC ~~IM-MANT~~ and the principles and beliefs contained in the UBC Statement of Investment Values (September 2012) have been considered and captured.

The Beliefs apply at the portfolio level as well as within individual asset classes and have been prepared with the purpose of outlining the decisions and rationales that form the foundation for the overall investment strategy and the implementation approach of the Plan.

- (a) The objective of all investment decisions is to ensure that the Plan is, with the current level of contributions, able to provide the basic benefit for Plan members (active, terminated and retired) with a high level of certainty; this fiduciary objective must always be paramount in determining whether specific approaches are optimal. To ensure the long-term sustainability of the Plan, in addition to focusing on managing the benefit security of Plan members, secondary consideration is given to investing to maximize the inflation benefit.
- (b) The Plan 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. Investments and investment processes must be transparent and readily communicated to the SPP Board.

The Beliefs will be reviewed periodically, and at least every three to five years.

The Beliefs are organized into the following three categories: investment policy and structure, implementation, and responsible investing.

4.2 Investment Policy and Structure

- (a) Risk Management

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. 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. UBCIM-~~IMANT~~ shall manage risk primarily through policy asset mix management, security diversification, manager diversification, credit analysis, currency management and transparent reporting.

(b) Policy Asset Mix

In the long term, asset mix is the main determinant of portfolio return and risk. The policy asset mix should be reviewed regularly, or immediately following substantive changes in the Plan's structure, objectives, or risk profile.

(c) Time Horizon

The University, the SPP Board and UBCIM-~~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) Diversification

Diversification can improve portfolio risk and return characteristics. The Fund will be diversified across different return drivers, such as illiquidity, equity risk and manager skill premiums.

(e) Equity Market Investments

Equity market investments are implemented in the Fund to generate higher long-term returns than those available through investing in fixed income investments. However, it is recognized that equity market investments may lead to higher volatility in the Plan's funded position.

(f) Fixed Income Investments

Fixed income investments are implemented in the Fund to provide diversification and reduce overall portfolio volatility.

(g) Private Market Investments

The Fund will invest in private equity and fixed income markets and real asset classes that can add diversification and improve the overall risk/return profile. Flexibility and liquidity need to be considered when investing in these asset classes. Allocations to certain private market and real asset investment strategies must take into account that such investments may be less liquid than public asset classes. Overall liquidity must be sufficient to meet the Plan's benefit obligations as they fall due.

4.3 Implementation

(a) Active vs. Passive Investments

It is appropriate to retain Managers to invest the Fund in an efficient and cost-effective manner. Passive investment management should be utilized unless it can be demonstrated that, net of fees, active management can add value.

(b) Derivative Investments

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. Costs related to derivatives are to be effectively managed in pursuit of net investment returns.

(c) Currency Hedging

In the long run, currency hedging is not expected to add to the return profile of the portfolio, or substantially mitigate risk. However, in certain asset classes strategic currency hedging may be implemented to mitigate overall portfolio volatility, particularly over the short to medium term.

(d) Portfolio Rebalancing

The Fund should follow the guidelines set out in the policy asset mix. Market timing does not consistently add value. A rebalancing policy will be maintained to ensure asset class allocations remain within stated asset mix policy ranges.

4.4 Responsible Investing

- (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) In July 2020, UBC~~IM-MANT~~, 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.
- (d) The SPP Board requires UBC~~IM-MANT~~ 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.
- (e) The SPP Board is committed to the six PRI principles and expects UBC~~IM-MANT~~ to report on activities and progress towards implementing the PRI Principles in the Plan's Portfolio and support SPP's reporting on responsible investing to members.
- (f) 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.

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

5.1 Plan Objectives

- (a) In investing the Fund, the primary objective is, with the current level of contributions, to provide the basic benefit for Plan members (active, terminated and retired) with a high level of certainty. A secondary objective is to maximize the level of the inflation benefit.

5.2 Investment Policy Portfolio

- (a) The SPP Board, with the assistance of its investment consultant and input from UBCIM-MANT, develops an asset mix solely in the best interests of Plan members (active, terminated and retired) and their beneficiaries, collectively, to ensure the long term financial sustainability of the Plan and to ensure that Plan assets are managed effectively and efficiently with the goal of providing the Plan's basic benefit, within an acceptable level of risk, and additionally provide an inflation benefit, subject to available funds.
- (b) The SPP Board develops the long term asset mix by periodically conducting detailed asset liability studies. These studies project Plan assets and liabilities over 10 years into the future under a diverse number of scenarios to capture the various economic conditions that could evolve over the years. This process helps the SPP choose a target asset mix that best meets the Plan objectives as outlined in Section 5.1. The last asset liability study was conducted in 2018 and supports the current target asset mix, which is referred to throughout this Policy as the Investment Policy Portfolio, or "IPP".

(c) The long term policy allocation, or IPP, of the Fund is as follows:

Component Asset Classes	Percentage of Fund at Market Value		
	Investment Policy Portfolio	Min	Max
Currency Hedged ¹ [CH]			
Cash & Cash Equivalents	1.0%	0.0%	3.0%
Long Term Fixed Income	19.0%	15.0%	23.0%
Infrastructure Debt	10.0%	5.0%	13.0%
Mortgages	5.0%	3.0%	8.0%
Private Debt [CH]	7.5%	5.0%	10.0%
Total Fixed Income	42.5%	35.0%	55.0%
Canadian Equities	7.5%	5.0%	10.0%
Developed Equities	15.0%	10.0%	20.0%
Emerging Mkts	7.5%	5.0%	10.0%
Private Equity	5.0%	2.5%	7.5%
Total Equities	35.0%	25.0%	45.0%
Real Estate [CH]	10.0%	7.5%	12.5%
Infrastructure Equity [CH]	12.5%	9.0%	15.0%
Total Real Assets	22.5%	17.5%	27.5%
Other Assets (6.3(g))	0.0%	0.0%	5.0%

Note 1: [CH] denotes asset class where non-Canadian currency exposure is hedged.

All other asset classes are unhedged.

- (d) In accordance with Section 4, UBCIM-MANT shall review rebalancing needs at least quarterly. Any deviations outside the Permitted Range for Asset Classes identified in Section 5.2 (c) must be reported to the SPP Board.
- (e) If UBCIM-MANT wishes to suspend further investments or redemptions to or from an asset class as a result of unfavorable market conditions, UBCIM-MANT will notify the SPP Board. Upon the approval of the SPP Board, the IPP asset class weights will be adjusted accordingly until such suspension is removed.

5.3 Investment Management

- (a) The selection of a Manager shall be made in a prudent manner, applying fair and reasonable identification, evaluation and selection standards.
- (b) UBCIM+MANT will maintain written mandates and guidelines for Managers which specify investment objectives and constraints, and investment performance standards.
- (c) UBC IMANT shall review the performance of each Manager, and may, at its sole discretion, terminate the services of a Manager.
- (d) A Manager, in performing its duties, shall:
 - i. 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;
 - ii. 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
 - iii. manage its portfolio in accordance with the terms of its fund documents and applicable guidelines set out herein.

5.4 Evaluation of Investment Performance

To monitor whether the IPP is meeting the SPP Board's objectives relative to expectations, and UBCIM+MANT's implementation of the IPP, the SPP Board has established the following performance objectives for the Fund and each component asset class:

(a) Fund Performance Objective

The performance objective for the Fund is to generate a return that achieves, net of all investment management fees and expenses, the growth in Plan liabilities. This objective (the "**Long Term Performance Objective**") will be monitored to determine the performance of the Fund relative to the expectations the SPP Board used to set the IPP, as outlined in Section 5.2 (b). The Long Term Performance Objective will be measured by the Consumer Price Index (CPI) + 4.0% over the long term (greater than 5 years), which reflects the expected 6.0% nominal rate of return (based on 2.0% inflation) of the IPP that was implied by the 2018 asset liability study.

(b) Component Asset Class Performance Objectives

To monitor UBCIM+MANT's implementation of the IPP, the SPP Board will evaluate the performance of each component asset class of the IPP against two benchmarks:

- i. The Policy Benchmark, which represents the SPP Board's best estimate, based on the asset liability study, of the expected return, volatility and correlation with other asset classes of each component asset class of the IPP over a full economic cycle (historically 5-8 years). Thus, the Policy Benchmark represents the SPP Board's desired long term (greater than 5 years) return and risk profile for each asset class in order to achieve the Long Term Performance Objective.
- ii. The Investable Policy Benchmark, which represents the investment return of each component asset class of the IPP available in capital markets if passively invested. The Investable Policy Benchmarks are comprised of replicable, publicly traded indexes that approximate the economic exposures of each component asset class in the IPP. The Investable Policy Benchmarks will be used to evaluate the effectiveness of UBC ~~IM-MANT~~'s implementation of each component asset class in the IPP over the shorter term (less than 5 years).

(c) The Policy and Investable Policy Benchmarks shall be as follows:

Component Asset Classes	Policy Benchmark¹	Investable Policy Benchmark¹
Currency Hedged ² [CH]	Index Name	Index Name
Cash & Cash Equivalents	FTSE Canada 91 Day T-Bill TR Index	FTSE Canada 91 Day T-Bill TR Index
Long Term Fixed Income	FTSE Canada Long Term Bond TR Index	FTSE Canada Long Term Bond TR Index
Infrastructure Debt	FTSE Canada Provincial Bond TR Index (duration adjusted ³) + 1.25% p.a.	FTSE Canada Long Term Bond TR Index
Mortgages	FTSE Canada Short Term Bond TR Index + 1.0%	FTSE Canada Short Term Corporate Bond TR Index
Private Debt [CH]	FTSE Canada Short Term Federal Bond Index + 4.0% p.a.	S&P/LSTA U.S. Leveraged Loan 100 CAD Hedged Index
Total Fixed Income		
Canadian Equities	S&P /TSX Composite Index	S&P /TSX Composite Index
Developed Equities	MSCI World TR Index (net)	MSCI World TR Index (net)
Emerging Mkts	MSCI Emerging Mkts TR Index (net)	MSCI Emerging Mkts TR Index (net)
Private Equity	MSCI World Net TR Index (net) +2% p.a.	MSCI World TR Index (net)
Total Equities		
Real Estate [CH]	CPI + 4.0% p.a.	Solactive Equal Weight Canadian REIT Index
Infrastructure Equity [CH]	CPI + 4.5% p.a.	Dow Jones Brookfield Global Infrastructure CAD Hedged Index
Total Real Assets		
Other Assets (6.3(g))		

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.

- (d) UBCIMMANT shall report performance of the Fund, the Long Term Performance Objective, the Policy Benchmarks and the Investable Policy Benchmarks to the SPP Board over multiple time periods to enable the SPP Board to evaluate performance of the Fund and each asset class over both short-term and long-term periods.
- (e) Benchmark rates of return for a period longer than a calendar quarter shall be the geometrically-linked rate of return of the benchmark rates of return for each quarter within that period. Performance greater than one year shall be annualized.

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, under the discretion of UBC ~~IMMANT~~:
- (a) **Cash or Cash Equivalents:** Investments in cash such as deposits with financial institutions, treasury bills, commercial paper, banker's acceptances, and money market securities;
 - (b) **Public & Private Fixed Income:** Investments in public fixed income assets such as bonds, debentures, notes, asset-backed securities, and term deposits or similar instruments with financial institutions. Investments in non-publicly traded fixed income assets such as senior and subordinated loans, mortgages, structured credit instruments, and investments in credit attributes such as royalties, insurance, and litigation finance made through fund structures, fund of fund structures, swap arrangements, limited partnerships or co-investments with other likeminded institutional investors;

- (c) **Public & Private Equity:** Investments in private and public equities through common shares, income trusts, investment trusts, limited partnerships, funds, fund of funds, Global Depository Receipts (GDRs), American Depository Receipts (ADRs), and Preferred Shares. Public equity extension strategies are permitted;
- (d) **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;
- (e) **Infrastructure Equity:** through fund of funds, limited partnerships, co-investments with other likeminded institutional investors, or listed infrastructure equity traded on a recognized exchange;
- (f) **Derivatives:** Investments in derivatives such as futures and forward contracts, options, warrants, swaps, and repurchase agreements. Derivatives may be used for hedging, risk management, portfolio rebalancing or as a cost-effective substitute for traditional investments; and
- (g) **Other Assets:** 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, UBC ~~IM-MANT~~ is expected to advise 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 Within the investment restrictions for each investment manager's portfolio, all portfolios should hold a prudently diversified exposure to the intended market. UBC IMANT is responsible to oversee and monitor the SPP portfolio constraints, in addition to constraints articulated under the PBSA. All securities held that fall outside of the prescribed constraints shall be reported to the SPP Board as part of the regular compliance reporting by UBC ~~IM~~IMANT.

7.2 Fixed Income

- (a) The minimum quality standard for public fixed income is "BBB-" or equivalent as rated by a recognised bond rating agency, at the time of purchase. Unrated bonds should be assigned a rating by the investment manager before purchase, using generally accepted industry practices. The minimum quality standard for individual short-term investments is "R-1" or equivalent rating as rated by a recognised bond rating agency, at the time of purchase.
- (b) All publicly traded fixed income investments will be reasonably liquid (i.e., in normal circumstances they should be capable of liquidation within one month).
- (c) Mortgages will be restricted to first mortgages on income producing properties, unless otherwise specified in an investment manager mandate or investment manager agreement.
- (d) Private debt investments shall consist primarily of assets that are senior in the capital structure, diversified by issuer, industry and global region.
- (e) No more than 2% of the Fund may be invested in any one private fixed income (e.g., infrastructure debt, private debt or mortgage loan) investment.
- (f) No more than 25% of the fixed income portfolio shall be held in unhedged securities denominated for payment in a foreign currency.
- (g) With respect to publicly traded fixed income investments that are held within private fixed income asset classes, Section 7.2 (a) does not apply.

7.3 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.
- b) Private equity investments shall be diversified by vintage year, manager, geography, industry sector and life cycle.

7.4 Real Estate

- a) Properties shall remain diversified with respect to geographical location, type of use and tenants.
- 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.
- c) Income-producing real estate holdings may be mortgaged, except that the aggregate principal amount of such mortgages and debt shall not exceed 65% of the real estate portfolio.

7.5 Infrastructure Equity

- a) Investments shall be diversified by revenue type, life cycle, vintage year, industry sector, geography and manager.
- b) Leverage is limited to 65% of the infrastructure equity portfolio.

7.6 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; 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) For greater clarity, derivatives used in currency hedging or public equity strategies as defined in Section 6.3(g) do not violate any of the provisions set out in this Section 7.6.

7.7 Counterparties

- a) Managers shall be responsible for assessing counterparty risk associated with derivative instruments.
- b) The minimum quality standard for counterparties in a derivative transaction is “A” or equivalent rating as rated by a nationally recognized rating organization at the time of the transaction.

7.8 Liquidity

- a) UBCIMMANT 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 – LENDING OF CASH AND SECURITIES

8.1 The Fund may lend its securities, provided that:

- (a) collateral equal to 102% of outstanding loans is maintained;
- (b) the loan and collateral are valued daily on a “marked-to-market” basis; and
- (c) the collateral consists of highly liquid and marketable securities.

8.2 The lending of cash, in a manner that cannot be characterized as an investment, is prohibited. For clarity, temporary overdrafts that occur in the course of normal day-to-day portfolio management is permitted.

SECTION 9 – VOTING RIGHTS

- 9.1 Responsibility for exercising voting rights of the Plan's investments is delegated to UBC~~IM~~~~MANT~~ who may sub-delegate this responsibility to the Managers, in accordance with UBC~~IM~~~~MANT~~'s Active Ownership Guidelines. All voting rights shall be exercised in the best interests of the Plan's members.
- 9.2 UBC~~IM~~~~MANT~~ shall maintain a record of how voting rights have been exercised and report to the SPP Board, as requested.

SECTION 10 – VALUATION OF INVESTMENTS

- 10.1 Marketable securities, including investment in a pooled fund comprising of marketable securities, shall be valued by the Custodian no less frequently than monthly at their market value.
- 10.2 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.
- 10.3 Independent expert appraisal of each such non-traded investment shall be obtained by UBC ~~IM-IMANT~~ 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 UBC~~IM-MANT~~ Board, or
- (d) an officer or employee of UBC~~IM-MANT~~.

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 UBC~~IM-MANT~~ shall monitor transactions with Related Parties to ensure ongoing compliance with this Policy.

SECTION 12 – CONFLICTS OF INTEREST AND CODE OF CONDUCT

- 12.1 In carrying out their responsibilities relative to the investment and management of the Fund, members of the SPP Board shall comply with the code of conduct and conflict of interest policies established by the University, except as modified by the rules set out in the Pension Board Terms of Reference.
- 12.2 UBC~~IM+MANT~~ shall establish and ensure adherence to comprehensive conflicts of interest and code of conduct policies, which shall at a minimum adhere to the CFA Institute Code of Ethics and Standards of Professional Conduct. Any changes to the policies will be communicated to the SPP Board. UBC~~IM+MANT~~ shall disclose to the SPP Board if any of its employees or agents materially breach these policies and actions taken to resolve the breach.
- 12.3 Each Manager is expected to maintain comprehensive conflicts of interest and code of conduct policies. UBC~~IM+MANT~~ shall review each Manager's conflicts of interest and code of conduct policies and ensure they are acceptable.

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 UBC~~IM-IMANT~~ 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 IPP.

13.3 Upon the conclusion of each such annual review, the SPP Board shall report the results of the review through the VP Finance & Operations and the VP Human Resources 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 UBC~~IM-IMANT~~ 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.

The University of British Columbia (UBC)

Staff Pension Plan

Statement of Investment Policies and Procedures

Effective November 28, 2023

Reviewed and approved by the
SPP Board on November 28,
2023

Approved by the UBC Board of
Governors on March 27, 2024

Table of Contents

SECTION 1 – PURPOSE	3
SECTION 2 – PLAN OVERVIEW	4
SECTION 3 – PLAN GOVERNANCE	5
SECTION 4 – INVESTMENT PRINCIPLES AND BELIEFS.....	8
SECTION 5 – PLAN OBJECTIVES, INVESTMENT POLICY PORTFOLIO, INVESTMENT MANAGEMENT AND PERFORMANCE OBJECTIVES	12
SECTION 6 – PERMITTED INVESTMENTS	18
SECTION 7 – PORTFOLIO CONSTRAINTS, DIVERSIFICATION AND LIQUIDITY	20
SECTION 8 – LENDING OF CASH AND SECURITIES	23
SECTION 9 – VOTING RIGHTS	24
SECTION 10 – VALUATION OF INVESTMENTS	25
SECTION 11 – RELATED PARTY TRANSACTIONS	26
SECTION 12 – CONFLICTS OF INTEREST AND CODE OF CONDUCT	27
SECTION 13 – POLICY REVIEW AND AMENDMENT	28

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.

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, 2022 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 70% of CPI inflation until at least the next valuation. The next actuarial valuation is scheduled to be performed as of December 31, 2025. The valuation at December 31, 2022 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 Text, 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 20.03 of the Plan Text, 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 5.2. 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 Text and the SPP Board Terms of Reference.
- 3.3 The Governors have delegated to UBC Investment Management Trust Inc. (“**UBCIM**”) responsibility for the implementation of this Policy, as formulated by the SPP Board and adopted by the Governors. UBCIM acts through its board of directors (the “**UBCIM Board**”), who are appointed by the Governors. The UBCIM Board, in turn, has appointed a President and CEO of UBCIM (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.
- 3.4 UBCIM shall:
- (a) comply with this Policy;
 - (b) implement this Policy, including the Investment Policy Portfolio described in Section 5.2;
 - (c) establish and determine the overall Fund investment manager structure and all operating and administrative policies for the Fund;

- (d) manage investment risk, including through policy asset mix implementation, security diversification, manager diversification, credit analysis, currency management and transparent reporting;
- (e) retain external investment managers (“**Managers**”) to manage specified portions of the Fund;
- (f) recommend for approval by the SPP Board the University’s appointment or termination of the custodian of the Fund (the “**Custodian**”);
- (g) maintain the necessary internal policies and procedures that are required to support this policy, including:
 - i. asset class guidelines,
 - ii. investment manager selection and termination process,
 - iii. active ownership guidelines,
 - iv. code of professional conduct including conflict of interest procedures;
- (h) review the performance of the Fund, and of each manager, and terminate the services of a Manager as appropriate;
- (i) oversee the Managers’ compliance with this Policy;
- (j) prepare and present a written report to the SPP Board that includes:
 - i. the asset mix and net cash flow of the Plan,
 - ii. investment performance of the Fund and each asset class,
 - iii. analysis, commentary and discussion of next steps regarding any Manager that has not achieved its performance objective or for which UBCIM has concerns,
 - iv. fees and expenses incurred in managing the Fund,
 - v. compliance with this Policy by UBCIM;
- (k) make recommendations to the SPP Board for confirmation or changes as required to this Policy;

- (l) provide transparency to the SPP Board over the activities of UBCIM and the Managers; and
- (m) carry out such other duties as directed or authorized by the Governors or SPP Board from time to time.

3.5 Within the guidelines and constraints set out in this Statement of Investment Policies and Procedures, UBCIM shall be given the flexibility to make changes to the Plan's asset mix as described in Section 5.2, manager selection and investment fund structure. Changes related to the Investment Policy Portfolio shall only be made after consultation with the SPP Board. UBCIM 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 Introduction

The SPP Board has enunciated a set of investment principles and beliefs (the “Beliefs”) that form the basis for the development of this Policy and the manner in which the Plan shall be invested. In setting the Beliefs, the investment beliefs of UBCIM and the principles and beliefs contained in the UBC Statement of Investment Values (September 2012) have been considered and captured.

The Beliefs apply at the portfolio level as well as within individual asset classes and have been prepared with the purpose of outlining the decisions and rationales that form the foundation for the overall investment strategy and the implementation approach of the Plan.

- (a) The objective of all investment decisions is to ensure that the Plan is, with the current level of contributions, able to provide the basic benefit for Plan members (active, terminated and retired) with a high level of certainty; this fiduciary objective must always be paramount in determining whether specific approaches are optimal. To ensure the long-term sustainability of the Plan, in addition to focusing on managing the benefit security of Plan members, secondary consideration is given to investing to maximize the inflation benefit.
- (b) The Plan 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. Investments and investment processes must be transparent and readily communicated to the SPP Board.

The Beliefs will be reviewed periodically, and at least every three to five years.

The Beliefs are organized into the following three categories: investment policy and structure, implementation, and responsible investing.

4.2 Investment Policy and Structure

- (a) Risk Management

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. 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. UBCIM shall manage risk primarily through policy asset mix management, security diversification, manager diversification, credit analysis, currency management and transparent reporting.

(b) Policy Asset Mix

In the long term, asset mix is the main determinant of portfolio return and risk. The policy asset mix should be reviewed regularly, or immediately following substantive changes in the Plan's structure, objectives, or risk profile.

(c) Time Horizon

The University, the SPP Board and UBCIM 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) Diversification

Diversification can improve portfolio risk and return characteristics. The Fund will be diversified across different return drivers, such as illiquidity, equity risk and manager skill premiums.

(e) Equity Market Investments

Equity market investments are implemented in the Fund to generate higher long-term returns than those available through investing in fixed income investments. However, it is recognized that equity market investments may lead to higher volatility in the Plan's funded position.

(f) Fixed Income Investments

Fixed income investments are implemented in the Fund to provide diversification and reduce overall portfolio volatility.

(g) Private Market Investments

The Fund will invest in private equity and fixed income markets and real asset classes that can add diversification and improve the overall risk/return profile. Flexibility and liquidity need to be considered when investing in these asset classes. Allocations to certain private market and real asset investment strategies must take into account that such investments may be less liquid than public asset classes. Overall liquidity must be sufficient to meet the Plan's benefit obligations as they fall due.

4.3 Implementation

(a) Active vs. Passive Investments

It is appropriate to retain Managers to invest the Fund in an efficient and cost-effective manner. Passive investment management should be utilized unless it can be demonstrated that, net of fees, active management can add value.

(b) Derivative Investments

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. Costs related to derivatives are to be effectively managed in pursuit of net investment returns.

(c) Currency Hedging

In the long run, currency hedging is not expected to add to the return profile of the portfolio, or substantially mitigate risk. However, in certain asset classes strategic currency hedging may be implemented to mitigate overall portfolio volatility, particularly over the short to medium term.

(d) Portfolio Rebalancing

The Fund should follow the guidelines set out in the policy asset mix. Market timing does not consistently add value. A rebalancing policy will be maintained to ensure asset class allocations remain within stated asset mix policy ranges.

4.4 Responsible Investing

- (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) In July 2020, UBCIM, 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.
- (d) The SPP Board requires UBCIM 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.
- (e) The SPP Board is committed to the six PRI principles and expects UBCIM to report on activities and progress towards implementing the PRI Principles in the Plan's Portfolio and support SPP's reporting on responsible investing to members.
- (f) 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.

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

5.1 Plan Objectives

- (a) In investing the Fund, the primary objective is, with the current level of contributions, to provide the basic benefit for Plan members (active, terminated and retired) with a high level of certainty. A secondary objective is to maximize the level of the inflation benefit.

5.2 Investment Policy Portfolio

- (a) The SPP Board, with the assistance of its investment consultant and input from UBCIM, develops an asset mix solely in the best interests of Plan members (active, terminated and retired) and their beneficiaries, collectively, to ensure the long term financial sustainability of the Plan and to ensure that Plan assets are managed effectively and efficiently with the goal of providing the Plan's basic benefit, within an acceptable level of risk, and additionally provide an inflation benefit, subject to available funds.
- (b) The SPP Board develops the long term asset mix by periodically conducting detailed asset liability studies. These studies project Plan assets and liabilities over 10 years into the future under a diverse number of scenarios to capture the various economic conditions that could evolve over the years. This process helps the SPP choose a target asset mix that best meets the Plan objectives as outlined in Section 5.1. The last asset liability study was conducted in 2018 and supports the current target asset mix, which is referred to throughout this Policy as the Investment Policy Portfolio, or “**IPP**”.

(c) The long term policy allocation, or IPP, of the Fund is as follows:

Component Asset Classes	Percentage of Fund at Market Value		
	Investment Policy Portfolio	Min	Max
Currency Hedged ¹ [CH]			
Cash & Cash Equivalents	1.0%	0.0%	3.0%
Long Term Fixed Income	19.0%	15.0%	23.0%
Infrastructure Debt	10.0%	5.0%	13.0%
Mortgages	5.0%	3.0%	8.0%
Private Debt [CH]	7.5%	5.0%	10.0%
Total Fixed Income	42.5%	35.0%	55.0%
Canadian Equities	7.5%	5.0%	10.0%
Developed Equities	15.0%	10.0%	20.0%
Emerging Mkts	7.5%	5.0%	10.0%
Private Equity	5.0%	2.5%	7.5%
Total Equities	35.0%	25.0%	45.0%
Real Estate [CH]	10.0%	7.5%	12.5%
Infrastructure Equity [CH]	12.5%	9.0%	15.0%
Total Real Assets	22.5%	17.5%	27.5%
Other Assets (6.3(g))	0.0%	0.0%	5.0%

Note 1: [CH] denotes asset class where non-Canadian currency exposure is hedged. All other asset classes are unhedged.

- (d) In accordance with Section 4, UBCIM shall review rebalancing needs at least quarterly. Any deviations outside the Permitted Range for Asset Classes identified in Section 5.2 (c) must be reported to the SPP Board.
- (e) If UBCIM wishes to suspend further investments or redemptions to or from an asset class as a result of unfavorable market conditions, UBCIM will notify the SPP Board. Upon the approval of the SPP Board, the IPP asset class weights will be adjusted accordingly until such suspension is removed.

5.3 Investment Management

- (a) The selection of a Manager shall be made in a prudent manner, applying fair and reasonable identification, evaluation and selection standards.
- (b) UBCIM will maintain written mandates and guidelines for Managers which specify investment objectives and constraints, and investment performance standards.
- (c) UBC IMANT shall review the performance of each Manager, and may, at its sole discretion, terminate the services of a Manager.
- (d) A Manager, in performing its duties, shall:
 - i. 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;
 - ii. 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
 - iii. manage its portfolio in accordance with the terms of its fund documents and applicable guidelines set out herein.

5.4 Evaluation of Investment Performance

To monitor whether the IPP is meeting the SPP Board's objectives relative to expectations, and UBCIM's implementation of the IPP, the SPP Board has established the following performance objectives for the Fund and each component asset class:

(a) Fund Performance Objective

The performance objective for the Fund is to generate a return that achieves, net of all investment management fees and expenses, the growth in Plan liabilities. This objective (the "**Long Term Performance Objective**") will be monitored to determine the performance of the Fund relative to the expectations the SPP Board used to set the IPP, as outlined in Section 5.2 (b). The Long Term Performance Objective will be measured by the Consumer Price Index (CPI) + 4.0% over the long term (greater than 5 years), which reflects the expected 6.0% nominal rate of return (based on 2.0% inflation) of the IPP that was implied by the 2018 asset liability study.

(b) Component Asset Class Performance Objectives

To monitor UBCIM's implementation of the IPP, the SPP Board will evaluate the performance of each component asset class of the IPP against two benchmarks:

- i. The Policy Benchmark, which represents the SPP Board's best estimate, based on the asset liability study, of the expected return, volatility and correlation with other asset classes of each component asset class of the IPP over a full economic cycle (historically 5-8 years). Thus, the Policy Benchmark represents the SPP Board's desired long term (greater than 5 years) return and risk profile for each asset class in order to achieve the Long Term Performance Objective.
- ii. The Investable Policy Benchmark, which represents the investment return of each component asset class of the IPP available in capital markets if passively invested. The Investable Policy Benchmarks are comprised of replicable, publicly traded indexes that approximate the economic exposures of each component asset class in the IPP. The Investable Policy Benchmarks will be used to evaluate the effectiveness of UBCIM's implementation of each component asset class in the IPP over the shorter term (less than 5 years).

(c) The Policy and Investable Policy Benchmarks shall be as follows:

Component Asset Classes	Policy Benchmark¹	Investable Policy Benchmark¹
Currency Hedged ² [CH]	Index Name	Index Name
Cash & Cash Equivalents	FTSE Canada 91 Day T-Bill TR Index	FTSE Canada 91 Day T-Bill TR Index
Long Term Fixed Income	FTSE Canada Long Term Bond TR Index	FTSE Canada Long Term Bond TR Index
Infrastructure Debt	FTSE Canada Provincial Bond TR Index (duration adjusted ³) + 1.25% p.a.	FTSE Canada Long Term Bond TR Index
Mortgages	FTSE Canada Short Term Bond TR Index + 1.0%	FTSE Canada Short Term Corporate Bond TR Index
Private Debt [CH]	FTSE Canada Short Term Federal Bond Index + 4.0% p.a.	S&P/LSTA U.S. Leveraged Loan 100 CAD Hedged Index
Total Fixed Income		
Canadian Equities	S&P /TSX Composite Index	S&P /TSX Composite Index
Developed Equities	MSCI World TR Index (net)	MSCI World TR Index (net)
Emerging Mkts	MSCI Emerging Mkts TR Index (net)	MSCI Emerging Mkts TR Index (net)
Private Equity	MSCI World Net TR Index (net) +2% p.a.	MSCI World TR Index (net)
Total Equities		
Real Estate [CH]	CPI + 4.0% p.a.	Solactive Equal Weight Canadian REIT Index
Infrastructure Equity [CH]	CPI + 4.5% p.a.	Dow Jones Brookfield Global Infrastructure CAD Hedged Index
Total Real Assets		
Other Assets (6.3(g))		

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.

(d) UBCIM shall report performance of the Fund, the Long Term Performance Objective, the Policy Benchmarks and the Investable Policy Benchmarks to the SPP Board over

multiple time periods to enable the SPP Board to evaluate performance of the Fund and each asset class over both short-term and long-term periods.

- (e) Benchmark rates of return for a period longer than a calendar quarter shall be the geometrically-linked rate of return of the benchmark rates of return for each quarter within that period. Performance greater than one year shall be annualized.

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, under the discretion of UBCIM:
- (a) **Cash or Cash Equivalents:** Investments in cash such as deposits with financial institutions, treasury bills, commercial paper, banker's acceptances, and money market securities;
 - (b) **Public & Private Fixed Income:** Investments in public fixed income assets such as bonds, debentures, notes, asset-backed securities, and term deposits or similar instruments with financial institutions. Investments in non-publicly traded fixed income assets such as senior and subordinated loans, mortgages, structured credit instruments, and investments in credit attributes such as royalties, insurance, and litigation finance made through fund structures, fund of fund structures, swap arrangements, limited partnerships or co-investments with other likeminded institutional investors;

- (c) **Public & Private Equity:** Investments in private and public equities through common shares, income trusts, investment trusts, limited partnerships, funds, fund of funds, Global Depository Receipts (GDRs), American Depository Receipts (ADRs), and Preferred Shares. Public equity extension strategies are permitted;
- (d) **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;
- (e) **Infrastructure Equity:** through fund of funds, limited partnerships, co-investments with other likeminded institutional investors, or listed infrastructure equity traded on a recognized exchange;
- (f) **Derivatives:** Investments in derivatives such as futures and forward contracts, options, warrants, swaps, and repurchase agreements. Derivatives may be used for hedging, risk management, portfolio rebalancing or as a cost-effective substitute for traditional investments; and
- (g) **Other Assets:** 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, UBCIM is expected to advise 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 Within the investment restrictions for each investment manager's portfolio, all portfolios should hold a prudently diversified exposure to the intended market. UBC IMANT is responsible to oversee and monitor the SPP portfolio constraints, in addition to constraints articulated under the PBSA. All securities held that fall outside of the prescribed constraints shall be reported to the SPP Board as part of the regular compliance reporting by UBCIM.

7.2 Fixed Income

- (a) The minimum quality standard for public fixed income is "BBB-" or equivalent as rated by a recognised bond rating agency, at the time of purchase. Unrated bonds should be assigned a rating by the investment manager before purchase, using generally accepted industry practices. The minimum quality standard for individual short-term investments is "R-1" or equivalent rating as rated by a recognised bond rating agency, at the time of purchase.
- (b) All publicly traded fixed income investments will be reasonably liquid (i.e., in normal circumstances they should be capable of liquidation within one month).
- (c) Mortgages will be restricted to first mortgages on income producing properties, unless otherwise specified in an investment manager mandate or investment manager agreement.
- (d) Private debt investments shall consist primarily of assets that are senior in the capital structure, diversified by issuer, industry and global region.
- (e) No more than 2% of the Fund may be invested in any one private fixed income (e.g., infrastructure debt, private debt or mortgage loan) investment.
- (f) No more than 25% of the fixed income portfolio shall be held in unhedged securities denominated for payment in a foreign currency.
- (g) With respect to publicly traded fixed income investments that are held within private fixed income asset classes, Section 7.2 (a) does not apply.

7.3 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.
- b) Private equity investments shall be diversified by vintage year, manager, geography, industry sector and life cycle.

7.4 Real Estate

- a) Properties shall remain diversified with respect to geographical location, type of use and tenants.
- 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.
- c) Income-producing real estate holdings may be mortgaged, except that the aggregate principal amount of such mortgages and debt shall not exceed 65% of the real estate portfolio.

7.5 Infrastructure Equity

- a) Investments shall be diversified by revenue type, life cycle, vintage year, industry sector, geography and manager.
- b) Leverage is limited to 65% of the infrastructure equity portfolio.

7.6 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; 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) For greater clarity, derivatives used in currency hedging or public equity strategies as defined in Section 6.3(g) do not violate any of the provisions set out in this Section 7.6.

7.7 Counterparties

- a) Managers shall be responsible for assessing counterparty risk associated with derivative instruments.
- b) The minimum quality standard for counterparties in a derivative transaction is “A” or equivalent rating as rated by a nationally recognized rating organization at the time of the transaction.

7.8 Liquidity

- a) UBCIM 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 – LENDING OF CASH AND SECURITIES

8.1 The Fund may lend its securities, provided that:

- (a) collateral equal to 102% of outstanding loans is maintained;
- (b) the loan and collateral are valued daily on a “marked-to-market” basis; and
- (c) the collateral consists of highly liquid and marketable securities.

8.2 The lending of cash, in a manner that cannot be characterized as an investment, is prohibited. For clarity, temporary overdrafts that occur in the course of normal day-to-day portfolio management is permitted.

SECTION 9 – VOTING RIGHTS

- 9.1 Responsibility for exercising voting rights of the Plan's investments is delegated to UBCIM who may sub-delegate this responsibility to the Managers, in accordance with UBCIM's Active Ownership Guidelines. All voting rights shall be exercised in the best interests of the Plan's members.
- 9.2 UBCIM shall maintain a record of how voting rights have been exercised and report to the SPP Board, as requested.

SECTION 10 – VALUATION OF INVESTMENTS

- 10.1 Marketable securities, including investment in a pooled fund comprising of marketable securities, shall be valued by the Custodian no less frequently than monthly at their market value.
- 10.2 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.
- 10.3 Independent expert appraisal of each such non-traded investment shall be obtained by UBCIM 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 UBCIM Board, or
- (d) an officer or employee of UBCIM.

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 UBCIM shall monitor transactions with Related Parties to ensure ongoing compliance with this Policy.

SECTION 12 – CONFLICTS OF INTEREST AND CODE OF CONDUCT

- 12.1 In carrying out their responsibilities relative to the investment and management of the Fund, members of the SPP Board shall comply with the code of conduct and conflict of interest policies established by the University, except as modified by the rules set out in the Pension Board Terms of Reference.
- 12.2 UBCIM shall establish and ensure adherence to comprehensive conflicts of interest and code of conduct policies, which shall at a minimum adhere to the CFA Institute Code of Ethics and Standards of Professional Conduct. Any changes to the policies will be communicated to the SPP Board. UBCIM shall disclose to the SPP Board if any of its employees or agents materially breach these policies and actions taken to resolve the breach.
- 12.3 Each Manager is expected to maintain comprehensive conflicts of interest and code of conduct policies. UBCIM shall review each Manager's conflicts of interest and code of conduct policies and ensure they are acceptable.

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 UBCIM 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 IPP.

13.3 Upon the conclusion of each such annual review, the SPP Board shall report the results of the review through the VP Finance & Operations and the VP Human Resources 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 UBCIM 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.