

COLLEGE PENSION  
PLAN

STATEMENT OF  
INVESTMENT  
POLICIES AND  
PROCEDURES

As Amended: October 1, 2024

## TABLE OF CONTENTS

Section 1: Overview / Purpose .....	2
Section 2: Plan Structure and Funding / Plan Description .....	3
Section 3: Plan Governance.....	4
Section 4: Asset Allocation and Eligible Investments .....	6
Section 5: Asset Class Policies .....	8
Section 6: Use of Derivative Instruments .....	11
Section 7: Use of Leverage and Permitted Borrowing.....	12
Section 8: Performance Objectives and Reporting.....	13
Section 9: Risk Management .....	16
Section 10: Valuation of Assets.....	17
Section 11: Responsible Investing and Voting Rights .....	17
Section 12: Conflict of Interest and Code of Ethics .....	18
Section 13: Implementation.....	19

## APPENDICES

Appendix A: Participating Pooled Funds

Appendix B: Asset Class Policies – Legislative Constraints

Appendix C: Investment Beliefs

## Section 1: Overview / Purpose

- 1.1 The purposes of this Statement of Investment Policies and Procedures (the “Statement” or “SIPP”) are:
- (i) To ensure compliance with the British Columbia *Pension Benefits Standards Act*, as amended from time to time or replaced (“PBSA”), the *Pension Benefits Standards Regulation* (“PBSR”), which requires a written statement of investment policies and procedures, as well as the *Income Tax Act*.
  - (ii) To set investment guidelines and direction for the British Columbia Investment Management Corporation (“BCI”) that are consistent with the investment policies and objectives established by the College Pension Board of Trustees (the “Board”) for the College Pension Plan (the “Plan”).
  - (iii) To provide objectives, policies and principles for the management of the assets of the College Pension Fund (the “Fund”).
  - (iv) To set forth investment performance objectives and other criteria to be used by the Board to review and evaluate the investment results of the Fund.
- 1.2 The Plan is continued and maintained under the College Pension Plan Joint Trust Agreement (“JTA”), and the College Pension Plan Rules (the “Rules”). The purpose of the Plan is to provide pension benefits to plan members in accordance with the benefit provisions of the JTA and the Rules.
- 1.3 The Board is responsible for the administration of the Plan and of this Statement. The members of the Board are the trustees of the Plan and the Fund.
- 1.4 The Board is responsible for ensuring that all investments of the Fund are managed prudently and in accordance with the PBSA, the PBSR, the *Income Tax Act* and this Statement.
- 1.5 The Board has adopted this Statement after considering the benefit obligations of the Plan and the risk profile that the Board believes to be appropriate and the maturity of the Plan.

Due to the maturity of the Plan, the Board is more risk averse than it would be for a less mature plan.

- 1.6 The Board will review and confirm or amend this Statement at least annually, but it can be amended at any time by a Board resolution.
- 1.7 BCI is required to have more detailed investment policies and procedures that detail their specific mandate, and they will acknowledge that the policies and procedures of the pooled funds the Plan participates in conform to this Statement.

***Section 2: Plan Structure and Funding / Plan Description***

- 2.1 The Plan is a defined benefit final average earnings pension plan with contingent inflation adjustments. It is funded by Plan member and employer contributions. Benefit entitlement is based on the provisions of the JTA and the Plan Rules.

The Plan is not subject to solvency tests but is required to meet the going concern funding requirements of the PBSA as these requirements existed prior to December 31, 2019.

- 2.2 The Plan Rules establish four accounts for the Plan: a Basic Account, an Inflation Adjustment Account, a Supplemental Benefits Account, and a Retirement Annuity Account.
  - 2.2.1 The “Basic Account” provides the non-indexed portion of the pension, based on the provisions in the JTA and the Rules.
  - 2.2.2 The “Inflation Adjustment Account” was established in 1982 and provides cost of living increases for retired members. This is not a guaranteed benefit and is subject to availability of funds in the Inflation Adjustment Account. The Inflation Adjustment Account is funded through a portion of ongoing contributions from employers and members, from investment income earned on its own assets, and from excess interest earnings on those assets in the Basic Account that fund the current retirees’ pensions. The adjustments are based on the annual average increase in the Consumer Price Index (“CPI”), and to ensure the sustainability of cost-of-living protection, are subject to a cap determined by the plan actuary.
  - 2.2.3 The “Supplemental Benefits Account” has not been addressed by this Statement because it does not hold any investment funds.
  - 2.2.4 The “Retirement Annuity Account” is not addressed by this Statement as it does not hold any investment funds.

### **Section 3: Plan Governance**

- 3.1 In accordance with the JTA, the Board has at least 10 members with equal representation from Plan members and the employers.
- 3.2 The Board is responsible for the administration of the Plan and the management of the Fund. Specifically, the Board has the responsibility to establish a written statement of the investment policies and procedures. The Board has a legal obligation to act in the best financial interest of the beneficiaries of the trust and exercise a high standard of care in protecting the Fund and its assets.
- 3.3 BCI and the Plan Administrative Agent (British Columbia Pension Corporation) are agents of the Board. They must act in accordance with the direction and policies of the Board, subject to their fiduciary duty to the Plan beneficiaries.
- 3.4 The Board meets quarterly with BCI to review performance and discuss investment issues. In addition, the Board appoints trustee members to the Interplan Investment Committee which meets with BCI at least three times per year, and there are from time to time ad hoc meetings between the Board and BCI to pursue investment issues.

The reports set out in Section 8 are reviewed by the Board or committee of the Board.

As provided in Section 1.6, the Board performs an annual review and updating of its Statement.

At least once every three years the Board, with professional support from BCI, conducts an Asset-Liability Review. This process includes a review of investment objectives and risks, and determines the asset allocation framework for the next period.

The Board considers BCI performance annually as part of its Governance Review process.

The Board has conducted a comprehensive Risk Management Review, which included an assessment of BCI's risk management activities. This review will be revisited annually, and a comprehensive Risk Management Review will be undertaken periodically.

- 3.5 The Fund is managed by BCI and other investment management firms contracted through BCI. In all cases, BCI and other investment managers will comply with this Statement, their internal policies, as well as the

relevant laws and regulations governing pension fund management in the respective jurisdiction.

3.6 The following outlines the roles and responsibilities of parties involved with the Plan:

BCI:

- is an agent of the Board and is responsible for day-to-day investment management of the Fund;
- ensures the Fund is managed in accordance with this Statement and the directions of the Board;
- hires and manages contract arrangements with the Custodian and other external providers of related services (e.g., external managers, data service providers, etc.) on behalf of the Board and as trustee of pooled funds. BCI's oversight of external public equity managers includes their hiring, monitoring and termination. Oversight of external public equity managers includes an analysis of results, processes, organizational changes, and client needs. Legal obligations are set out in BCI's Investment Management Agreements with each external equity manager;
- is responsible for fulfilling all reporting requirements outlined in Section 8 of the Statement; and
- has a role that goes beyond that of a typical fund manager, effectively functioning as the Board's internal investment staff. This is set out in greater detail in the Board's Funds Investment and Management Agreement with BCI.

Custodian:

- is responsible for fulfilling all their duties as outlined in their service agreement with BCI; and
- fulfills the regular duties of a Custodian as required by law.

Auditor:

- audits the Plan's financial statements in accordance with existing legislation and Canadian Accounting Standards; and
- provides an opinion on the financial statements.

Actuary:

- is responsible for assessing the financial status of the Plan, including the adequacy of contribution rates; and
- fulfills the regular duties of an Actuary as required by law.

British Columbia Pension Corporation ("Pension Corporation"):

- is an agent of the Board and is responsible for ensuring contributions and payments are made in accordance with the Rules;

- prepares financial statements, annual reports, and other Plan documents;
- establishes and manages contracts with external administrative service providers on behalf of the Board; and
- has a role that goes beyond that of a typical administrative agent, effectively functioning as the Board's internal staff. This is set out in greater detail in the Board's Service Agreement with Pension Corporation.

## **Section 4: Asset Allocation and Eligible Investments**

- 4.1 Meeting the pension benefits promise is the primary objective of the Board. Stabilizing the contribution rates for members and employers and providing sustainable cost of living increases are additional objectives of the Board. The Board's risk appetite is expressed through its investment objectives and corresponding risk tolerance levels. To achieve these objectives, the Board has adopted the following long-term asset mix and allowable ranges in Section 4.2.
- 4.1.1 Policy asset allocation is set by the Board and establishes the general framework for managing the Fund. This includes determining ranges for the debt and equity portions of the portfolio, as well as general ranges for individual asset classes (e.g., bonds). Policy asset allocation also establishes the amount of discretion provided to BCI and establishes the total Fund market benchmark.
- 4.1.2 Tactical asset allocation focuses on short-term conditions and attempts to increase investment return through opportunistic shifts in the portfolio's asset class weighting. Tactical asset allocation decisions depend on shorter-term market conditions and, as such, are delegated to BCI. However, these asset allocation shifts must be within the policy ranges specified by the Board in this Statement. Asset mix rebalancing is useful to ensure the Fund's desired risk exposure is maintained over the long term.
- 4.1.3 The Board identified the following risk tolerance levels during the Asset-Liability Review completed in 2023:
- A basic account contribution increase of no more than 1%; and
  - Provide sufficient liquidity to enable the Plan to meet all its obligations as they become due, with a target Liquidity Coverage Ratio ("LCR")<sup>1</sup> of at least 15 months.

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<sup>1</sup> The Liquidity Coverage Ratio represents the ratio of liquidity supply over demand and measures the ability to fulfill payment obligations over the following year, under the assumption of stressed market conditions. It is expressed in months.

4.2 Policy asset mix, policy ranges and benchmarks for the Fund, effective January 1, 2024, are:

Asset Class <sup>1</sup>	Policy Range (%)		Long-Term Policy Asset Mix (%)	Benchmarks
	Min	Max		
Short Term <sup>2</sup>	0	7	2	50% FTSE Canada 91 Day T-Bill Index, plus 50% ICE BofA US 3-month T-Bill Index
Government Bonds	10	26	18	FTSE Canada All Government Bond Index
Corporate Bonds	4	10	7	50% BofAML US Corporate Index (Hedged), plus 50% BofAML BB-B US Cash Pay High Yield Constrained Index (Hedged)
Private Debt <sup>3</sup>	4	10	7	S&P/LSTA US Leveraged Loan 100 Index (Hedged)
Real Estate Debt <sup>3</sup>	1	8	5	50% 1-3 year BofAML US Corporate Index (Hedged), plus 50% 1-3 year BofAML BB-B US Cash Pay High Yield Constrained Index (Hedged) + 25bps
<b>Fixed Income Sub-total</b>	<b>31</b>	<b>47</b>	<b>39</b>	
Canadian Equities	0	6	3	S&P/TSX Composite Index
Global Equities <sup>4</sup>	5	25	15	MSCI World ex-Canada Net Index
Emerging Market Equities <sup>5</sup>	2	10	5	MSCI Emerging Markets Net Index
Private Equity <sup>3,6</sup>	11	21	16	MSCI All Country World Net Index + 200bps
<b>Equity Sub-total</b>	<b>29</b>	<b>51</b>	<b>39</b>	
Real Estate <sup>3</sup>	11	22	17	Nominal Cost of Capital of 6.8%
Infrastructure and Renewable Resources <sup>3,6</sup>	8	18	15	Nominal Cost of Capital of 6.5%
<b>Real Assets Sub-total</b>	<b>22</b>	<b>40</b>	<b>32</b>	
Other <sup>7</sup>	0	5	0	n/a
<b>Sub Total</b>	<b>100</b>	<b>115</b>	<b>110</b>	
Portfolio Leverage <sup>8</sup>	0	-15	-10	
<b>Total Portfolio</b>	<b>100</b>	<b>100</b>	<b>100</b>	

Table Notes:

- 1 Refer to the Participating Pooled Funds table (Appendix A) for asset classification by pool.
- 2 For performance measurement purposes, the benchmark proportion within the asset class will be set to actual due to the phased implementation of private market assets.
- 3 Due to the illiquid nature of these assets, the upper limit may be exceeded on a temporary basis. BCI will use cashflow to rebalance as soon as is practical.
- 4 Global equities may include exposure to Canada and emerging markets.
- 5 Emerging market equities may include exposure to developed markets.
- 6 In addition to equity, investments may include debt (other than that held in the private debt strategy).
- 7 "Other" includes strategies or investments specifically approved by the Board that do not correspond to the listed asset classes. Refer to Appendix A.
- 8 Assets held within the Funding Program will be benchmarked against their respective asset class benchmarks.

- 4.3 The Board recognizes that an appropriate implementation period is required to transition to the new policy asset mix identified in Section 4.2. This implementation timeframe is reflected in Section 8.4 for the purpose of the performance measurement framework.
- 4.4 If any liquid asset class moves outside of its policy range at any time, BCI shall notify the Board of the breach at or before the next meeting of the Board, and outline the steps taken to bring the Fund's asset mix back into compliance.
- 4.5 The Fund may be invested in the pooled funds listed in Appendix A, segregated funds, mutual funds, unit trusts, limited partnerships and similar vehicles, provided that they conform to this Statement. Despite any other provision of the SIPP, the Board agrees to participate in the Principal Credit Fund and the Global Partnership Fund. Investment in the absolute return, direct investment and co-investment portions of the Global Partnership Fund are not to exceed 5% of the Fund, with this threshold to be reviewed annually by the Board.
- 4.6 The Fund may loan its securities, or participate in pooled funds that lend securities provided that:
- the securities lending agent provides an indemnity for losses relating to a borrower failing to return securities on loan;
  - lent securities are indemnified by the securities lending agent;
  - the loan and collateral are valued daily on a "mark-to-market" basis;
  - the collateral consists of highly liquid and marketable securities under normal market conditions; and
  - the loans meet the terms and conditions of BCI's Securities Lending Program.
- 4.7 The total asset mix may sum to greater than 100 per cent as a result of the inclusion of leverage at the Fund level. For performance measurement purposes the liability benchmark is equal to the realized cost of financing such liabilities.

### **Section 5: Asset Class Policies**

The following asset classes are permitted to be held in the Fund, subject to the investment policies established below for each asset class and the constraints imposed by the PBSA, the PBSR and the *Income Tax Act*, as outlined in Appendix B.

## 5.1 **Short-Term Policies**

- 5.1.1 Short-term includes money market instruments and bonds with a term to maturity of 15 months or less, unless it is a callable bond which has a high probability of being called within 15 months.
- 5.1.2 Corporate money market securities should be rated A-1 (Low) or better by Standard & Poor's ("S&P") or have an equivalent rating from another credit rating agency.
- 5.1.3 Short-term corporate bonds should be rated A- or higher by S&P or have an equivalent rating from another credit rating agency.
- 5.1.4 Up to 1 percent of short-term holdings can be in non-rated debt issued by financial institutions (e.g., credit unions).

## 5.2 **Government Bonds, Corporate Bonds and Private Debt Policies**

- 5.2.1 Government Bonds include fixed income securities issued or guaranteed by the Government of Canada, Canadian provinces or municipalities, Canadian government-related entities, or the Government of the United States, and Canadian dollar denominated fixed income securities issued or guaranteed by sovereign governments or supranational entities.

Corporate Bonds and Private Debt shall consist of, without limitation, international and domestic corporate bonds, convertible bonds, equities, senior and subordinated debt, private debt, asset-backed commercial paper and securities, exchange traded funds, and fixed income derivatives (e.g., futures, options, swaps).

Equity securities in the Principal Credit Fund derived from the conversion of fixed income securities or related derivatives will immediately be reviewed to determine whether to sell the security immediately or hold to sell at a more appropriate time.

- 5.2.2 Publicly traded fixed income securities from issuers, other than securities issued by governments within Canada and securities held within the Corporate Bond Fund or Principal Credit Fund, when purchased must be rated BBB- or higher by S&P or have an equivalent credit rating from another credit rating agency. If any such holdings are downgraded to below a BBB- rating, BCI shall immediately review the downgraded security and determine whether to sell this security immediately or hold to sell at a more appropriate time.

- 5.2.3 The Government Bond Fund and the Short Term Bond Fund must be managed within  $\pm$  20 percent of the duration of their respective performance benchmarks.

### 5.3 ***Real Estate Debt Policies***

- 5.3.1 The real estate debt portfolio will consist of a broad range of mortgage products, diversified by geographic location, type of mortgage, size of mortgage, and type of real estate. It may include direct mortgage loans and mortgage instruments (e.g., mortgage bonds) as well as real estate loans, real estate-related debt and equity investments, and equity interest in QuadReal. The aggregate exposure to equity investments of all participants in the BCI QuadReal Real Estate Debt Program (not including an equity interest in QuadReal) including preferred equity, and Structured Securities with a Structured Finance rating below BBB- by Standard & Poor's or an equivalent Structured Finance credit rating from another credit rating agency, may not exceed five percent of the net asset value of such program. All mortgage loans must be eligible investments under the PBSA and PBSR.
- 5.3.2 No debt will be assumed or created if, as a result, the Leverage Ratio would exceed 40 percent of the gross asset value of the BCI QuadReal Real Estate Debt Program.

### 5.4 ***Public Equity Policies***

- 5.4.1 Equity investments consist of common and preferred shares, common stock equivalents, income trusts, exchange traded funds, depository receipts, and equity derivatives (e.g., futures, options, equity swaps).
- 5.4.2 Investments in equity private placements are permitted as part of the public equity allocation policy limits as set out in Section 4.2.

### 5.5 ***Private Equity Policies***

- 5.5.1 Private equity investments will typically consist of long-term debt or equity investments that are made primarily outside of the public market. These are long-term commitments made on behalf of the Fund.

**5.6 Real Estate Policies**

- 5.6.1 Real estate equity investments consist of direct real estate holdings, units in real estate pooled funds, and real estate securities including trust units, shares in real estate companies, and debt.
- 5.6.2 Real estate equity investments will be well diversified by property type, property location, and property risk.
- 5.6.3 No debt will be assumed or created if, as a result, it caused the debt to market value of the real estate equity portfolio to exceed 55 percent.

**5.7 Infrastructure and Renewable Resources Policies**

- 5.7.1 Infrastructure and Renewable Resource investments consist of tangible long-life assets with potential for strong cash flows and favourable risk-return characteristics that provide an attractive match with pension liabilities.
- 5.7.2 Infrastructure investments typically include physical assets that provide essential services such as utilities and transportation systems.
- 5.7.3 Renewable Resource investments will typically consist of timberland, farmland, and energy production assets such as wind and solar.

**Section 6: Use of Derivative Instruments**

- 6.1 The use of derivatives is only permitted for the following purposes:
  - (i) Synthetic Indexing – Passively investing in an attempt to replicate the returns of an index.
  - (ii) Risk Control – Managing interest rate, equity, credit, currency, legal or tax risk through the use of hedging strategies.
  - (iii) Lower Transaction Costs and Liquidity Management – Reducing the transaction costs on trading, custody and brokerage costs through use of index futures or substituting one combination of securities for another with the same net exposure to market variables for the purposes of exploiting pricing inefficiencies.

- (iv) Asset Mix Shifts – Reduce market movement and transaction costs of shifting asset weights or rebalancing by allowing instantaneous implementation of the shift through derivatives.
  - (v) Their use through participation in the Global Quantitative Active Equity Fund, The Funding Program and the Global Partnership Fund.
- 6.2 All derivative uses are to be structured to ensure that the aggregate amount of market exposure of the Fund does not increase as a result of derivative transactions, except as expressly permitted by the Pooled Fund Product Descriptions for the Global Quantitative Active Equity Fund, The Funding Program and the Global Partnership Fund.
- 6.3 Derivatives include: forward contracts, futures, options, and swaps. The above derivatives can have equities, fixed income, interest rates, and currencies as underlying instruments.
- 6.4 When entering into a new Over-the-Counter (“OTC”)<sup>2</sup> derivatives transaction, BCI’s direct Derivatives Counterparties must be financial institutions rated “A-“ or higher by Standard & Poor’s or have an equivalent credit rating from another credit rating agency. Notwithstanding the restriction above, new OTC derivatives transactions with a downgraded (below A-) Counterparty are permitted if such transactions would fully or partially offset an existing exposure with the Counterparty, leading to a reduction in BCI’s net exposure.
- 6.5 The use of any additional derivative products other than that stated above will require the prior written consent of the Board.

### ***Section 7: Use of Leverage<sup>3</sup> and Permitted Borrowing***

- 7.1 Leverage may be used for the purpose of managing risk and/or returns. Leverage magnifies actual returns beyond those experienced by the underlying securities, both on the upside and downside.
- 7.2 The use of leverage involves borrowing against assets to make additional purchases.
- 7.3 Leverage may be employed at the Fund level and within pooled funds as consistent with BCI’s pooled fund policies.

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<sup>2</sup> Over-the-Counter derivatives (or OTC derivatives) are derivatives contracts that are traded directly between BCI and derivatives counterparties without going through a central clearing counterparty, exchanges, or any other intermediary.

<sup>3</sup> **Asset mix leverage:** the leverage created through the funding program pool. **Funding leverage:** the leverage created through the funding program pool and the recourse debt related to the pooled funds.

- 7.4 Borrowing is permissible if supported, or covered, by appropriate liquid assets.
- 7.5 The Fund's use of leverage may result in commitments for which the Fund could retain liability even upon withdrawal, within pooled funds as consistent with BCI's pooled fund policies.
- 7.6 BCI may use longer-term borrowing to achieve clients' desired leverage. Due to the illiquid nature of some of these instruments, asset class policy limits may be breached on a temporary basis. BCI will rebalance as soon as is reasonably practical.

### **Section 8: Performance Objectives and Reporting**

- 8.1 The long-term (30 years) investment objective of the Fund is to meet or exceed, net of all expenses incurred in the investment process:
- (i) the annual rates of return used in the actuarial report (CPI + 3.5 percent and 6.00 percent nominal); and
  - (ii) the benchmark portfolio's rate of return, which is the rate of return that would have been achieved if the Fund had held its policy asset mix and each asset class had earned the return of their respective benchmark as outlined in Section 4.2.
- 8.2 The volatility of the Fund's rate of return over 5-year periods, as measured by standard deviation, is expected to be less than the volatility of the benchmark portfolio's rate of return.
- 8.3 The primary investment return objective of individual asset classes is for the rate of return, net of all expenses incurred in the investment process, to meet or exceed the respective benchmarks over 5-year periods. Certain asset classes such as real estate, private equity, infrastructure, and renewable resources do not lend themselves to good market indices, and it is more appropriate to evaluate their performance over longer periods such as 10 years. The benchmarks used for each asset class are listed in Section 4.2.

The overall long-term strategic asset mix includes leverage, investments in private markets and investments in public markets with limited liquidity. The Board recognizes that an appropriate implementation period is required to transition to the strategic asset mix and to implement the long-term allocations.

As a temporary measure, during this transition phase, private market assets will increase incrementally each year and public market assets will

have temporary offsetting higher allocations. During this time the minimum and maximum ranges around the asset classes may be wider to facilitate the transition to the strategic mix. When the transition to the strategic mix is completed, or near completion, the ranges around the benchmark weights may be reduced.

The Board will provide BCI with an approved benchmark transition framework effective January 1, 2024.

- 8.4 The returns of the Fund are calculated using market values derived from independent pricing sources. Returns are time-weighted so that cash flows have a minimal effect on return numbers. All income is included on an accrued basis. Return calculations are in accordance with industry standards. This includes using internal rates of return for private equity and similar type investments.
- 8.5 The return from foreign benchmarks applicable to asset classes will be calculated in Canadian dollar terms on an unhedged basis.
- 8.6 BCI will provide the Board with reports on the performance of the Fund as at March 31, June 30, August 31, and December 31. These reports will include the following information:
- net cash flows;
  - Fund values;
  - investment returns for the total Fund and individual pooled funds as well as all stated benchmarks;
  - portfolio leverage;
  - signed compliance certificate confirming compliance with this Statement;
  - key changes in investment personnel;
  - investment strategy for the next quarter; and
  - investment management fees (including external manager fees, custodial, legal, and audit fees).

The compliance certificate will report any breaches of this Statement as well as any material breaches of BCI's internal pooled fund policies.

- 8.7 The Board will compare the pooled fund's investment performance relative to the appropriate benchmark, and where appropriate will compare actively managed pooled fund returns to the stated objectives outlined in the product descriptions. The performance objective represents an expected return above the benchmark driven by investment decisions that deviate from the index. In addition, the Board will compare actively managed asset classes to a universe of managers with similar mandates, at least once a year. It is recognized that manager universe comparisons

- must be interpreted with caution as there can be key differences in the nature of the portfolios (e.g., size) included in the universe. BCI will advise the Board quarterly of the portion of total public equities and of each equity asset class that are managed under active, indexed, and enhanced indexed strategies. BCI will advise the Board quarterly of the return of each equity asset class relative to its policy benchmark.
- 8.8 Once a year, BCI will provide a more comprehensive report outlining the performance of the Fund. This annual review will include an attribution analysis. Attribution analysis quantifies the impact of specific active management decisions (including security selection and tactical asset allocation) for the Fund relative to its benchmark. The report will also include a comparison of the volatility of the Fund's rate of return over a 5-year period, as measured by standard deviation, against the volatility of the benchmark portfolio's rate of return.
- 8.9 BCI will advise the Board quarterly of the diversification of the real estate equity, real estate debt and private equity pools in which the Fund participates.
- 8.10 The Pooled Fund Product Descriptions provide a detailed explanation of the valuation of each investment. Any material change to the Pooled Fund Product Descriptions is reported to the Boards.
- 8.11 Notwithstanding Section 8.6, real estate equity may not be valued quarterly due to cost and complexity of valuation. At least once a year BCI will provide the Board with a report on the real estate programs in which the Fund participates.
- 8.12 Notwithstanding Section 8.6, Private Equity, Infrastructure, and Renewable Resources investment programs are valued less frequently than liquid assets due to the cost and complexity of valuation. At least once a year, BCI shall provide the Board with a report examining the performance of the pools in which the Fund participates.
- 8.13 BCI will inform the Board of any substantial change in the investment policy underlying any pooled fund in which the Fund is invested.
- 8.14 BCI will report to the Board on any changes to its securities lending policies.
- 8.15 The Board shall monitor BCI's performance and, if necessary, take steps as deemed appropriate to address any concerns. Concerns may include, but are not limited to, the following:
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- performance results, which over a reasonable period of time, are below the objectives stated in Section 8;
- changes to BCI's or a sub-advisor's organization, investment personnel, or investment process, which might adversely affect the performance of the Fund;
- legal or regulatory proceedings against BCI or a sub-advisor; and/or
- failure to adhere to this Statement.

## **Section 9: Risk Management**

- 9.1 The Plan's investment strategy should be developed to achieve the objectives outlined in the SIPP, while minimizing the likelihood that the associated risk tolerances are breached.

Risks to these objectives include economic and demographic factors, and a variety of investment risks (e.g., asset returns; market, liquidity, credit, currency, counterparty, and concentration risk; leverage). The primary tool for managing these risks over the medium to long term is the Asset-Liability Review, which considers the following in setting the investment strategy:

- The Plan's characteristics and circumstances (e.g., liability profile, funding policy, demographics);
- The Plan's investment objectives and risks; and,
- Capital market expectations.

Over the short to medium term, investment risks are managed per BCI's investment risk management framework, which includes the following elements:

- Integrated governance approach;
- Assignment of roles and responsibilities;
- Definition of key investment risks; and,
- Associated measurement, monitoring, and reporting.

- 9.2 The Board or Pension Corporation will inform BCI at least annually of anticipated liquidity requirements. The Fund will maintain sufficient liquidity to meet its financial obligations as they come due. Temporary overdraft is permitted, for day-to-day portfolio and cash management purposes, if it is considered to be in the best financial interest of the Fund. In the event that a prolonged overdraft (i.e. beyond day-to-day portfolio and cash management purposes) is experienced in the Fund, BCI will report details to the Board at its next meeting.

## **Section 10: Valuation of Assets**

- 10.1 As a general rule, all investments should be priced based on external sources on an ongoing basis. However, in some cases, obtaining on-going market pricing may be prohibitively expensive (e.g., certain illiquid investments such as real estate and private equity). These assets will be valued less frequently, but at a minimum, at least once a year.
- 10.2 Any assets that cannot be marked-to-market on a regular basis (e.g., real estate and private equity) shall have their value determined in accordance with the valuation policies established by the managers, in accordance with standard industry practices. These values will be reviewed by BCI.

## **Section 11: Responsible Investing and Voting Rights**

- 11.1 At all times, this policy will be conducted within the framework of fiduciary responsibility. It will therefore be implemented in a manner which does not interfere with the efficient investment of the Fund to achieve investment return objectives, which are in the best financial interests of the Plan's current and future beneficiaries.
- 11.2 Pursuant to the Board's investment beliefs and subject to Section 11.1, favourable consideration is to be given by BCI and its investment managers to investment opportunities in corporations that meet or exceed all environmental regulations and aspire to reduce the impact of their operations on the environment, apply best practices for corporate governance, adopt good standards of safety and employee welfare, and are responsible in their operations by effectively managing relationships with suppliers, customers and communities.
- 11.3 In keeping with the Board's fiduciary responsibilities and framework, the Board believes that environmental, social, and corporate governance ("ESG") issues can affect investment performance to varying degrees across companies, sectors, regions, asset classes and through time. In this regard, the Board supports the UN-led Principles for Responsible Investment, introduced in April 2006 (<http://www.unpri.org/principles/>). By applying these principles, the Board recognizes that effective research, analysis and evaluation of ESG issues is a fundamental part of assessing the value and performance of an investment over the long term.
- 11.4 It is recognized that BCI is a signatory to the UN-led Principles for Responsible Investing, and as such, is expected to follow the organization's principles.

- 11.5 The Board delegates its voting rights to BCI and instructs BCI to act in the best financial interests of the Fund. In addition to proxy voting, BCI uses shareholder engagement (which includes constructive dialogue and all regulatory submissions) to encourage companies to focus on long-term value creation by effectively managing ESG risks that may emerge over time and materially affect the valuation of the company and/or asset. As an active and engaged investor, BCI expects and encourages the companies within its portfolio to comply with the laws of the jurisdiction within which they operate; aspire to align their practices and adhere to international standards; apply best practices for corporate governance and be transparent about their practices, risks, and opportunities; meet all environmental regulations and seek to reduce their operational impact on the environment; and, be responsible in their operations, adopt good standards of occupational health & safety, and effectively manage stakeholder relationships. BCI's engagement activities are based on strategic ESG priorities and, as a result, ESG matters are addressed to the extent that they influence risk and return.
- 11.6 At least once per year, BCI will provide the Board with the following:
- copies of its corporate governance guidelines;
  - updates on BCI's views with respect to ESG issues; and
  - details regarding any changes that were made to its shareholder engagement guidelines or proxy voting guidelines.
- 11.7 At least once per year, the Board will review BCI's voting record and shareholder initiatives.

## **Section 12: Conflict of Interest and Code of Ethics**

### 12.1 BCI's Code of Ethics and Professional Conduct

BCI and all BCI officers and employees (the "Covered Parties") are subject to [BCI's Code of Ethics and Professional Conduct](#) (the "BCI Code"). The BCI Code establishes standards that are at least as stringent as the CFA Institute's Asset Manager Code of Professional Conduct. The BCI Code includes a comprehensive and thorough conflict of interest policy (i) prohibiting Covered Parties from using their knowledge of the Fund's investments, or of investment decisions made on behalf of the Fund, to benefit anyone other than the Fund, and (ii) requiring Covered Parties to make disclosure if they, or any person over whom they have influence, may be reasonably thought to materially benefit by an investment of the Fund or by an investment decision made on behalf of the Fund. An example of such a material benefit would be if an employee owned, or had a significant financial interest in, real estate property that

was acquired on behalf of the Fund. BCI will advise the Board of any material changes to the BCI Code.

## 12.2 Procedure on Disclosure of Conflict of Interest

Covered Parties are required to report any actual or perceived conflict of interest to BCI's Compliance Department. To protect the integrity of any ongoing conflict of interest investigation, BCI will make disclosure to the Chair of the Board promptly upon completion of its internal compliance investigation. This practice is consistent with the standard employed by BCI when reporting conflict of interest matters to its board of directors. Disclosure by BCI should also be made at the first Board meeting following disclosure to the Chair. BCI's obligation to disclose any actual or perceived conflict of interest is engaged whether any such conflict is identified by a Covered Party or through BCI's internal compliance investigations.

## 12.3 Related Party Transactions

The Plan shall not directly or indirectly enter into a transaction with, lend the moneys of the Plan to, or use the moneys of the Plan to hold an investment in, a related party that is prohibited under Schedule III of the federal Pension Benefit Standards Regulation, 1985 (the "Federal PBSR"). The term "related party" has the meaning given in Schedule III of the Federal PBSR. However, a transaction with, loan to, or investment in a related party to the Plan is permitted if the value is nominal or immaterial to the Plan. In assessing materiality of the transaction with, loan to, or investment in a related party, a value of 1% of the market value of the Plan assets is considered to be nominal. Two or more transactions with the same related party shall be considered a single transaction.

## ***Section 13: Implementation***

The Board has decided to implement the investment policy through investments managed by BCI in accordance with Sections 4 and 8.

The pooled funds in which the Board has agreed to participate are listed in the attached Appendix A.

By participating in a particular pooled fund, the Board acknowledges it has reviewed the pooled fund's internal investment policy and finds it acceptable. The Board relies on the advice of BCI that each pooled fund complies with this Statement. If BCI makes any material change to the investment policy of a particular internal pooled fund listed in Appendix A, it will disclose the change to the Board and, subject to the pooled portfolio rules, the Board will decide whether it wishes to remain invested in that pooled fund.

## APPENDIX A

## Participating Pooled Funds

Current BCI Pooled Fund Benchmarks are found in the Consolidated Product Descriptions (CPD) on The Exchange, or the Detailed Performance Appendix of the Plan's Investment Report

<b>Asset Class Categories Under Section 4.2</b>	<b>Eligible Pooled Funds</b>
<b>Short Term</b>	<b>Canadian Money Market Fund (ST1)</b>
	<b>Canadian Money Market Fund (ST2)</b>
	<b>US Dollar Money Market Fund (ST3)</b>
	<b>US Dollar Money Market Fund (ST4)</b>
<b>Government Bonds</b>	<b>Government Bond Fund</b>
	<b>Short Term Bond Fund</b>
	<b>The Funding Program</b>
<b>Corporate Bonds</b>	<b>Corporate Bond Fund</b>
<b>Private Debt</b>	<b>Principal Credit Fund</b>
<b>Real Estate Debt</b>	<b>BCI QuadReal Real Estate Debt Program</b>
<b>Canadian Equities</b>	<b>Indexed Canadian Equity Fund</b>
	<b>Active Canadian Equity Fund</b>
	<b>Active Canadian Small Cap Equity Fund</b>
	<b>Active U.S. Small Cap Equity Fund</b>
	<b>Active European Equity Fund</b>
	<b>Active Asian Equity Fund</b>
	<b>Indexed Global Equity Fund</b>
	<b>Indexed EAFE<sup>1</sup> Equity Fund</b>
	<b>Global Quantitative ESG Equity Fund</b>
	<b>Global Quantitative Active Equity Fund</b>
	<b>Global Partnership Fund</b>
<b>Active Global Equity Fund</b>	
<b>Thematic Public Equity Fund</b>	
<b>Emerging Market Equities</b>	<b>Indexed Emerging Markets Equity Fund</b>
	<b>Active Emerging Markets Equity Fund</b>
<b>Private Equity</b>	<b>Private Equity Program<sup>2</sup></b>
<b>Real Estate</b>	<b>Realpool Program</b>
<b>Infrastructure and Renewable Resources</b>	<b>Infrastructure &amp; Renewable Resources Program</b>
<b>Other</b>	

<sup>1</sup> Europe, Australasia, and the Far East.

<sup>2</sup> Effective January 1, 2025 or as determined by BCI's CEO/CIO.

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**APPENDIX B****Asset Class Policies – Legislative Constraints****Federal Pension Benefits Standards Act, 1985 Constraints**

The PBSR requires investments to be made in accordance with the federal *Pension Benefits Standards Regulations, 1985*, which include the following quantitative rules:

- |    |  |  |
|----|--|--|
| 1. | Maximum investment in one company's securities         | 10% of the market value of the Fund <sup>1</sup> |
| 2. | Maximum proportion of the voting shares of any company | 30%  |

**Income Tax Act and Canada Revenue Agency Constraints**

1. No money is to be borrowed by the Fund, except for the purpose of acquiring real property or occasionally for 90 days or less as provided in *Income Tax Regulation 8502(i)*.
2. No prohibited investment (see *Income Tax Regulation 8514*) may be purchased, such as the securities of a participating employer, if the shares of that employer are not listed on one of the stock exchanges prescribed in *Income Tax Regulations 3200 or 3201*.

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<sup>1</sup> The 10% rule need only be considered at the time an investment is made.

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## APPENDIX C

### Investment Beliefs

1. The College Pension Plan invests with a purpose: To help secure the College Pension Plan's current and future payment obligations.
  - a. Understanding the nature of the College Pension Plan's liabilities is critical to devising an appropriate investment strategy.
  - b. The College Pension Plan has a growing cash requirement and inflation-sensitive liabilities; assets that generate cash and correlate with inflation are an important part of the College Pension Plan's investment strategy.
2. The College Pension Plan invests for the long term: A long-term investment horizon is a responsibility and an opportunity.

Having a long-term investment horizon requires that the College Pension Plan:

- a. Support the integration of environmental, social and governance (ESG) matters into the investment agent's decision-making processes to better understand, manage, and mitigate associated risks.
- b. Favour investment strategies that deliver long-term value.

A long-term investment horizon enables the College Pension Plan to:

- a. Invest in illiquid assets and tolerate some volatility in investment returns and fund values, provided an appropriate risk premium is earned and fund liquidity is appropriately managed.
3. Taking investment risk is essential for meeting the College Pension Plan's goals, provided there is conviction the investment risk is appropriately rewarded in the long term and is effectively measured and managed.
    - a. Investment risk that is taken intentionally, is well understood within an asset-liability framework, and is reported and monitored regularly, has a greater potential for being compensated.
    - b. To ensure that active management risk is being compensated at the total fund level over the long-term, the investment agent's performance will be measured against benchmarks determined by the College Pension Plan.
  4. Strategic asset allocation is the primary determinant of portfolio risk and return.
    - a. Within an asset-liability framework, the College Pension Plan's strategic asset allocation determines the market exposures managed by the investment agent.

- b. The College Pension Plan will aim to diversify its overall portfolio within and across asset classes, both domestically and internationally, and across distinct risk factors/return drivers.
      - c. The College Pension Plan will pursue investment strategies only where there is clear opportunity for improved risk-adjusted returns.
  5. Strong processes, rigorous research and analysis, and deep resources are needed to achieve the College Pension Plan's goals and objectives.
    - a. Diversity of talent at all levels (Board, staff, investment agent, corporate board of investment agent) leads to better decision making.
    - b. Continuous improvement in both the College Pension Plan's operations and that of its investment agent is fundamental to long-term investing success.
    - c. To build knowledge, the College Pension Plan relies on credible research, scientifically based data, thought partnership with peers, and commitment to its own continuing education.
  6. Costs matter and need to be managed so that a greater proportion of investment return passes on to the College Pension Plan.
    - a. The College Pension Plan will balance risk, return, and cost when considering an investment strategy.
    - b. The College Pension Plan expects the investment agent and itself to be transparent about the total cost of managing the portfolio.
  7. Long-term value creation requires consideration of financial, environmental, and social impacts.
    - a. Interests between the College Pension Plan and its investment agent must be aligned.
    - b. Companies that exercise strong governance, along with effective management of material environmental and social factors, are more likely to generate long-term financial value at lower risk.
    - c. Improving the sustainability and integrity of global capital markets creates favourable economic conditions that benefit the plan over the long term.
    - d. The College Pension Plan expects its investment agent to integrate environmental, social and governance (ESG) factors in its investment management process, including but not limited to:
      - Climate change, management of environment and natural resources.
      - Human and labour rights, equity, diversity, and inclusion.
      - Executive compensation, board independence and diversity, shareholder rights, and risk management.
      - Respect and recognition of Indigenous rights.
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8. The College Pension Plan recognizes that climate change presents a material systemic risk to its long-term investment objectives, as well as an opportunity.
  - a. The College Pension Plan supports the global goal of achieving net-zero greenhouse gas emissions by 2050.
  - b. Consistent with its fiduciary duty, the College Pension Plan seeks to evaluate and manage the investment risks and opportunities associated with climate change by:
    - Ensuring that actions taken by its investment agent are aligned with the global goal to restrict global warming to 1.5 degrees Celsius above pre- industrial levels by 2100, and
    - Monitoring climate-related analytics such as the carbon footprint of the College Pension Plan's investments, climate stress tests and scenario analysis.