



**Government of
Saskatchewan**

Saskatchewan Teachers' Superannuation Commission

INVESTMENT POLICY AND OBJECTIVE STATEMENT (IP&OS)

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Revision History

<u>Version</u>	<u>Date</u>	<u>Description</u>	<u>Author</u>
1.1	January 10, 2006	Document Revised	Dave Barnard Executive Director
1.2	June 4, 2008	Revised in consultation with Aon Consulting.	Shirley Robertson A/Executive Director
1.3	September 15, 2009	Complete review and revision of document in consultation with Hewitt Associates.	Doug Volk, Executive Director
1.4	April 12, 2010	Annual review and update to benchmark index for Canadian Equity Small Cap	Doug Volk, Executive Director
1.5	April 15, 2011	Annual review and addition of Manager Objectives for the Teachers' Voluntary Fund	Doug Volk, Executive Director
1.6	April 3, 2012	Optimization Study conducted by Aon Hewitt & Commission and adoption of a de-risking glidepath to be effective July 1, 2012. Addition of Appendix A	Doug Volk, Executive Director
1.7	April 15, 2013	Annual review and amendments to implement asset mix to reflect the de-risking glidepath to be effective July 1, 2013	Doug Volk, Executive Director
1.8	April 15, 2014	Annual review with amendments to reflect changes to policies regarding Greystone shares and to implement the next de-risking glidepath asset mix to be effective July 1, 2014	Doug Volk, Executive Director
1.9	April 15, 2015	Annual review with amendments to reflect changes to policies regarding implementing the next de-risking glidepath asset mix to be effective July 1, 2015	Doug Volk, Executive Director

2.0	April 12, 2016	Annual review with amendments to reflect changes to policies regarding implementing the next de-risking glidepath asset mix to be effective July 1, 2016. Amend language to align with March 2015 changes to the <i>Pension Benefit Standards Regulations</i>	Doug Volk, Executive Director
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Section 1. Purpose and Mission Statement

- 1.01** The purpose of this "Investment Policy and Objectives Statement" is to provide:
- (a) an organized approach to the management of the "pension funds" under the jurisdiction of the Saskatchewan Teachers' Superannuation Commission;
 - (b) for appropriate investment of the assets of the "pension funds";
 - (c) a standard for evaluating the investment results achieved by the Investment Managers for the "pension funds"; and,
 - (d) this policy is the primary document used by the Commission, Administration, investment managers and other third parties when managing the investment of Fund assets.
- 1.02** The "pension funds" covered by this Investment Policy and Objectives Statement include:
- (a) Teachers' Superannuation Fund; and
 - (b) Teachers' Voluntary Fund.
- 1.03** The Commission's mission is to provide pensions and benefits for plan members through prudent stewardship of assets and liabilities and effective plan administration in accordance with current legislation.

Section 2. General Philosophy and Investment Beliefs

- 2.01** The Teachers' Superannuation Fund was closed to new members in July 1980. In accordance with *The Teachers Superannuation and Disability Benefits Act*, the Fund has a wind-up date of June 30, 2030. Fund assets are expected to steadily decline until the wind-up date. Presently, as members retire, their credited balances are released to fund benefits payments during that annual period. All remaining funding for the pension plan is covered by the General Revenue Fund (GRF) of the provincial government.

The Superannuation Fund asset mix, manager structure and investment strategies take into consideration of the Plan's present under funded situation and long term wind-up schedule.

- 2.02** The Commission assumes a fiduciary responsibility to both the participants and the Government with respect to the pension funds under its jurisdiction. The basic nature of the investment policy will therefore be to preserve capital in real terms and generate an optimal level of investment returns through interest, dividends and capital appreciation.

The Commission fulfils its fiduciary responsibilities, in part, through risk management strategies developed during the Risk Assessment process. Included in the Risk Assessment document is the identification and risk management strategies for 11 key Investment Risks.

2.03 Capital appreciation is one of the principle components of anticipated investment return. The accounting procedures for the respective pension fund should reflect such appreciation in the determination of the value of assets and the rate of interest credited to participants. To prevent wide variations in the rate of return on the Teachers' Superannuation Fund, it is recommended that the value of assets at the end of each valuation period, for interest crediting purposes, be adjusted by deferring a portion of the unrealized appreciation (depreciation) in market value over a four year period in accordance with the following formula:

	Percentage of Unrealized Appreciation/ Depreciation Deferred
Current Year	75%
Prior Year 1	50%
Prior Year 2	25%

The foregoing applies to all asset classes in which the Teachers' Superannuation Fund is invested. Appropriate market values will have to be determined for all asset classes including real estate and private equity to accommodate this policy. Note that the above asset smoothing method does not apply to the Teachers' Voluntary Fund.

2.04 It is difficult to predict the asset class that will provide the greatest return for a given period, especially in the short term, a balanced investment program that emphasizes diversification between asset classes and between individual securities in each class will be followed to reduce the risk of poor performance.

2.05 The specific asset mix adopted for a particular pension fund shall recognize the specific characteristics of the pension fund or plan, the variability of the capital markets, the characteristics of each asset class, historical rates of return, and the ability of the parties with primary interest in the pension fund to tolerate risk.

The Commission regularly reviews the asset mix, in light of Plan assets, and the amount and structure of Plan liabilities.

2.06 Plan assets include common shares of Greystone Capital Management. Due to the illiquidity and constraints of selling shares in Greystone, the value of the shares are not used for the purposes of setting and allocating assets within the Teachers' Superannuation Fund, or Greystone's balanced mandate.

2.07 The Commission has implemented a de-risking strategy to reflect the declining asset base and June 30, 2030 wind-up of the Superannuation Fund. Following the de-risking glidepath in Appendix A, the Fund's asset mix will experience a gradual reduction in return seeking, risky assets until 2018. Beginning in 2019, the allocation to return seeking assets will be increased gradually until 2025. The re-risking phase acknowledges the reduced asset base and the lower impact higher risk assets will have on overall Fund market values after 2018.

2.08 The Commission believes an "active" investment approach will provide an incremental increase to the total fund rate of return without a similar increase in risk.

- 2.09** The Balanced Fund Investment Manager has the capabilities to handle a balanced portfolio of stocks, bonds and cash. As a result, the Balanced Fund Investment Manager will have general discretion within the guidelines established in Section 5 and Section 6 with respect to such investments. The Balanced Fund Investment Manager manages the whole pension fund for the Teachers' Voluntary Fund and the majority of the fund for the Teachers' Superannuation Fund. In addition, the Commission has approved the addition of Private Equity Investment Managers to the Teachers' Superannuation Fund.
- 2.10** Investment Managers are expected to include Saskatchewan based investments in their investable universe, as appropriate within their stated mandate and investment process. However, each such investment must be a prudent addition to the existing portfolios and comply with the quality and diversification requirements established by the Commission.
- 2.11** The Commission recognizes the benefits to shareholder value when companies adhere to Environmental, Social and Governance (ESG) best practices. Investing in companies with high ESG standards is expected to help increase the Plan's contribution to funding member retirement benefits. The Investment Managers are encouraged to include ESG factors in their evaluation of a company's long term profitability and potential to create shareholder wealth.

Section 3. Characteristics of the Pension Fund

3.01 General

The Teachers' Superannuation Plan is subject to collective bargaining. No change can be made to the basic plan provisions or the operation of the pension funds without agreement between the parties to the Provincial Collective Bargaining Agreement.

The Commission administers two funds; the Teachers' Superannuation Fund and the Teachers' Voluntary Fund. The difference in who bears responsibility for the risk and the investment horizon of the Funds lead to different investment strategies and performance objectives.

3.02 Teachers' Superannuation Fund

- (a) This pension fund provides retirement allowances based on the teacher's final average earnings. It also provides for automatic annual adjustment of allowances equal to eighty percent of the annual change in the Consumer Price Index (CPI).
- (b) The plan has been closed to new entrants since July 1, 1980, although there is provision for teachers with "teaching service" prior to July 1980 to join the plan upon return to teaching.
- (c) The plan is funded by teacher contributions, matching Government contributions and additional Government contributions. The additional Government contributions are determined in such a way so that the assets of the fund will gradually diminish and be completely exhausted by June 30, 2030. At that time, the plan will be operated on a pay as you go basis with the Government providing the necessary contributions to meet the remaining superannuation allowances as they become payable each month. Consequently, the Government bears the investment risk.

3.03 Teachers' Voluntary Fund

- (a) This pension fund consists of additional voluntary contributions by teachers. Such contributions are accumulated with interest to retirement at which time the accumulated value is paid to the teacher. The teacher may elect to receive the accumulated amount in a lump sum or may transfer the entire amount to an RRSP or other registered investment vehicle
- (b) No lifetime allowances are paid directly from the voluntary fund.
- (c) Individual participants bear the investment risk.

Section 4. Organization and Allocation of Responsibilities

4.01 The Saskatchewan Teachers' Superannuation Commission is responsible to the Minister of Education for the administration of *The Teachers Superannuation and Disability Benefits Act* (the "Act"). In the administration of the Act, the Commission interacts with a number of parties to fulfill its mandate. These parties and their responsibilities are as follows:

<i>Actuary:</i>	The individual or corporation retained by the Commission to provide advice on solvency and funding of benefits provided under the Act.
<i>Administrator:</i>	The staff of the Commission who are responsible for the day to day administration of the Act.
<i>Asset Consultant:</i>	The individual or corporation retained by the Commission to provide advice on the overall management of the assets of the pension funds.
<i>Custodian:</i>	The entity selected by the Commission to hold the assets of the pension funds to receive and deliver securities bought or sold by the Investment Managers and to effect settlement on such purchases or sales.
<i>Government:</i>	The Government of Saskatchewan through the office of the Minister of Education who has responsibility for the administration of the Act.
<i>Investment Managers:</i>	The entities selected by the Commission to invest the assets of the pension funds in accordance with the policy and objectives established by the Commission.
<i>Participants:</i>	All persons (active, retired and terminated) and their beneficiaries who are entitled to benefits from the pension funds.

4.02 The following outlines how the investment function will be organized:

Function	Procedure and Primary Source of Input
<i>Establish Investment Policy and Objectives</i>	<p>The Commission will establish investment policy and objectives for the pension funds. In the development of appropriate policy, the Commission may solicit input from outside sources (i.e., Actuary, Asset Consultant, Investment Managers and others). The Commission will review this Investment Policy & Objectives Statement at least annually.</p> <p>The policy will be communicated by the Executive Director of the Commission to the Investment Managers and others as determined by the Commission. The policy will also be available to participants upon request and on the Commission’s website.</p>
<i>Long Term Viability</i>	<p>The Commission will provide advice and recommendations to the Government with respect to the solvency and funding of all pension funds. In this respect, the Commission shall solicit input from the Actuary and others as required.</p>
<i>Selection of Investment Managers</i>	<p>The Commission will be responsible for the selection and retention of the Investment Managers. The Commission may rely on the advice and service of the Asset Consultant, Actuary or others in the selection/retention process.</p>
<i>Determination of Acceptable Asset Classes</i>	<p>The Commission will approve the classes of assets that are appropriate investments for the pension funds. Advice may be obtained from the Investment Managers or others.</p>
<i>Security Selection and Timing</i>	<p>The Investment Managers will be responsible for the timing and selection of individual securities subject to any constraints, quality standards or quantity standards imposed by the Commission.</p>
<i>Asset Mix Guidelines</i>	<p>The Commission will be responsible for setting broad asset mix guidelines. These guidelines will establish maximum and/or minimum amounts to be invested in approved asset classes. Advice may be obtained from the Investment Managers, Asset Consultant, Actuary or others.</p>
<i>Establish Performance Standards</i>	<p>The Commission shall establish performance standards for the Investment Managers. Advice may be obtained from the Asset Consultant, Investment Managers or others.</p>
<i>Monitor Performance of Investment Managers</i>	<p>The Commission shall monitor the performance of the Investment Managers on a regular basis against the performance standards established by the Commission. Measurement and analysis services may be obtained from other sources.</p>

Communication With

Investment Managers

The Commission shall meet regularly (at least annually) with the Investment Managers. The exchange of information during each meeting will include (as appropriate to the Investment Manager's mandate):

- (a) a review, provided by the Commission to the Investment Managers, of the net cash flow available for investment during the previous period, and its disposition.
- (b) a comparison of the value of the pension funds since the end of the previous period.
- (c) a review of the significant transactions, completed or in progress during the period. This aspect of the procedures will be handled by preparation and circulation of a statement of significant transactions in advance of each meeting to help increase understanding of the manager's style and strategy.
- (d) a detailed review of the equity segment broken down by industry and individual securities.
- (e) a detailed review of the fixed income and short term segments of the portfolio including the percentage weightings of the major sectors.
- (f) a review of investment performance for the period, year to date and for longer time periods (to be established by the Commission). The review should include a comparison to a benchmark portfolio and/or market indices to determine the value added by the manager. The review should also include comparison to established objectives and guidelines.
- (g) a review of the Investment Managers' capital market projections for the ensuing period.
- (h) a review of investment recommendations and the Investment Managers' anticipated equity and fixed income activity in light of the capital market projections for the ensuing period.
- (i) a review of established guidelines and objectives to determine whether any revisions are in order.

Participants

The Commission shall report formally to the participants once a year on the general performance of the pension funds. This information will normally be included on the participant's annual statement.

Section 5. Portfolio Characteristics

5.01 General

- (a) Investments for the pension funds must comply with the investment standards established by *The Pension Benefits Act* (Saskatchewan) and the *Income Tax Act*.
- (b) Liquidity needs of the pension funds shall be determined on a regular basis by the Administrator and communicated to the Investment Managers, Custodian and Government as required to assure the prompt payment of all allowances, benefits and expenses. The Balanced Fund Investment Manager shall be responsible for maintaining the required level of liquidity through diligent cash management and timely scheduling of maturities.
- (c) Operating within the parameters of safety and prudence, the investment program for each pension fund should produce the long term real rate of return objectives set in Section 7.01 (a), while at the same time emphasizing preservation of capital in real terms and avoiding excessive volatility.
- (d) Diversification must be maintained throughout the portfolio for each pension fund in terms of asset class and individual security holdings.

5.02 Approved Asset Classes

- (a) The assets of the pension funds may be invested in bonds, common and preferred stocks, short term investments, real estate, foreign securities and private equity subject to the asset mix guidelines established for each pension fund and the quality and quantitative standards and constraints established by the Commission.
- (b) Equity Investments
 - i. The Investment Managers shall maintain proper diversification across industry groups.
 - ii. Investment in individual equities shall not exceed 30% of the outstanding shares of the issuing corporation.
 - iii. There shall be no restriction on the realization of capital gains or losses.
 - iv. Investment in income trusts within the Canadian equity portfolio is permitted in jurisdictions which provide limited liability legislative protection.
 - v. Investment in private placement equities is permissible, where the Investment Manager determines the security will become eligible for trading through a marketplace within a reasonable and defined time frame and the issuing company is publicly listed.
 - vi. Not more than 10% of the total equity portfolio of the Balanced Fund Investment Manager may be invested in equity securities of one company.

(c) Fixed Income Investments

- i. The fixed income portion of the portfolio shall emphasize high quality Government (including municipal) or Corporate issues. The minimum quality standard for individual bonds and debentures shall be a BBB rating as measured by a recognized credit rating agency.
- ii. For the purposes of this Policy, the following rating agencies shall be considered to be 'recognized credit rating agencies':
 - Dominion Bond Rating Service (DBRS);
 - Standard and Poor's;
 - Moody's Investors Services, and ;
 - Fitch Ratings (foreign issuers only).
- iii. Fixed income issues rated by two or more of the recognized credit rating agencies are preferred. However, the Investment Managers are required to conduct their own independent research into the credit quality of each issue added to the portfolio.
- iv. Prudent issuer diversification of corporate bond holdings must be maintained. Not more than 10% of the market value of the outstanding bonds of anyone corporation may be held in the pension fund.
- v. The bond portfolio shall reflect a reasonable diversification by sector, type of issuer, quality and term.
- vi. Investment in private placements (bonds) shall be permitted. .
- vii. There shall be no restrictions on turnover or the realization of capital gains and losses.
- viii. Not more than 10% of the total fixed income portfolio of a particular Investment Manager may be invested in fixed income securities of one issuer except for Canadian federal and provincial issuers.
- ix. Investments in bonds issued by non-Canadian issuers are permitted subject to the following constraints:
 - the bonds must be rated A or higher by a recognized credit rating agency;
 - not more than 10% of the total fixed income portfolio of a particular Investment Manager may be invested in foreign issued bonds.

(d) Short Term Investments

- i. Short term investments are defined as fixed income securities with a maturity of less than one year. Short term securities include:
 - Cash on hand and term deposits
 - Treasury bills issued by the federal and provincial governments and their agencies
 - Mortgage-backed and asset-backed securities
 - Obligations of trust companies and Canadian and foreign banks chartered to operate in Canada, including bankers' acceptances
 - Commercial paper and term deposits
- ii. All short term investments must be rated R-1 (low investment grade) or higher by the Dominion Bond Rating Service or another recognized credit rating agency and be in accordance with policy prepared by the Investment Managers and approved by the Commission.

iii. Diversification must be maintained. With the exception of securities issued by the Federal or Provincial Governments, the securities of a single issuer should not exceed the amount specified in guidelines established by the Investment Managers and approved by the Commission.

(e) Real Estate

Direct investment in real estate (commercial and residential) or in a real estate pooled fund is permitted, provided diversification is maintained by type and geographic location.

5.03 Miscellaneous Constraints

- (a) Each investment in a private equity fund must have the prior approval of the Commission.
- (b) Investment Managers are prohibited from investing in Investment Corporations and Resource Properties.
- (c) No investment shall be made if it is expected to decrease the expected return without a corresponding decrease in expected risk or increase the expected risk without a corresponding increase in expected return of the total pension funds.
- (d) The Investment Managers are expected to comply, at all times and in all respects, with the Code of Ethics and Standards of Professional Conduct as promulgated by the CFA Institute or internal guidelines if substantially equivalent.

5.04 Use of Derivatives

The Investment Managers may not normally use derivatives or engage in short sales. If an Investment Manager wishes to do so, they must obtain the prior written approval of the Commission.

5.05 Securities Lending

Securities lending activities may be carried out by the Custodian of the securities, after receiving Commission approval, when it is deemed that such lending may add to total fund returns at minimal risk.

5.06 Delegation of Voting Rights

The Investment Managers are delegated the responsibility of exercising all voting rights acquired as a result of the investments held by the pension funds. The Investment Managers will exercise acquired voting rights with the intent of fulfilling the investment objectives and policies established for the pension funds.

Following the end of each quarter, the Investment Managers will provide the Commission with a summary of all proxy voting matters faced during the quarter along with an indication of how the Investment Manager voted in respect of each matter. Should the Investment Managers vote against management of the particular investment, then the Investment Managers will provide the Commission with an explanation of their rationale for doing so. Except in the case of pooled fund investments, the Commission shall retain the right to give the Investment Managers specific direction in writing in advance of any voting right that may be exercised on its behalf.

If the Investment Managers, or any of their officers, have any direct or indirect pecuniary interest in any matter for which the fund has a right to vote, the concern must be brought to the attention of the Commission, which will, in line with the principles described in the preceding paragraph, either:

- (a) instruct the Investment Manager to exercise the voting right on the grounds that the relevant pecuniary interest is not material; or
- (b) instruct the Investment Manager how to cast the fund's vote.

Section 6. Asset Mix

The tables below describe the minimum, maximum and policy asset mixes (based on market values) for the Teachers' Superannuation Fund, excluding the Greystone shares. The asset mixes will be routinely revised to reflect the de-risking glidepath detailed in Appendix A. The Balanced Manager will implement the asset mix changes at each glidepath point, as the private equity program lacks the liquidity to actively manage the allocation. The policy ranges, minimums and maximums, are intended to provide the Balanced Manager with flexibility before and after each point in the glidepath.

6.01 Teachers' Superannuation Fund

- (a) Total Fund (effective July 1, 2016)

Asset Class	Policy Mix	Minimum	Maximum
Canadian Equities, Large Cap	5.0%	2.5%	7.5%
Canadian Equities, Small Cap	0%	0%	0%
<i>Total Canadian Equities</i>	<i>5.0%</i>	<i>2.5%</i>	<i>7.5%</i>
U.S. Equities, Large Cap (Unhedged)	2.5%	1%	5%
International Equities, Public and Private (Unhedged)	2.5%	0%	10%
<i>Total Foreign Equities</i>	<i>5.0%</i>	<i>1%</i>	<i>12.5%</i>
<i>Total Equities</i>	<i>10.0%</i>	<i>4.5%</i>	<i>20.0%</i>
Short Term	50%	40%	60%
Nominal Bonds	30%	20%	40%
<i>Total Fixed Income</i>	<i>80%</i>	<i>60%</i>	<i>85%</i>
Real Estate	10%	5%	20%

The Teachers' Superannuation Fund is currently split between the Balanced Fund Investment Manager and the Private Equity Investment Manager. The Investment Managers' asset mix constraints are as follows:

(b) Balanced Fund Investment Manager (effective July 1, 2016)

Asset Class	Policy Mix	Minimum	Maximum
Canadian Equities, Large Cap	5.5%	3.0%	8.0%
Canadian Equities, Small Cap	0%	0%	0%
Total Canadian Equities	5.5%	3.0%	8.0%
U.S. Equities, Large Cap (Unhedged)	2.5%	1%	5%
International Equities (Unhedged)	0%	0%	0%
Total Foreign Equities	2.5%	1%	5%
Total Equities	8.0%	4.0%	13.0%
Short Term	51%	40%	60%
Nominal Bonds	31%	25%	40%
Total Fixed Income	82%	65%	90%
Real Estate	10%	5%	20%

(c) Private Equity Investment Manager

Asset Class	Policy Mix	Minimum	Maximum
Private Equity	100%	100%	100%

The tables below describe the minimum, maximum and policy asset mixes (based on market values) for the Teachers' Voluntary Fund, effective March 1, 2006.

6.02 Teachers' Voluntary Fund

(a) Total Fund

Asset Class	Policy Mix	Minimum	Maximum
Canadian Equities	30%	10%	50%
Total Canadian Equities	30%	10%	50%
U.S. Equities (Unhedged)	5%	0%	10%
International Equities (Unhedged)	5%	0%	10%
Total Foreign Equities	10%	0%	20%
Total Equities	40%	15%	60%
Short Term	10%	0%	20%
Nominal Bonds	50%	30%	65%
Total Fixed Income	60%	40%	85%

The constraints for the Balanced Fund Investment Manager within the Teachers' Voluntary Fund are the same as the total fund constraints listed above.

Section 7. Performance Objectives

7.01 Long Term Fund Objectives

The long term investment objectives for the pension funds involve both absolute and relative objectives.

(a) Absolute Fund Objectives (to be measured over 10-year time periods)

The absolute objective is to achieve a total annual fund rate of return (net of Investment Manager fees) equal to the CPI for Canada, plus the following additional percentage for the designated pension fund:

- Teachers' Superannuation Fund 2.35%
- Teachers' Voluntary Fund 3.5%

(b) Relative Fund Objectives (to be measured over 4-year time periods)

The relative long term objective is to achieve a total fund rate of return in excess of the following benchmark portfolio for the designated pension fund over moving 4-year periods (net of Investment Manager fees):

i. Teachers' Superannuation Fund

- 5% Canadian equity (large cap) as measured by the S&P/TSX Capped Composite Total Return Index
- 0% Canadian equity (small cap) as measured by the S&P/TSX Small Cap Index
- 2.5% U.S. equity (large cap) as measured by the S&P 500 (Cdn\$) Total Return Index
- 2.5% International equity, including private equity, as measured by the MSCI EAFE (Cdn\$) Total Return Index
- 50% Short-term as measured by the FTSE TMX 91-Day T-Bill Total Return Index
- 30% Nominal bonds as measured by the FTSE TMX Universe Bond Total Return Index, and
- 10% Real estate as measured by the IPD Canadian Property Index.

The Total Fund objective is effective July 1, 2016. The objective is expected to change regularly as the Total Fund follows the de-risking glidepath found in Appendix A.

ii. Teachers' Voluntary Fund

- 30% Canadian equity as measured by the S&P/TSX Capped Composite Total Return Index
- 5% U.S. equity as measured by the S&P 500 (Cdn\$) Total Return Index
- 5% International equity as measured by the MSCI EAFE (Cdn\$) Total Return Index
- 50% Nominal Bonds as measured by the FTSE TMX Universe Bond Total Return Index, and
- 10% Cash as measured by the FTS TMX 91-Day T-Bill Total Return Index.

7.02 Manager Objectives

(a) Teachers' Superannuation Fund

- i. Balanced Fund Investment Manager: The objective for the Balanced Fund Investment Manager is to achieve a total fund rate of return in excess of the following benchmark portfolio over moving 4-year periods (net of Investment Manager fees):
 - 5.5% Canadian equity (large cap) as measured by the S&P/TSX Capped Composite Total Return Index,
 - 0% Canadian equity (small cap) as measured by the S&P/TSX SmallCap Index,
 - 2.5% U.S. equity (large cap) as measured by the S&P 500 (Cdn\$) Total Return Index,
 - 0% International equity as measured by the MSCI EAFE (Cdn\$) Total Return Index,
 - 51% Short-term as measured by the FTSE TMX 91-Day T-Bill Total Return Index,
 - 31% Nominal bonds as measured by the FTSE TMX Universe Bond Total Return Index, and
 - 10.0% Real estate as measured by the IPD Canadian Property Index.

The Balanced Fund objective is effective July 1, 2016. The objective is expected to change regularly as the Total Fund follows the de-risking glidepath found in Appendix A.

- ii. Private Equity Investment Manager: The primary objective for the Private Equity Investment Manager is to achieve a total fund rate of return (net of Investment Manager fees) in excess of the MSCI EAFE (Cdn\$) Total Return Index over moving 4-year periods.

The secondary objective for the Private Equity Investment Manager is to achieve a total fund rate of return (net of Investment Manager fees) greater than the Canadian CPI plus 5% over moving 4-year periods.

(b) Teachers' Voluntary Fund

- Balanced Fund Investment Manager: The objective for the Balanced Fund Investment Manager is to achieve a total fund rate of return in excess of the following benchmark portfolio over moving 4-year periods (gross of Investment Manager fees):
 - 30% Canadian equity as measured by the S&P/TSX Capped Composite Total Return Index,
 - 5% U.S. equity (unhedged) as measured by the S&P 500 (Cdn\$) Total Return Index,
 - 5% International equity (unhedged) as measured by the MSCI EAFE (Cdn\$) Total Return Index,
 - 10% Short-term as measured by the FTSE TMX 91-Day T-Bill Total Return Index, and
 - 50% Nominal bonds as measured by the FTSE TMX Universe Bond Total Return Index.

7.03 Asset Class Objectives

Although long term total fund performance is the primary investment criteria, performance on individual asset classes is also important. The performance expectation for each asset class is to exceed the return for that asset class as measured by the following indices over moving 4-year periods (net of Investment Manager fees):

Canadian Equities	
• Large Cap	S&P/TSX Capped Composite Total Return Index
• Small Cap	S&P/TSX Small Cap Index
Foreign Equities:	
• U.S. Equities, Large Cap	S&P 500 (Cdn\$) Total Return Index
• International Equities	MSCI EAFE (Cdn\$) Total Return Index
• Private Equity	MSCI EAFE (Cdn\$) Total Return Index and the Canadian CPI plus 5%
Bonds:	
• Universe Bonds	FTSE TMX Universe Bond Total Return Index
Short Term	
• Cash	FTSE TMX 91-Day T-Bill Total Return Index
Other	
• Real Estate	IPD Canadian Property Index

In addition, the returns of each asset class (gross of Investment Manager fees) should place in the top half of comparable pooled funds and segregated composites in a recognized survey over moving 4-year periods.

Section 8. Performance Evaluation

8.01 Frequency of Measurement

The performance of the Investment Managers shall be formally measured and evaluated by the Commission at least quarterly.

8.02 Type of Measurement

All absolute and relative measurement shall be based on market values using time weighted rates of return. The private equity performance shall use internal rate of return (IRR) as an additional measurement.

8.03 Measurement Period

(a) Long Term Objectives - Absolute

The long term absolute objective will be assessed over a 10-year period against the real return objective set in Section 7.01 (1).

(b) Long Term Objectives - Relative

The long term relative objectives will be assessed over 4-year moving periods using the 4-year moving average return for the pension funds and the designated benchmarks for comparative purposes.

(c) Analysis of Asset Mix Guidelines

The Commission will undertake an evaluation of the asset mix guidelines (policy and ranges) for each pension fund periodically, to determine if it has enhanced or limited investment performance and whether a change is warranted.

8.04 Private Equity and Real Estate

Regular performance measurement shall be based on the total assets of the pension fund.

However, the return on private equity and real estate shall be determined annually and shall meet the absolute long term objectives for the pension fund as well as the relevant asset class objectives outlined in Section 7.03.

Section 9. Conflict of Interest Policy and Disclosure Requirements

9.01 Individuals Governed by Guidelines

These guidelines apply to:

- (a) any member of the Commission;
- (b) the Investment Managers;
- (c) a Custodian;
- (d) an officer or employee of the Commission;
- (e) an administrator;
- (f) an actuary;
- (g) an asset consultant; or,
- (h) any employee or agent retained by those listed in (a) to (g) to provide services to the pension funds.

9.02 Conflict of Interest

Any person listed above must disclose any direct or indirect association or material interest or involvement in aspects related to such person's role with regard to the pension funds investments that would result in any potential or actual conflict of interest.

Without limiting the generality of the foregoing, this would include benefit from any asset held as part of the assets of the pension funds, or any significant holdings, or membership on the boards of other corporations, or any actual or proposed contracts.

9.03 Procedure on Disclosure

Any persons listed in Section 9.01 shall disclose the nature and extent of their conflict to the Commission Chairperson in writing, or request to have entered into the minutes of the meeting of the Commission at the earliest of:

- (a) upon first becoming aware of the conflict;
- (b) at the first meeting in which the matter in issue is discussed;
- (c) at the first meeting in which the person knows or ought to have known that the person has an interest in the matter discussed.

For the purposes of (b) above, the disclosure must be made orally if knowledge of the conflict arises in the course of a discussion at the meeting. If the party in conflict is the Chairperson, disclosure should be made to the rest of the Commission. If the party does not have voting power on decisions affecting the pension funds, the party may elect not to participate in the activities related to the issue in conflict, or may continue such activities with the approval of the Commission.

If the party disclosing the conflict does have voting power, the party may continue in activities in respect to the issue in conflict only with the unanimous approval of the other parties with voting rights. In this situation, the party may elect not to participate with respect to the issue in conflict, but must not participate without the unanimous approval of the remaining parties. The notification made by the party shall be considered a continuing disclosure on that issue, subject to any future notification by the party, for the purpose of the obligations outlined by these guidelines.

Section 10. Related Party Transactions

10.01 The Commission may enter into a transaction with a related party on behalf of the pension funds if:

- (a) the transaction is required for the operation or administration of the pension funds;
- (b) the terms and conditions of the transaction are not less favourable to the pension funds than market terms and conditions; or
- (c) The investment is exempted under Section 17 of Schedule III of the Pension Benefits Standards Regulations.

10.02 The Commission may enter into a transaction with a related party on behalf of the pension funds if the value of the transaction is nominal or the transaction is immaterial to the pension funds. In assessing whether the value of a transaction is nominal or whether a transaction is immaterial, two or more transactions with the same related party shall be considered as a single transaction.

Section 11. Valuation of Securities not Regularly Traded

11.01 Securities not regularly traded should be valued periodically in accordance with the valuation policies established by the Investment Managers provided that they are consistent with standard industry practices and have been reviewed by the Commission.

Section 12. Policy Violations

12.01 In the event that an Investment Manager is in material violation of this Policy, the Manager is required to advise the Executive Director immediately via a phone call. Should the violation be more than a temporary issue, the Manager is required to provide a written communication to the Executive Director detailing the nature of the non-compliance and recommending an appropriate course of action to remedy the situation.

Appendix A – De-risking Glidepath

The asset mix of the Total Fund will follow the glidepath detailed below. The corresponding Balanced Fund asset mix will be reviewed regularly, and revised as necessary, to account for the Total Fund circumstances at each point in the glidepath. Specifically, consideration as to the holdings in Greystone shares and international private equity will influence the Balanced Fund policy asset mix and ranges.

De-Risking Glidepath Portfolios												
Implementation Date	1-Jul-12	1-Jul-13	1-Jul-14	1-Jul-15	1-Jul-16	1-Jul-18	1-Jul-19	1-Jul-21	1-Jul-22	1-Jul-23	1-Jul-24	1-Jul-25
Short-term Investments	5.0%	10.0%	20.0%	35.0%	50.0%	65.0%	50.0%	35.0%	20.0%	10.0%	0.0%	0.0%
Universe Bonds	50.0%	55.0%	50.0%	40.0%	30.0%	20.0%	30.0%	40.0%	50.0%	55.0%	55.0%	40.0%
Canadian Equities	10.0%	7.5%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	7.5%	10.0%	15.0%
Canadian Small Cap Equities	2.5%	2.5%	2.5%	0.0%	0.0%	0.0%	0.0%	0.0%	2.5%	2.5%	2.5%	5.0%
U.S. Equities	10.0%	5.0%	5.0%	2.5%	2.5%	2.5%	2.5%	2.5%	5.0%	5.0%	10.0%	15.0%
International Equities	7.5%	5.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	5.0%	7.5%	10.0%
Real Estate	15.0%	15.0%	15.0%	15.0%	10.0%	5.0%	10.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Total Fixed Income	55%	65%	70%	75%	80%	85%	80%	75%	70%	65%	55%	40%
Total Equities	30%	20%	15%	10%	10%	10%	10%	10%	15%	20%	30%	45%
Total Alternatives	15%	15%	15%	15%	10%	5%	10%	15%	15%	15%	15%	15%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%