

**THE UNIVERSITY OF WESTERN ONTARIO**

**STATEMENT OF INVESTMENT POLICIES AND PROCEDURES**

**FOR THE**

**PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF**

**AND**

**MEMBERS OF THE ADMINISTRATIVE STAFF**

**Revised November, 2013**

THE UNIVERSITY OF WESTERN ONTARIO

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AND MEMBERS OF THE ADMINISTRATIVE STAFF

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# **STATEMENT OF INVESTMENT POLICIES FOR MEMBERS OF THE ACADEMIC STAFF**

## **SECTION 1 - INTENT AND SCOPE**

- 1.1 The Pension Plan for Members of the Academic Staff (the Plan) was established to provide retirement benefits for the academic staff of The University of Western Ontario and its affiliated universities, colleges and businesses.
- 1.2 The Plan is sponsored by The University of Western Ontario (the University) and the legal plan administrator is the Academic Pension Board. The Academic Pension Board is empowered to review, monitor, administer and supervise all investment activities of the Fund.
- 1.3 This Statement of Investment Policies and Procedures has been implemented by the Academic Pension Board, effective December 31, 1989, and has been reviewed regularly since then.
- 1.4 This Statement provides broad investment guidelines for the management of the Plan assets (the Fund). In general management of the Fund is delegated to professional external investment managers, subject to investment manager mandates and performance standards.
- 1.5 The Academic Pension Board, the University, the investment managers and any agent or advisor providing services in connection with the investment of the Fund shall accept and adhere to this Statement

## SECTION 2 - PLAN OBLIGATIONS AND OBJECTIVES

- 2.1 The Plan mentioned in Section 1.1 has both a defined benefit and defined contribution component. Academic employees of the University who joined the Plan subsequent to July 1, 1970 or was less than age 45 on July 1, 1970 are classed as "Regular Members" and are provided with a defined contribution benefit. Academic employees of the University who were members of the prior plan and who were age 45 or older on July 1, 1970 are classed as "Special Members" and are provided with a minimum guaranteed benefit based on a defined benefit formula (which is a best average salary plan). There are no active Special Members and only a few remaining retired members in receipt of benefits under the defined benefit component. Assets to fund these benefits are invested in accordance with the policy set out in Section 5.4.

Each Regular Member covered under the defined contribution component of the Plan is entitled to a benefit, the amount of which will depend upon the market value of the employee's investment accounts at the time of retirement, termination or death.

- 2.2 Active Members of the plan are required to make contributions to the Plan.
- 2.3 Individual members and their employer each contribute specific percentages of each member's basic salary to the Fund.

With respect to the Special Members, the University is required to contribute whatever, in addition to the Member's accumulated required contribution, is required to finance the defined benefits. These contributions are established from time to time, based on the advice of an actuary.

Members may make voluntary contributions to the Fund.

- 2.4 Because of the above features of the Plan's design, the University, participating employers and all active and retired members have a direct interest in the Fund's investment return.
- 2.5 Since the vast majority of investments under the Plan are to provide defined contribution benefits to Members, investment policies are designed by considering:
- a) **The needs and expectations of members:** for most members the benefit derived from this Plan makes a significant contribution to their overall retirement income. The Plan contribution levels and investment options have been designed to allow members to meet their needs and expectations for retirement income.
  - b) **The mix of members:** the members of the Plan vary in accordance with their age, tolerance for risk, investment knowledge and desire to implement and monitor a retirement plan. The investment and payment options under the Plan have been designed to address the varying preferences of the members.
  - c) **The ability of members to make well informed decisions:** on-going information and training is provided to Plan members to ensure they are able to make well informed decisions and limits are placed on the risks that the investments are exposed to.

## SECTION 3 - CATEGORIES OF INVESTMENTS

3.1 Investments may be made in any of the following asset classes:

- a) Canadian common stocks or preferred stocks, warrants or rights, investment trusts including but not limited to:
  - i) those listed on a recognized stock exchange;
  - ii) over the counter stocks;
  - iii) debt convertible into equity.

The mandates for current Canadian equity managers are provided in Appendix A. The performance of these portfolio assets is benchmarked to the S&P/TSX Composite Index. The characteristics of these portfolio assets may deviate significantly from the characteristics of the S&P/TSX Composite Index.

- b) Non-Canadian common stocks, Depository Receipts, warrants or rights, futures contracts investment trusts including
  - i) those of U.S. corporations;
  - ii) those of non-U.S. corporations.

The mandates for current US and Non North American equity managers are provided in Appendix A. In general, the returns and characteristics of the U.S. large and mid cap portfolio assets should not deviate significantly from the returns of the S&P 500 index and S&P 400 index. The U.S. low volatility equity, U.S. small cap, Non North American, global equity large cap, global equity small cap, and emerging markets equity portfolio assets are actively managed. The performance of these portfolios is benchmarked to the Russell 3000 index (U.S. all cap), Russell 2000 index (US), the MSCI EAFE index (Non North American), the MSCI World Index (Global Equity Large Cap), the MSCI World Small Cap Index (Global Equity Small Cap) and the MSCI Emerging Markets Index (Emerging Markets Equity) but the composition of the portfolios may differ substantially from the benchmarks.

- c) Debt securities of Canadian issuers, including those denominated in non-Canadian currencies.

The mandates for current Canadian bond managers are provided in Appendix A. Debt securities of Canadian issuers are either actively or passively managed, depending on the mandate. The performance of these portfolio assets are benchmarked to the DEX Universe Bond Index. The returns and characteristics of these portfolio assets may deviate significantly from the DEX Bond Universe for the actively managed mandates, but not for the passively managed mandates.

Debt securities of Canadian issuers also include commercial mortgages. The performance of these portfolio assets is benchmarked to a blended benchmark that includes the DEX Short-Term Bond Index and the DEX Mid-Term Bond Index. The composition of these portfolio assets may deviate significantly from the blended benchmark.

- d) Debt securities of non-Canadian issuers, including:
  - i) those of U.S. issuers;
  - ii) those of non-U.S. issuers.

The mandates for current non-Canadian bond managers are provided in Appendix A. Debt securities of non-Canadian issuers are actively managed and their performance is benchmarked to the Barclays Capital Global Aggregate Bond Index, but their characteristics may differ substantially from the benchmark. Derivative instruments are included in this portfolio.

- e) Real estate, Real Estate Income Trusts (REITs), Mortgages and Resource Properties.

There is no current mandate for a specific manager to invest in these assets; however the Canadian Equity, International Equity, U.S. Equity, Global Equity and Bond Managers may have a small allocation to these assets at any given time. In addition, separate mandates investing in these asset classes may be created in the future.

- f) Deposits with banks or trust companies.

Cash that is used to fund benefit payments or is awaiting investment is occasionally invested by the Fund custodian in short term deposits or notes with banks or trust companies.

- g) Contracts with life insurance companies.

There is no current mandate for a specific manager to invest in these assets.

- 3.2 Investments may be made in the above asset classes either directly, or by holding units of a pooled, segregated or mutual fund investing in one or more of the asset classes, or by an indirect holding through a special purpose corporation as described in the Regulations of the Pension Benefits Act.
- 3.3 The Fund may not borrow, except under the circumstances and conditions set out in the Pension Benefits Act and Regulations under the Act.
- 3.4 The Fund may lend any of its investments, under conditions set out in the Pension Benefits Act, and Regulations under the Act.
- 3.5 The Fund may be involved in the purchase and sale of derivative instruments, in a segregated fund or a pooled fund holding eligible securities and derivatives, under the following conditions:
  - a) Selling or writing a call option on an investment held by the Fund.
  - b) Buying a call option.
  - c) Selling or writing a put option, if the underlying investment is permitted under this Section 3 and the Fund has sufficient liquidity to cover the option.
  - d) Buying a put option on an investment held by the Fund.
  - e) Holding offsetting positions in options.
  - f) Buying a future, if the underlying investment is permitted under this Section 3 and the Fund has sufficient liquidity to cover all margins.
  - g) Selling a future on an investment held by the Fund.
  - h) Holding offsetting positions in futures and currency forward contracts.
- 3.6 The mandates for each manager in Appendix A identifies whether derivative instruments are permitted in the portfolio of assets under their management.
- 3.7 The selected securities are obtained by employing a broker or entering into a transaction to purchase the securities directly from the issuers. In general, the managers will choose which brokerage firm to use in executing the transactions; however the Academic Pension Board may also direct the brokerage use.

## SECTION 4 - IDENTIFICATION AND MEASUREMENT OF RISK

- 4.1 The Academic Pension Board has identified the following factors which may represent risk in the investment of the pension fund:
- a) **Price risk:** the risk that the market value of an investment will fluctuate due to supply and demand. Other components of price risk include:
    - i) **Interest rate risk:** the risk that the market value of an investment, particularly bonds, will fluctuate due to changes in market interest rates.
    - ii) **Currency risk:** the risk that the market value of an investment will fluctuate due to changes in domestic currency values relative to the currency the investments are denominated in.
  - b) **Credit risk:** the risk that an issuer of a security will not pay the amount due as called for.
  - c) **Inflation risk:** the risk that the purchasing power of funds invested will be reduced during the period of investment.
  - d) **Operational risk:** the risk that the funds are not invested in the appropriate securities when required or that transaction and implementation costs erode the return of the securities.
  - e) **Tracking Error risk;** the risk that a passive investment does not follow the underlying index.
- 4.2 The Academic Pension Board measures and analyzes these risks by reviewing the portfolios as outlined in Section 13 and by carrying out the control activities outlined in the Retirement Plan's Risk Management Plan, which is reviewed annually. Applying the *Prudent Person approach*, risk of an investment is not considered based on the inherent risks of a particular security but rather by considering the risk of an entire portfolio, once the various securities are combined. .
- 4.3 Risk of a portfolio is measured and monitored by considering the standard deviations of the returns and the correlation of returns among the securities in a portfolio.



## SECTION 5 - DIVERSIFICATION OF PORTFOLIOS

5.1 The Fund is administered and managed on a combined basis through specialist portfolios (i.e. stocks, bonds, money market, etc.).

There are currently 16 investment funds through which the Fund may be invested.

These are:	Money Market Fund	Canadian Bond Fund
	Diversified Bond Fund	Canadian Equity Fund
	Diversified Equity Fund	US Equity Hedged Fund
	Balanced Income Fund	US Equity Unhedged Fund
	Balanced Growth Fund	Non North American Equity Fund
	Target Date Fund 2014	Long Term Bond Fund
	Target Date Fund 2016	Socially Responsible Global Equity Fund
	Target Date Fund 2018	UWO Liquidating Trust

All of these funds are professionally managed by external investment managers appointed by the Academic Pension Board.

a) The following asset mix for the Diversified Bond Fund, based on market value, has been adopted:

Canadian investment grade federal, provincial, municipal and corporate bonds, and Canadian Commercial Mortgages.

Canadian bonds

55%

Non-Canadian bonds

30%

Canadian Commercial Mortgages

15.0%

Up to 15% of the portfolio (25% of the assets managed by AllianceBernstein) may be exposed to non-Canadian currency.

It is understood that monthly fluctuations in the returns of the funds will cause deviations in this mix; however every attempt will be made to re-balance to the appropriate levels through the monthly cash flows.

b) The following asset mix for the Diversified Equity Fund, based on market value, has been adopted<sup>1</sup>:

Canadian Stocks, including Small Capitalization

30%

US Stocks and equivalents, including Small Capitalization

20%

Non-North American Stocks and equivalents

16%

Globally Diversified Portfolios

24%

Emerging Markets Equities

5%

Global Small Cap Equities

5%

Up to 50% of the portfolio may be exposed to non-Canadian currency.

It is understood that monthly fluctuations in the returns of the funds will cause deviations in this mix; however every attempt will be made to re-balance to the appropriate levels through the monthly cash flows.

- c) The Money Market Fund is diversified according to issuer and term to maturity. Federal, provincial and corporate issues are in the portfolio. At least 95% of the fund must be invested in securities with term to maturity of one year or less.
- d) The Canadian Equity Fund, US Large Cap Equity Funds, Non North American Equity Fund and Canadian Bond Fund are invested by the same managers and under the same mandates as the respective components of either the Diversified Bond Fund or the Diversified Equity Fund.

This modular structure for the investment options provides opportunity for more customized diversification for some members without increasing the administrative costs for all members.

- e) The Target Date Funds are diversified according to term to maturity.
- f) The Long Term Bond Fund is diversified according to issuer and term to maturity. Federal, provincial and corporate issues are in the portfolio. All bonds are due to mature in 10 or more years.
- g) The UWO liquidating Trust includes investments in Restructured Notes received as a result of a *Companies Creditors Arrangement Act* restructuring plan for non-bank asset backed commercial paper held by pooled funds invested. The UWO Liquidating Trust is a closed fund that does not accept additional member contributions. The Restructured Notes now have adequate liquidity and restrictions on redeeming units in the UWO Liquidating Trust due to the lack of a liquid market were removed May 31, 2010. The scope for professional management of this investment is limited by market considerations.

Investment in any one security will not exceed the maximum allowed under the Regulations of the Pension Benefits Standards Act or the Income Tax Act.

- 5.2 The members of the defined contribution component may direct both their own and their employer's contributions among the available investment funds. In addition, these members have the right, at any month end, to change the distribution of the future contributions and, also, to re-distribute past contributions among the available investment funds. Some members may choose the pre-diversified funds as outlined above, or may choose their own asset mix among the available portfolios.
- 5.3 Some of the portfolios offered have a significant component that is passively managed, following a specified market index that is assumed to be a good representation of the broad asset class. This strategy allows for reduced management costs and reduced deviation of the portfolio returns from the established market benchmark.

Possible grounds for exception to the general principle of passive management would include the following:

- a) Implementation problems: for some asset classes it may be difficult to adopt a completely passive management policy.
- b) Attractive active management: in some instances there may be good reasons to believe that a manager could outperform the market as defined by a benchmark and be easily monitored as to effectiveness.
- c) No clearly attractive passive benchmark available.

- 5.4 For the Special Members, a formal asset mix review was conducted, which took into account all of the important liability-related factors such as the funded status, Plan demographics, actuarial assumptions, etc. With respect to funds which have been set aside to meet liabilities for retired Special Members, an Immunized Bond Fund was created on June 28, 2010. The fund invests mostly in zero-coupon provincial bonds. The future cash flows of the fund are expected to match the future pension payments.
- 5.5 For the Special Members' defined benefits an actuarial valuation for funding purposes is prepared by an external actuarial consultant every three years. It will also be the responsibility of the Academic Pension Board to select investment fund vehicles for the defined contribution members, from among the asset classes permitted in Section 3.

## **SECTION 6 - LIQUIDITY OF INVESTMENTS**

- 6.1 The Plan requires that payments be made as specified by members or their beneficiaries when they become entitled to those payments. In addition, members may choose to alter the investment of their entitlements as frequently as monthly. These provisions require that the investments are sufficiently liquid to meet these member and beneficiary requests. The UWO Liquidating Trust now has sufficient liquidity to enable members to make investment changes on a monthly basis and to receive payments when they become entitled to them. Because of the unusual nature of the Liquidating Trust investments, market conditions are monitored regularly with the assistance of the an external consultant.

In general, the amount of investments that are required to be redeemed from any portfolio to meet member requests are estimated at least 4 business days prior to each month end. Most of the portfolios hold a minimal amount of cash so managers are asked to identify securities to redeem in order to meet these requests by month end. The assets must be sufficiently liquid to be able to accommodate this request within 3 business days.

## **SECTION 7 - LENDING OF CASH AND SECURITIES**

- 7.1 The Plan may engage in securities lending activities to generate incremental income, subject to the provisions of the *Pension Benefits Act*, the *Income Tax Act (Canada)* and their applicable Regulations.

Such loans must be secured by obligations of or guaranteed by the respective government of Canada or the United States, their respective agencies, or any Canadian province. The amount of collateral taken for securities lending should reflect best practices in local markets. In Canada, the current market practice is to obtain collateral of at least 105% of the market value of the borrowed securities, except that loans of US securities to US-domiciled borrowers shall be initially collateralized at 102%. This market relationship must be calculated at least daily.

The terms and conditions of any securities lending program including the maximum exposure in aggregate and by counterparty will be set out in a contract with the Custodian. The Custodian shall, at all times, ensure that the administration has a current list of those institutions that are approved to borrow the Plan's investments. If the Plan assets are invested in a pooled fund, security lending will be governed by the terms and conditions set out in the pooled fund contract.

## **SECTION 8 – BORROWING**

- 8.1 The Plan may borrow funds, if necessary, of a short-term nature (period that does not exceed ninety days) to resolve any cash-flow requirements and/or to avoid a distress sale of securities, subject to the Pension Benefits Act, the Income Tax Act and their applicable Regulations.

## SECTION 9 - VOTING RIGHT

- 9.1 The exercising of voting rights acquired through any investment is delegated to the investment manager, subject to written direction to the contrary from the Academic Pension Board, with the instruction to vote in favour of any proposal which, in the manager's opinion, will accrue and enhance the investment value and against any proposals which will unduly increase the risk level or reduce the investment value of the relevant security.
- 9.2 If the investment manager or any of its voting officers has any direct or indirect pecuniary interest in any matter on which the Fund has a right to vote, it shall be brought to the attention of the Academic Pension Board, which has discretion to:
- a) instruct the investment manager to exercise the voting right in line with the principles described above, on the grounds that the relevant pecuniary interest is not material; or
  - b) instruct the investment manager how to cast the Fund's vote, having considered the principles described above; or
  - c) Authorize the Fund's custodian/trustee to exercise the voting right in line with the principles described above.

## SECTION 10 - VALUATION OF INVESTMENTS

10.1 Investments under the Fund must be valued for many purposes:

- to evaluate the entitlements of members
- to evaluate the performance of managers
- to meet regulatory requirements
- to determine the suitable funding for defined benefit entitlements

10.2 The market value of the securities is used to value all portfolios. In order to verify regulatory requirements, the book value of the securities is also measured.

10.3 Investments that are traded on public exchanges and over the counter are valued at the end of each month based on the pricing sources as chosen by the custodian of the assets.

10.4 Any asset that is not capable of being traded frequently shall have its market value appraised internally by an investment manager at intervals not exceeding one year, providing that:

- a) the principles underlying such reappraisals are consistent with the principles underlying an external appraisal, and
- b) Any such reappraisal resulting in a value different by at least 10% from the last appraised value shall be confirmed by an external appraisal.

Further, any such asset whose most recently appraised value is at least 5% of the market value of the Fund shall have its market value appraised by a qualified independent agent at intervals not exceeding three years.

## **SECTION 11 - RESPONSIBILITIES OF FUND MANAGERS AND PENSION AGENTS**

- 11.1 The Academic Pension Board delegates responsibilities and duties to the following managers and agents:
- a) internal professional staff
  - b) external professional investment counsel
  - c) external custodians
  - d) external investment consultants
  - e) external auditors
  - f) external actuaries
  - g) external legal counsel
  - h) external software developers
- 11.2 The responsibilities and tasks for each of the internal and external pension agents are described in detail in Appendix B.
- 11.3 The Academic Pension Board retains the fiduciary responsibility for tasks assigned to investment managers and pension agents and must ensure that tasks are clearly documented, that the parties are adequately supervised and are reviewed periodically based on the nature of the service provided. The review cycle for each provider will be determined by the nature of the service, performance of the provider and cost of doing the review. Each of the professionals which are delegated duties by the Academic Pension Board is subject to their own professional standards regarding fiduciary duty to their clients and beneficiaries of the investments.

## SECTION 12 - CONFLICTS OF INTEREST

12.1 The Academic Pension Board is composed of:

- a) representatives of the Plan sponsor (the University), and
- b) members of the Plan elected by the plan membership

Academic Pension Board members in either category may be members of the Plan and by virtue of such membership may have an interest in the Funds affairs, and may participate in benefits under the Plan. However, members of the Academic Pension Board may receive no compensation for their services as such unless authorized by the University's Board of Governors.

12.2 A member of the Academic Pension Board who is a member of the Plan may take part in discussions and vote on all matters relating to the Plan, other than matters in which the member's interest is not the same or substantially the same as that of other members of the plan.

12.3 If a member of the Academic Pension Board has any direct or indirect interest, which is not the same or substantially the same as that of other members of the plan, in any matter in which the Fund is concerned, and if that member is present at a meeting of the Academic Pension Board at which time the matter is considered, the person shall, as soon as practicable after the commencement of the meeting, disclose this interest and shall not take part in the discussion or vote on the matter.

12.4 Where the Academic Pension Board is of the opinion that a conflict of interest exists that has not been declared, the Academic Pension Board may declare, by a resolution carried by two-thirds of the members present at the meeting, that a conflict of interest exists, and a member of the Academic Pension Board thus found to be in conflict of interest shall,

- a) refrain from taking part in any discussion or vote related to the matter, and
- b) withdraw from the meeting when the matter is being discussed if requested to do so by a majority of members present at the meeting.

12.5 Where such an interest has not been disclosed, because the person was absent from the meeting or acquired or became aware of the interest after the meeting, the person shall declare the interest and otherwise comply with section 12.3 above at the first meeting of the Academic Pension Board he or she attends after the meeting in question or after acquiring or becoming aware of the meeting in question or after acquiring or becoming aware of the interest.

12.6 a) The Academic Pension Board shall satisfy itself that an appropriate policy regarding conflicts of interest exists and is followed by any investment manager appointed by it. As a minimum, the Code of Ethics and Standards of Professional Conduct adopted by the CFA Institute shall be deemed to apply to such investment manager.

b) For any such appointment of an investment manager any investigation required by the Academic Pension Board shall be carried out before the recommendation is made.

12.7 Any agent, or advisor, who is a party to a material contract, or proposed material contract with the Fund, shall disclose in writing to the Academic Pension Board, or request to have entered into the minutes of the Academic Pension Board, the nature and extent of such interest.

12.8 Every disclosure of interest under this Section 12 shall be recorded in the minutes of the relevant meeting of the Academic Pension Board.



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

## SECTION 13 - REVIEW PROCEDURES

13.1 This Statement of Investment Policies and Procedures shall be reviewed by the Academic Pension Board no less frequently than annually, and shall be confirmed or amended at that time.

13.2 **Quarterly Performance Reviews** including a summary of the short and long term performance of each investment fund and each manager is reviewed by the Academic Pension Board at the end of each quarter of the calendar year. The investment consultant provides details on relative performance and, where possible, an attribution analysis for the deviation from the benchmark for each manager and fund. Quarterly reports from the investment managers are also provided to the Academic Pension Board for this review. The Director, Investments, or the Associate Director, Investments, will be asked to research certain issues based on this review which occurs at the Joint Pension Board level (Academic Pension Board and the Administrative Staff Pension Board). In assessing performance, in all cases the primary emphasis is performance relative to a market benchmark and not relative to a universe of competing managers.

### 13.3 **Annual meeting with the Joint Pension Board and Internal Staff**

Each year, the Joint Pension Board reviews the portfolio managed by each manager. The Director, Investments, or the Associate Director, Investments, meet with each portfolio manager every year and reports to the Joint Pension Board. The meeting location alternates between the portfolio manager's office and the University. Joint Pension Board members are invited to attend the meetings that take place at the manager's office, while meetings that take place at the University are held in conjunction with the regular meetings of the Joint Pension Board. Based on recommendations made by the investment consultant and the Director, Investments, or the Associate Director, Investments, the Joint Pension Board will discuss changes or issues with the fund.

The Director, Investments, or the Associate Director, Investments, consider the latest manager performance, the most recent review from investment consultant, the current investment objectives and the current fee schedule. If there has been an organizational change with the manager, a deviation from the mandate or if there is a concern about recent performance or any other concern, a meeting with the manager is arranged and they are informed of the specific concerns of the committee. The results of the meeting may include a change in mandate, a change in fee structure or a change in manager which is then recommended to the Joint Pension Board.

The Director, Investments, or the Associate Director, Investments, also monitor passive investments on behalf of the Joint Pension Board. As part of this review, performance of the funds versus the underlying indexes is reported back to the Board. Should a passive investment provider experience a significant administrative error or deviate from the target return, the Director, Investments, or the Associate Director, Investments, shall follow the same formal review process for active management and report the results back to the Joint Pension Board.

The appropriateness of the benchmark used for each mandate will be re-assessed annually.

### 13.4 **Research and Opinions provided by Consultants**

An investment consultant is retained to provide the Director, Investments, or the Associate Director, Investments, with their latest research regarding the investment management organization and their products. The external investment consultant provides periodic reports on the products offered by most investment management organizations. These reports include commentary on the investment staff, organizational stability, portfolio construction, security selection, investment implementation and research by the firm with respect to the specific product being reviewed.

The external investment consultant generally provides an overall recommendation for the product which can assume one of four values: HIRE, RETAIN, REVIEW, TERMINATE. For actively managed products, the recommendation is based on the degree of confidence the consultant has with respect to a manager's ability to perform relative to a benchmark. The Joint Pension Board generally holds these opinions in high regard, since it is difficult to argue that the Joint Pension Board can have any better information than the consultant may have with respect to the internal operations of a manager. The rankings are used by the Joint Pension Board as one of several factors assisting them in their decisions.

### **13.5 Actions taken when under performance are observed.**

The Joint Pension Board's response to underperformance recognizes that all active managers will have such episodes and the response will depend on the nature of the asset class and the manager's style. The Joint Pension Board may choose to meet with the manager regarding the underperformance.

If the under performance continues, the Joint Pension Board will review the appropriateness of the benchmark, the nature of the manager's style and re-evaluate their investment objectives. The period of evaluation of results, as agreed upon in the manager mandate, generally is observed before making any recommendations on the future of the manager's mandate. The Director, Investments, or the Associate Director, Investments, may recommend holding the manager because they believe the manager is still the best choice for meeting the objectives. Alternatively, the Director, Investments, or the Associate Director, Investments, may recommend that the pension board consider replacing the manager.

Where returns from passive investments significantly deviate from the benchmark return, the Joint Pension Board will review reasons for the tracking error. The Joint Pension Board along with the Director, Investments, will determine whether action is required to remedy any excessive tracking error or to replace a passive manager.

### **13.6 Actions taken when Consultant opinion changes**

When the investment consultant has downgraded their recommendation on a manager, the Director, Investments, or the Associate Director, Investments, first review the report prepared by the consultant to identify the source for their concern. Generally only downgrades to REVIEW or TERMINATE merit additional investigation. When a manager's product is recommended for REVIEW, the Director, Investments, or the Associate Director, Investments, will meet with the manager to discuss the concerns presented by Russell Investments. The Director, Investments, or the Associate Director, Investments, will then determine if he believes the manager has a well thought out plan to address the concerns raised. Changes in ranking will be reported to the Joint Pension Board who will decide if further action is required by the Director, Investments or the Associate Director, Investments. Some actions that may be considered include:

- a) withhold all future cash flows to the manager, if a multi-manager fund
- b) rebalance the portfolio, allocating less weight to the manager in question
- c) identify the administrative issues with discontinuing the portfolio (eg. Notification period, termination clauses)

When the external investment consultant issues a TERMINATE recommendation, then the Director, Investments, will go through the same process as for a downgrade to a REVIEW, however, the Joint Pension Board will strongly consider alternative managers for the portfolio. Some actions that may be considered include:

- a) withhold all future cash flows to the manager, if a multi-manager fund
- b) terminate the manager and invoke the backup manager strategy that has been previously agreed to
- c) initiate a search for a replacement manager
- d) identify and estimate the costs in changing managers and develop strategies for minimizing those costs
- e) Terminate the manager once a replacement manager has been selected

### 13.7 **Actions when administrative problems arise**

When administrative problems arise which may include failure to report information, inaccurate accounting of funds, difficulty in making allocations and redemptions with the manager, and failure to complete documentation required, the Director, Investments, or the Associate Director, Investments, based on the advice of other internal staff, may make recommendations. Some of the actions that may be considered include:

- a) meet with the manager to clarify the reporting and documentation required
- b) request an external audit of the accounting procedures
- c) determine the implementation costs associated with the manager in comparison to alternative managers
- d) discount the expected value added by the administrative aggravation to judge whether the manager should continue to be retained
- e) request fee forgiveness or reimbursement of expenses if the administrative issues are clearly the result of the manager's actions

## **SECTION 14 – POLICY ON SOCIALLY RESPONSIBLE INVESTING**

14.1 The Mission of the Joint Pension Board is to provide members with the opportunity to accumulate adequate funds for retirement.

14.2 The duty of the Joint Pension Board is to maximize investment returns without undue risk.

14.3 The Joint Pension Board will not request that its external managers divest some of their holdings because of pressure from members of the University Community, due to the involvement of a particular company in some controversial industry or region of the world.

14.4 Nevertheless, the Joint Pension Board recognizes that environmental, social and governance factors may have an impact on corporate performance over the long-term, although the impact can vary by industry.

14.5 In order to monitor the impact of these factors on plan performance, the Director, Investments, or the Associate Director, Investments, may ask its external managers, as part of their annual review, to disclose all actions they've taken in regard to environmental, social and governance factors and their impact on our portfolio.

14.6 The Academic Staff Pension Board may offer a socially responsible investment option on a stand-alone basis. The investment option(s) offered must provide competitive risk-adjusted returns.

# **STATEMENT OF INVESTMENT POLICIES FOR MEMBERS OF THE ADMINISTRATIVE STAFF**

## **SECTION 1 - INTENT AND SCOPE**

- 1.1 The Pension Plan for Members of the Administrative Staff (the Plan) was established to provide retirement benefits for the administrative staff of The University of Western Ontario and its affiliated universities, colleges and businesses.
- 1.2 The Plan is sponsored by The University of Western Ontario (the University) and the legal Plan administrator is the Administrative Staff Pension Board (the Pension Board). The Pension Board is empowered to review, monitor, administer and supervise all investment activities of the Plan.
- 1.3 This Statement of Investment Policies and Procedures has been implemented by the Pension Board, effective December 31, 1989, and reviewed regularly since then.
- 1.4 This Statement provides broad investment guidelines for the management of the Plan assets (the Fund). In general, of the Fund is delegated to professional external investment managers, subject to investment manager mandates and performance standards.
- 1.5 The Pension Board, the University, the investment managers and any agent or advisor providing services in connection with the investment of the Fund shall accept and adhere to this Statement.

## SECTION 2 - PLAN OBLIGATIONS AND OBJECTIVES SECTION

- 2.1 The Plan mentioned in Section 1.1 has both a defined benefit and defined contribution component. Members who were employees of the University on May 1, 1974 and who have been continuously employed since that time or were continuously employed from that time until their retirement are classed as “Special Members” and are provided with a minimum guaranteed benefit based on a defined benefit formula (which is a best average salary plan). Assets to fund these benefits are invested in accordance with the policy set out in Section 5.4.

Members who were hired by the University subsequent to May 1, 1974 are classed as “Regular Members” and are provided with a defined contribution benefit.

Each Regular Member covered under the defined contribution component of the Plan is entitled to a benefit, the amount of which will depend upon the market value of the employees’ investment accounts at the time of retirement, termination or death.

- 2.2 Active Members of the Plan are required to make contributions to the Plan.
- 2.3 Individual members and their employer each contribute specific percentages of each member’s basic salary to the Fund.

With respect to the Special Members, the University is required to contribute whatever, in addition to the Member’s accumulated required contribution, is required to finance the defined benefits. These contributions are established from time to time, based on the advice of an actuary.

Members may make voluntary contributions to the Fund.

- 2.4 Because of the above features of the Plan’s design, the University, participating employers and all active and retired members have a direct interest in the Fund’s investment return.
- 2.5 Since the vast majority of investments under the Plan are to provide defined contribution benefits to Members, investment policies are designed by considering:
- a) **The needs and expectations of members:** for most members the benefit derived from this Plan makes a significant contribution to their overall retirement income. The Plan contribution levels and investment options have been designed to allow members to meet their needs and expectations for retirement income.
  - b) **The mix of members:** the members of the Plan vary in accordance with their age, tolerance for risk, investment knowledge and desire to implement and monitor a retirement plan. The investment and payment options under the Plan have been designed to address the varying preferences of the members.
  - c) **The ability of members to make well informed decisions:** ongoing information and training is provided to Plan members to ensure they are able to make well informed decisions and limits are placed on the risks that the investments are exposed to.

## SECTION 3 - CATEGORIES OF INVESTMENTS

3.1 Investments may be made in any of the following asset classes:

- a) Canadian common stocks or preferred stocks, warrants or rights, investment trust including but not limited to:
  - i) those listed on a recognized stock exchange;
  - ii) over the counter stocks;
  - iii) debt convertible into equity.

The mandates for current Canadian equity managers are provided in Appendix A. The performance of these portfolio assets is benchmarked to the S&P/TSX Composite Index. The characteristics of these portfolio assets may deviate significantly from the characteristics of the S&P/TSX Composite Index.

- b) Non-Canadian common stocks, Depository Receipts, warrants or rights, future contract, investment trust including
  - i) those of U.S. corporations;
  - ii) those of non-U.S. corporations.

The mandates for current US and Non North American equity managers are provided in Appendix A. In general, the returns and characteristics of the U.S. large and mid cap portfolio assets should not deviate significantly from the returns of the S&P 500 index and S&P 400 index. The U.S. low volatility equity, U.S. small cap, Non North American, global equity large cap, global equity small cap, and emerging markets equity portfolio assets are actively managed. The performance of these portfolios is benchmarked to the Russell 3000 index (U.S. all cap), Russell 2000 index (US), the MSCI EAFE index (Non North American), the MSCI World Index (Global Equity Large Cap), the MSCI World Small Cap Index (Global Equity Small Cap) and the MSCI Emerging Markets Index (Emerging Markets Equity) but the composition of the portfolios may differ substantially from the benchmarks.

- c) Debt securities of Canadian issuers, including those denominated in non-Canadian currencies.

The mandates for current Canadian bond managers are provided in Appendix A. Debt securities of Canadian issuers are either actively or passively managed, depending on the mandate. The performance of these portfolio assets are benchmarked to the DEX Universe Bond Index. The returns and characteristics of these portfolio assets may deviate significantly from the DEX Bond Universe for the actively managed mandates, but not for the passively managed mandates.

Debt securities of Canadian issuers also include commercial mortgages. The performance of these portfolio assets is benchmarked to a blended benchmark that includes the DEX Short-Term Bond Index and the DEX Mid-Term Bond Index. The composition of these portfolio assets may deviate significantly from the blended benchmark.

- d) Debt securities of non-Canadian issuers, including:
  - i) those of U.S. issuers;
  - ii) those of non-U.S. issuers.

The mandates for current non-Canadian bond managers are provided in Appendix A. Debt securities of non-Canadian issuers are actively managed and their performance is benchmarked to the Barclays Capital Global Aggregate Bond Index, but their characteristics may differ substantially from the benchmark.

- e) Real estate, Real Estate Income Trusts (REITs), Mortgages and Resource Properties.



There is no current mandate for a specific manager to invest in these assets; however the Canadian Equity, International Equity, U.S. Equity, Global Equity and Bond Managers may have a small allocation to these assets at any given time. In addition, separate mandates investing in these asset classes may be created in the future.

- f) Deposits with banks or trust companies.

Cash that is used to fund benefit payments or is awaiting investment is occasionally invested by the Fund custodian in short term deposits or notes with banks or trust companies.

- g) Contracts with life insurance companies.

There is no current mandate for a specific manager to invest in these assets.

- 3.2 Investments may be made in the above asset classes either directly, or by holding units of a pooled, segregated or mutual fund investing in one or more of the asset classes, or by an indirect holding through a special purpose corporation as described in the Regulations of the Pension Benefits Act.
- 3.3 The Fund may not borrow, except under the circumstances and conditions set out in the Pension Benefits Act and Regulations under the Act.
- 3.4 The Fund may lend any of its investments, under conditions set out in the Pension Benefits Act, and Regulations under the Act.
- 3.5 The Fund may be involved in the purchase and sale of derivative instruments, in a segregated fund or a pooled fund holding eligible securities and derivatives, under the following conditions:
  - a) Selling or writing a call option on an investment held by the Fund.
  - b) Buying a call option.
  - c) Selling or writing a put option, if the underlying investment is permitted under this Section 3 and the Fund has sufficient liquidity to cover the option.
  - d) Buying a put option on an investment held by the Fund.
  - e) Holding offsetting positions in options.
  - f) Buying a future, if the underlying investment is permitted under this Section 3 without leverage.
  - g) Selling a future on an investment held by the Fund.
  - h) Holding offsetting positions in futures and currency forward contracts.
- 3.6 The mandates for each manager in Appendix A identifies whether derivative instruments are permitted in the portfolio of assets under their management.
- 3.7 The selected securities are obtained by employing a broker or entering into a transaction to purchase the securities directly from the issuers. In general, the managers will choose which brokerage firm to use in executing the transactions; however the Pension Board may also direct the brokerage use.

## SECTION 4 - IDENTIFICATION AND MEASUREMENT OF RISK

- 4.1 The Pension Board has identified the following factors which may represent risk in the investment of the pension fund:
- a) **Price risk:** the risk that the market value of an investment will fluctuate due to supply and demand. Other components of price risk include:
    - i) **Interest rate risk:** the risk that the market value of an investment, particularly bonds, will fluctuate due to changes in market interest rates.
    - ii) **Currency risk:** the risk that the market value of an investment will fluctuate due to changes in domestic currency values relative to the currency the investments are denominated in.
  - b) **Credit risk:** the risk that an issuer of a security will not pay the amount due as called for.
  - c) **Inflation risk:** the risk that the purchasing power of funds invested will be reduced during the period of investment.
  - d) **Operational risk:** the risk that the funds are not invested in the appropriate securities when required or that transaction and implementation costs erode the return of the securities.
  - e) **Tracking Error risk;** the risk that a passive investment does not follow the underlying index
- 4.2 The Pension Board measures and analyzes these risks by reviewing the portfolios as outlined in Section 13 and by carrying out the control activities outlined in the Retirement Plan's Risk Management Plan, which is reviewed annually. Applying the *Prudent Person approach*, risk of an investment is not considered based on the inherent risks of a particular security but rather by considering the risk of an entire portfolio, once the various securities are combined.
- 4.3 Risk of a portfolio is measured and monitored by considering the standard deviations of the returns and the correlation of returns among the securities in a portfolio and the value at risk measurement of the entire portfolio.

## SECTION 5 - DIVERSIFICATION OF PORTFOLIOS

- 5.1 The Fund is administered and managed on a combined basis through specialist portfolios (i.e. stocks, bonds, money market, etc.).

There are currently 16 investment funds through which the Fund may be invested. These are:

Money Market Fund	Canadian Bond Fund
Diversified Bond Fund	Canadian Equity Fund
Diversified Equity Fund	US Equity Hedged Fund
Balanced Income Fund	US Equity Unhedged Fund
Balanced Growth Fund	Non North American Equity Fund
Target Date Fund 2014	Long Term Bond Fund
Target Date Fund 2016	Socially Responsible Global Equity Fund
Target Date Fund 2018	UWO Liquidating Trust

All of these funds are professionally managed by external investment managers appointed by the Pension Board.

- a) The following asset mix for the Diversified Bond Fund, based on market value, has been adopted:

Canadian investment grade federal, provincial, municipal and corporate bonds, and Canadian Commercial Mortgages.

Canadian bonds	55.0%
Non-Canadian bonds	30.0%
Canadian Commercial Mortgages	15.0%

Up to 15% of the portfolio (25% of the assets managed by AllianceBernstein) may be exposed to non-Canadian currency.

It is understood that monthly fluctuations in the returns of the funds will cause deviations in this mix; however every attempt will be made to re-balance to the appropriate levels through the monthly cash flows.

- b) The following asset mix for the Diversified Equity Fund, based on market value, has been adopted:

Canadian Stocks, including Small Capitalization	30%
US Stocks and equivalents, including Small Capitalization	20%
Non-North American Stocks and equivalents	16%
Globally Diversified Portfolios	24%
Emerging Markets Equities	5%
Global Small Cap Equities	5%

Up to 50% of the portfolio may be exposed to non-Canadian currency.

It is understood that monthly fluctuations in the returns of the funds will cause deviations in this mix; however every attempt will be made to re-balance to the appropriate levels through the monthly cash flows

- c) The Canadian Equity Fund, US Large Cap Equity Funds, Non North American Equity Fund and Canadian Bond Fund are invested by the same managers and under the same mandates as the respective components of either the Diversified Bond Fund or the Diversified Equity Fund.

This modular structure for the investment options provides opportunity for more customized diversification for some members without increasing the administrative costs for all members.

- d) The Money Market Fund is diversified according to issuer and term to maturity. Federal, provincial and corporate issues are in the portfolio. At least 95% of the fund must be invested in securities with term to maturity of one year or less.
- e) The Target Date Funds are diversified according to term to maturity.
- f) The Long Term Bond Fund is diversified according to issuer and term to maturity. Federal, provincial and corporate issues are in the portfolio. All bonds are due to mature in 10 or more years.
- g) The UWO liquidating Trust includes investments in Restructured Notes received as a result of a *Companies Creditors Arrangement Act* restructuring plan for non-bank asset backed commercial paper held by pooled funds invested. The UWO Liquidating Trust is a closed fund that does not accept additional member contributions. The Restructured Notes now have adequate liquidity and restrictions on redeeming units in the UWO Liquidating Trust due to the lack of a liquid market were removed May 31, 2010. The scope for professional management of this investment is limited by market considerations.

Investment in any one security will not exceed the maximum allowed under the Regulations of the Pension Benefits Standards Act or the Income Tax Act.

- 5.2 The members of the defined contribution component may direct both their own and their employer's contributions among the available investment funds. In addition, these members have the right, at any time, to change the distribution of the future contributions and, also, to re-distribute past contributions among the available investment funds. Some members may choose the pre-diversified funds as outlined above, or may choose their own asset mix among the available portfolios.
- 5.3 Some of the portfolios offered have a significant component that is passively managed, following a specified market index that is assumed to be a good representation of the broad asset class. This strategy allows for reduced management costs and reduced deviation of the portfolio returns from the established market benchmark.

Possible grounds for exception to the general principle of passive management would include the following:

- a) Implementation problems: for some asset classes it may be difficult to adopt a completely passive management policy.
- b) Attractive active management: in some instances there may be good reasons to believe that a manager could outperform the market as defined by a benchmark and be easily monitored as to effectiveness.
- c) No clearly attractive passive benchmark available.

- 5.4 For the Special Members the Administrative plan documents confirm that the special member's regular account may not be invested in more than 70% equities.  
It is important to note that there remains less than 50 active Special Member in the Plan, whose defined contribution assets currently exceed by far the value of the defined benefit pensions.

With respect to funds which have been set aside to meet liabilities for retired Special Members, an Immunized Bond Fund was created on September 26, 2006. The fund invests mostly in zero-coupon provincial bonds. The future cash flows of the fund are expected to match the future pension payments.

- 5.5 For the Special Members' defined benefits an actuarial valuation for funding purposes is prepared by an external actuarial consultant every three years.
- 5.6 It shall be the responsibility of the Pension Board, from time to time, to sub-divide, or to delegate the managers to sub-divide, the defined benefit component asset mix policy, defined in Section 5.4, among the asset classes permitted in Section 3.

It will also be the responsibility of the Pension Board to select investment fund vehicles for the defined contribution members, from among the asset classes permitted in Section 3.

## **SECTION 6 - LIQUIDITY OF INVESTMENTS**

- 6.1 The Plan requires that payments be made as specified by members or their beneficiaries when they become entitled to those payments. In addition, members may choose to alter the investment of their entitlements as frequently as monthly. These provisions require that the investments are sufficiently liquid to meet these member and beneficiary requests. The UWO Liquidating Trust now has sufficient liquidity to enable members to make investment changes on a monthly basis and to receive payments when they become entitled to them. Because of the unusual nature of the Liquidating Trust investments, market conditions are monitored regularly with the assistance of an external consultant..

In general, the amount of investments that are required to be redeemed from any portfolio to meet member requests are estimated at least 4 business days prior to each month end. Most of the portfolios hold a minimal amount of cash so managers are asked to identify securities to redeem in order to meet these requests by month end. The assets must be sufficiently liquid to be able to accommodate this request within 3 business days.

## **SECTION 7 - LENDING OF CASH AND SECURITIES**

- 7.1 The Plan may engage in securities lending activities to generate income incremental income, subject to the provisions of the *Pension Benefits Act*, the *Income Tax Act (Canada)* and their applicable Regulations.

Such loans must be secured by obligations of or guaranteed by the respective government of Canada or the United States, their respective agencies, or any Canadian province. The amount of collateral taken for securities lending should reflect best practices in local markets. In Canada, the current market practice is to obtain collateral of at least 105% of the market value of the borrowed securities, except that loans to US securities to US-domiciled borrowers shall be initially collateralized at 102%. This market relationship must be calculated at least daily.

The terms and conditions of any securities lending program including the maximum exposure in aggregate and by counterparty will be set out in a contract with the Custodian. The Custodian shall, at all times, ensure that the administration has a current list of those institutions that are approved to borrow the Plan's investments. If the Plan assets are invested in a pooled fund, security lending will be governed by the terms and conditions set out in the pooled fund contract.

## **SECTION 8 – BORROWING**

- 8.1 The Plan may borrow funds, if necessary, of a short-term nature (period that does not exceed ninety days) to resolve any cash-flow requirements and/or to avoid a distress sale of securities, subject to the Pension Benefits Act, the Income Tax Act and their applicable Regulations.

## **SECTION 9 - VOTING RIGHT**

- 9.1 The exercising of voting rights acquired through any investment is delegated to the investment manager, subject to written direction to the contrary from the Pension Board, with the instruction to vote in favour of any proposal which, in the manager's opinion, will accrue and enhance the investment value and against any proposals which will unduly increase the risk level or reduce the investment value of the relevant security.
- 9.2 If the investment manager or any of its voting officers has any direct or indirect pecuniary interest in any matter on which the Fund has a right to vote, it shall be brought to the attention of the Pension Board, which has discretion to:
- a) instruct the investment manager to exercise the voting right in line with the principles described above, on the grounds that the relevant pecuniary interest is not material; or
  - b) instruct the investment manager how to cast the Fund's vote, having considered the principles described above; or
  - c) authorize the Fund's custodian/trustee to exercise the voting right in line with the principles described above

## SECTION 10 - VALUATION OF INVESTMENTS

10.1 The Fund must be valued for many purposes:

- to evaluate the entitlements of members
- to evaluate the performance of managers
- to meet regulatory requirements
- to determine the suitable funding for defined benefit entitlements

10.2 The market value of the securities is used to value all portfolios. In order to verify regulatory requirements, the book value of the securities is also measured.

10.3 Investments that are traded on public exchanges and over the counter are valued at the end of each month based on the pricing sources as chosen by the custodian of the assets.

10.4 Any asset that is not capable of being traded frequently shall have its market value appraised internally by an investment manager at intervals not exceeding one year, providing that:

- a) the principles underlying such reappraisals are consistent with the principles underlying an external appraisal, and
- b) any such reappraisal resulting in a value different by at least 10% from the last appraised value shall be confirmed by an external appraisal.

Further, any such asset whose most recently appraised value is at least 5% of the market value of the Fund shall have its market value appraised by a qualified independent agent at intervals not exceeding three years.



## **SECTION 11 - RESPONSIBILITIES OF FUND MANAGERS AND PENSION AGENTS**

11.1 The Pension Board delegates responsibilities and duties to the following managers and agents:

- a) internal professional staff
- b) external professional investment counsel
- c) external custodians
- d) external investment consultants
- e) external auditors
- f) external actuaries
- g) external legal counsel
- h) external software developers

11.2 The responsibilities and tasks for each of the internal and external pension agents are described in detail in Appendix B.

11.3 The Pension Board retains the fiduciary responsibility for tasks assigned to investment managers and pension agents and must ensure that tasks are clearly documented, that the parties are adequately supervised and are reviewed periodically based on the nature of the service provided. The review cycle for each provider will be determined by the nature of the service, performance of the provider and cost of doing the review.. Each of the professionals which are delegated duties by the Pension Board is subject to their own professional standards regarding fiduciary duty to their clients and beneficiaries of the investments.

## SECTION 12 - CONFLICTS OF INTEREST

12.1 The Pension Board is composed of:

- a) representatives of the plan sponsor (the University), and
- b) members of the plan elected by the plan membership.

Pension Board members in either category may be members of the plan and by virtue of such membership may have an interest in the Fund's affairs, and may participate in benefits under the plan. However, members of the Pension Board may receive no compensation for their services as such unless authorized by the University's Board of Governors.

12.2 A member of the Pension Board who is a member of the Plan may take part in discussions and vote on all matters relating to the Plan, other than matters in which the member's interest is not the same or substantially the same as that of other members of the Plan.

12.3 If a member of the Pension Board has any direct or indirect interest, which is not the same or substantially the same as that of other members of the plan, in any matter in which the Fund is concerned, and if that member is present at a meeting of the Pension Board at which time the matter is considered, the person shall, as soon as practicable after the commencement of the meeting, disclose this interest and shall not take part in the discussion or vote on the matter.

12.4 Where the Pension Board is of the opinion that a conflict of interest exists that has not been declared, the Pension Board may declare, by a resolution carried by two-thirds of the members present at the meeting, that a conflict of interest exists, and a member of the Pension Board thus found to be in conflict of interest shall,

- a) refrain from taking part in any discussion or vote related to the matter, and
- b) withdraw from the meeting when the matter is being discussed if requested to do so by a majority of members present at the meeting.

12.5 Where such an interest has not been disclosed, because the person was absent from the meeting or acquired or became aware of the interest after the meeting, the person shall declare the interest and otherwise comply with section 12.3 above at the first meeting of the Pension Board he or she attends after the meeting in question or after acquiring or becoming aware of the meeting in question or after acquiring or becoming aware of the interest.

12.6 a) The Pension Board shall satisfy itself that an appropriate policy regarding conflicts of interest exists and is followed by any investment manager appointed by it. As a minimum, the Code of Ethics and Standards of Professional Conduct adopted by the Association of Investment Management and Research shall be deemed to apply to such investment manager.

b) For any such appointment of an investment manager any investigation required by the Pension Board shall be carried out before the recommendation is made.

12.7 Any agent, or advisor, who is a party to a material contract, or proposed material contract with the Fund, shall disclose in writing to the Pension Board, or request to have entered into the minutes of the Pension Board, the nature and extent of such interest.

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

12.9 The failure of a person to comply with the procedures described in this section 12 shall not of itself invalidate any decision, contract or other matter.

## SECTION 13 - REVIEW PROCEDURES

- 13.1 This Statement of Investment Policies and Procedures shall be reviewed by the Pension Board no less frequently than annually, and shall be confirmed or amended at that time.
- 13.2 **Quarterly Performance Reviews** including a summary of the short and long term performance of each investment fund and each manager is reviewed by the Pension Board at the end of each quarter of the calendar year. The investment consultant provides details on relative performance and, where possible, an attribution analysis for the deviation from the benchmark for each manager and fund. Quarterly reports from the investment managers are also provided to the Pension Board for this review. The Director, Investments, or the Associate Director, Investments, will be asked to research certain issues based on this review which occurs at the Joint Pension Board level (Academic Pension Board and the Administrative Staff Pension Board). In assessing performance, in all cases the primary emphasis is performance relative to a market benchmark and not relative to a universe of competing managers.
- 13.3 **Annual meeting with the Committee**

Each year, the Joint Pension Board reviews the portfolio managed by each manager. The Director, Investments, or the Associate Director, Investments, meet with each portfolio manager every year and reports to the Joint Pension Board. The meeting location alternates between the portfolio manager's office and the University. Joint Pension Board members are invited to attend the meetings that take place at the manager's office, while meetings that take place at the University are held in conjunction with the regular meetings of the Joint Pension Board. Based on recommendations made by the investment consultant and the Director, Investments, or the Associate Director, Investments, the Joint Pension Board will discuss changes or issues with the fund.

The committee considers the latest manager performance, the most recent review from the investment consultant, the current investment objectives and the current fee schedule. If there has been an organizational change with the manager, a deviation from the mandate or if there is a concern about recent performance or any other concern, a meeting with the manager is arranged and they are informed of the specific concerns of the committee. The results of the meeting may include a change in mandate, a change in fee structure or a change in manager which is then recommended by the committee to the Joint Pension Board.

The Director, Investments, or the Associate Director, Investments, also monitor passive investments on behalf of the Joint Pension Board. As part of this review, performance of the funds versus the underlying indexes is reported back to the Board. Should a passive investment provider experience a significant administrative error or deviate from the target return, the Director, Investments, or the Associate Director, Investments, shall follow the same formal review process for active management and report the results back to the Joint Pension Board.

The appropriateness of the benchmark used for each mandate will be re-assessed annually.

### 13.4 **Research and Opinions provided by Consultants**

An investment consultant is retained to provide the Director, Investments, with their latest research regarding the investment management organization and their products. The external investment consultant provides periodic reports on the products offered by most investment management organizations. These reports include commentary on the investment staff, organizational stability, portfolio construction, security selection, investment implementation and research by the firm with respect to the specific product being reviewed.

The external investment consultant generally provides an overall recommendation for the product which can assume one of four values: HIRE, RETAIN, REVIEW, TERMINATE. For actively managed products, the recommendation is based on the degree of confidence the investment consultant has with respect to a manager's ability to perform relative to a benchmark. The Joint Pension Board generally holds these opinions in high regard, since it is difficult to argue that the Joint Pension Board can have any better information than the investment consultant may have with respect to the internal operations of a manager. The rankings are used by the Joint Pension Board as one of several factors assisting them in their decisions.

### **13.5 Actions Taken When under Performance Is Observed**

The Joint Pension Board's response to underperformance recognizes that all active managers will have such episodes and the response will depend on the nature of the asset class and the manager's style. The Joint Pension Board may choose to meet with the manager regarding the underperformance.

If the under performance continues, the Joint Pension Board will review the appropriateness of the benchmark, the nature of the manager's style and re-evaluate their investment objectives. The period of evaluation of results, as agreed upon in the manager mandate, generally is observed before making any recommendations on the future of the manager's mandate. The Director, Investments, or the Associate Director, Investments, may recommend holding the manager because they believe the manager is still the best choice for meeting the objectives. Alternatively, the Director, Investments, may recommend that the pension board consider replacing the manager.

Where returns from passive investments significantly deviate from the benchmark return, the Joint Pension Board will review reasons for the tracking error. The Joint Pension Board along with the Director, Investments, will determine whether action is required to remedy any excessive tracking error or to replace a passive manager.

### **13.6 Actions Taken When Consultant Opinion Changes**

When the investment consultant has downgraded their recommendation on a manager, the Director, Investments, or the Associate Director, Investments, first review the report prepared by the consultant to identify the source for their concern. Generally only downgrades to REVIEW or TERMINATE merit additional investigation. When a manager's product is recommended for REVIEW, the Director, Investments, or the Associate Director, Investments, will choose to meet with the manager to discuss the concerns presented by Russell Investments. The Director, Investments, or the Associate Director, Investments, will then determine if he believes the manager has a well thought out plan to address the concerns raised. Changes in ranking will be reported to the Joint Pension Board who will decide if further action is required by the Director, Investments, or the Associate Director, Investments. Some actions that may be considered include:

- a) withhold all future cashflows to the manager, if a multi-manager fund
- b) rebalance the portfolio, allocating less weight to the manager in question
- c) identify the administrative issues with discontinuing the portfolio (e.g. Notification period, termination clauses)

When the external investment consultant issues a TERMINATE recommendation, then the Director, Investments, will go through the same process as for a downgrade to a REVIEW, however, the Joint Pension Board will strongly consider alternative managers be considered for the portfolio.

Some actions that may be considered include:

- a) withhold all future cashflows to the manager, if a multi-manager fund
- b) terminate the manager and invoke the backup manager strategy that has been previously agreed to
- c) initiate a search for a replacement manager
- d) identify and estimate the costs in changing managers and develop strategies for minimizing those costs
- e) Terminate the manager once a replacement manager has been selected

### 13.7 **Actions When Administrative Problems Arise**

When administrative problems arise which may include failure to report information, inaccurate accounting of funds, difficulty in making allocations and redemptions with the manager, and failure to complete documentation required, the Director, Investments, or the Associate Director, Investments, based on the advice of other internal staff, may make recommendations. Some of the actions that may be considered include:

- a) meet with the manager to clarify the reporting and documentation required
- b) request an external audit of the accounting procedures
- c) determine the implementation costs associated with the manager in comparison to alternative managers
- d) discount the expected value added by the administrative aggravation to judge whether the manager should continue to be retained
- e) request fee forgiveness or reimbursement of expenses if the administrative issues are clearly the result of the manager's actions

## **SECTION 14 – POLICY ON SOCIALLY RESPONSIBLE INVESTING**

- 14.1 The Mission of the Joint Pension Board is to provide members with the opportunity to accumulate adequate funds for retirement.
- 14.2 The duty of the Joint Pension Board is to maximize investment returns without undue risk.
- 14.3 The Joint Pension Board will not request that its external managers divest some of their holdings because of pressure from members of the University Community, due to the involvement of a particular company in some controversial industry or region of the world.
- 14.4 Nevertheless, the Joint Pension Board recognizes that environmental, social and governance factors may have an impact on corporate performance over the long-term, although the impact can vary by industry.
- 14.5 In order to monitor the impact of these factors on plan performance, the Director, Investments, or the Associate Director, Investments, may ask its external managers, as part of their annual review, to disclose all actions they've taken in regard to environmental, social and governance factors and their impact on our portfolio.
- 14.6 The Administrative Staff Pension Board may offer a socially responsible investment option on a stand-alone basis. The investment option(s) offered must provide competitive risk-adjusted returns.

# **APPENDIX A – Investment Managers**

INVESTMENT MANAGER MANDATES

AND

PERFORMANCE STANDARDS

BY MANAGER



## **Aberdeen Asset Management (“Aberdeen”)**

### **INVESTMENT MANAGER MANDATE AND PERFORMANCE STANDARDS**

#### **MANAGER SPECIALIZATION:**

The Joint Pension Board of The University of Western Ontario (the “Board”) has determined that an investment in Aberdeen Canada Socially Responsible Global Fund (the “Fund”) is a suitable investment for the Master Trust for The University of Western Ontario Pension Plans (the “Master Trust”). Because Aberdeen Canada makes the Fund available to certain “accredited” investors pursuant to a prospectus exemption under applicable Canadian securities laws, the Board has not appointed Aberdeen as an investment counselor to manage a segregated mandate. The Fund is a socially responsible investing (“SRI”) global equity portfolio into which the Master Trust will invest.

#### **INVESTMENT OBJECTIVE:**

The Fund seeks to achieve a total return exceeding MSCI All Country World Index plus 300 basis points in Canadian Dollars over a period of 3 to 5 years through investing in a diversified portfolio of global equity securities. The fund invests primarily in securities of companies in any country which are socially responsible in the conduct of their business operations (“socially responsible companies”).

Socially responsible companies include those that:

- encourage progressive industrial relations with employees;
- encourage equal opportunities within their business operations and environment and within the countries in which they operate or do business;
- do not derive a significant portion of income from tobacco or alcohol sales, pornography or gaming products;
- provide products or services which are designed primarily for civilian use and are not military in character;
- are energy or utility companies which provide energy from non-nuclear sources and which minimize pollutants from their use of fossil fuels;
- consistently strive to comply with environmental regulations established by governments and government agencies;
- are committed to implementing environmentally conscious practices.

#### **EFFECTIVE COMMENCEMENT DATE:**

This mandate will be in effect as at June 1<sup>st</sup> 2012 commencing with the Master Trust’s investment in Aberdeen Canada - Socially Responsible Global Fund (the “Fund”), whose portfolio managers are Aberdeen Asset Management (“Aberdeen”), and will remain until further notice. This Investment Manager Mandate and Performance Standard statement will, however, be reviewed by the Board on an annual basis to ensure the content is still appropriate. Any proposed changes will be forwarded to Aberdeen and reviewed by them for comments. Aberdeen is under no obligation to respond to any changes to this Statement and Aberdeen is under no obligation to change or refrain from changing any parameters of the Fund to match this statement. Should Aberdeen make any such

changes, it is the sole responsibility of the Board to determine whether the Fund remains a suitable investment for the Master Trust.

**INVESTMENT GUIDELINES:**

Aberdeen will have full discretion to manage the Fund. The Board understands that the Fund is subject to the investment policies, procedures and guidelines set forth in the Third Amended and Restated Trust Indenture for the fund dated November 14, 2012 (the "Trust Indenture") and the Fund's Investment Schedule, last revised in November 2013, and subject to renewal from time to time and to material changes at any time in accordance with applicable Canadian securities laws.

**CODE OF CONDUCT:**

Aberdeen manages the Funds in accordance with its investment management policies and procedures and in accordance with its statutory duty of care. Aberdeen may, but has absolutely no obligation whatsoever to, use materials published by the CFA institute as a source in drafting the policies and procedures but makes no representation or warranty as to its adherence to any codes or standard published by the CFA institute..

**PERFORMANCE STANDARDS:**

Performance results will be monitored and evaluated by the Board on a quarterly basis against the applicable market index.

The "value-added" performance objective for this fund is highlighted below:

Benchmark:	MSCI All Country World Index expressed in Canadian dollars
Value-Added Target:	300 basis points per annum
Time Frame:	Three-year, moving-average time horizon

Performance results will also be monitored and evaluated on a twelve-month, moving-average basis to determine if performance is within an appropriate tolerance range on either side of the selected benchmark.

While the foregoing standards have been communicated to Aberdeen, they are communicated for Aberdeen's information only. Aberdeen has made no representations, warranties or covenants regarding these standards and understands that the Board may, in its discretion, use these standards to evaluate the suitability of investment in the Fund by the Master Trust from time to time. While the Board may consider these standards in any decision to cease investment in the Fund by the Master Trust, any such actions must be in accordance with the subscription agreement dated May 2012 between Aberdeen Asset Management Inc. and the Board regarding investment in the Fund (the "Agreement")

**PERSONNEL/STYLE:**

Continuity in personnel is important to a successful investment management program. Aberdeen as portfolio managers, have been selected as an investment management

organization for its investment approach and for the skill and experience of its decision making professionals that implement this approach.

It is understood that any changes or proposed changes in key personnel, ownership, investment management philosophy, style, approach, and/or fees, will be discussed, to the extent permitted by applicable securities laws, with the appropriate individuals of The University of Western Ontario. Aberdeen is under no obligation to seek any approval for any changes contemplated by this paragraph. The Board agrees that this paragraph shall not be construed to give the Board of the Master Trust any rights with respect to changes to the Fund not provided for specifically in the Agreement.

**MANAGER CONTACTS:**

Jenny Eves at Aberdeen will be the account executive and primary contact for this mandate. Jamie Cumming, Senior Investment Manager at Aberdeen, is the lead portfolio manager.

**MEETING FREQUENCY:**

Performance reviews and investment strategy meetings will be held regularly but not less frequently than annually with the Joint Pension Board or internal staff of The University of Western Ontario. Aberdeen will commit to meeting once per year in London, Ontario.

**TERMINATION:**

Termination is subject to the Series O Agreement. For Aberdeen's information, the Board may exercise its discretionary termination rights under the Series O Agreement for reasons that may include, but are not limited to, the following:

- (i) Not adhering to the stated investment guidelines.
- (ii) Performance results consistently below the stated performance objectives.
- (iii) Changes in ownership, personnel, structure, style, approach, and/or fees which might be deemed to affect the overall risk level of the assets or to reduce the potential return of the portfolios.

**PROXY VOTING:**

As advisor of the Fund, Aberdeen has the authority to make all voting decisions concerning the securities held in the Funds on a fully discretionary basis in accordance with the Fund's Trust Indenture. Aberdeen's proxy voting policies and procedures will be provided to the University of Western Ontario upon request.

**ADDENDUM:**

This document may be amended from time to time. The University of Western Ontario agrees to provide Aberdeen with any and all such amendments.

*Last revised: November 2013*

# ALLIANCEBERNSTEIN CANADA, INC INVESTMENT MANAGER MANDATE AND PERFORMANCE STANDARDS

## MANAGER SPECIALIZATION:

AllianceBernstein Canada, Inc. has been appointed by the Joint Pension Board of The University of Western Ontario as an investment manager to manage a segment of the Master Trust for The University of Western Ontario Pension Plans and the UWO Diversified Equity Fund (collectively, the "**Master Trust**"). AllianceBernstein will manage a non-North American equity portfolio, and a segregated global fixed income portfolio.

## INVESTMENT OBJECTIVE:

The overall objectives under this mandate are to manage:

1. A diversified equity portfolio of non-North American stocks, resulting over time in returns which exceed the MSCI EAFE total return by 300 basis points per annum.
2. A global fixed income portfolio, resulting over time in returns that exceed 50% of the Barclays Capital Aggregate Index hedged in Canadian dollars and 50% of the DEX Universe Bond Index by 100 basis points per annum.

This Investment Manager Mandate and Performance Standard statement will, however, be reviewed on an annual basis to ensure the content is still appropriate. Any proposed changes will be forwarded to AllianceBernstein for comment.

## INVESTMENT GUIDELINES:

AllianceBernstein will have full discretion to manage this segment of the Master Trust subject to the following guidelines:

1. The portfolio of non-North American equity securities invested for the UWO Non-North American Equity Fund and the UWO Diversified Equity Fund will be invested in the Sanford C. Bernstein International Value Equity (Cap-Weighted, Unhedged) Fund (the "**SCB International Fund**"). This portfolio will be subject to the investment policies, procedures and guidelines set forth in the Trust Agreement dated October 9, 1997 (as amended and supplemented from time to time) establishing the Sanford C. Bernstein & Co. Trust Funds, including the SCB International Fund (the "**Pooled Fund Account**").
2. The portfolio of global fixed income securities invested for the UWO Diversified Bond Fund will be subject to the investment policies, procedures and guidelines set forth in the Investment Guidelines for UWO Diversified Bond

Fund, dated December 5, 2006 and amended on March 17, 2007 and on July 1, 2008 (the “**Segregated Account**”).

**CODE OF CONDUCT:**

For these mandates, investment activities will be conducted in a manner consistent with the relevant section of the Code of Ethics and Standards of Professional Conduct adopted by the CFA Institute.

**PERFORMANCE STANDARDS:**

Performance results will be monitored and evaluated on a quarterly basis against the applicable market index and against an appropriate peer group sample.

The "value-added" performance objective for this fund is set out below:

**Non North American Equity Mandates:**

Benchmark:	MSCI EAFE expressed in Canadian dollars
Value-Added Target:	300 basis points per annum
Time Frame:	Four-year, moving-average time horizon

**Global Fixed Income Mandate:**

Benchmark:	50% Barclays Capital Aggregate hedged in Canadian dollars and 50% DEX Universe Bond Index
Value-Added Target:	100 basis points per annum
Time Frame:	Three-year, moving-average time horizon

Performance results will also be monitored and evaluated on a twelve-month, moving-average basis to determine if performance is within an appropriate tolerance range on either side of the selected benchmark.

On a relative performance basis, results for these funds are expected to place above the median return of a recognized comparative measurement service.

**PERSONNEL/STYLE:**

Continuity in personnel is important to a successful investment management program. AllianceBernstein has been selected as an investment management organization for its investment approach and for the skill and experience of its decision-making professionals that implement this approach.

It is understood that any changes or proposed changes in key personnel, ownership, investment management philosophy, style, approach, and/or fees, will be discussed, in detail, with the appropriate individuals of The University of Western Ontario.

### **MANAGER CONTACTS:**

Matt McCormick will be the account executive and primary contact for these mandates. The Investment Policy Group will be responsible for the portfolio management with specific resources on that group familiar with the Western portfolios as follows:

- (i) Kevin Simms and Henry D'Auria with respect to non-North American equities
- (ii) Doug Peebles and Scott DiMaggio with respect to Global Fixed Income

### **MEETING FREQUENCY:**

Performance reviews and investment strategy meetings will be held regularly but not less frequently than annually with the Joint Pension Board or internal staff of The University of Western Ontario.

### **TERMINATION:**

Reasons for termination may include, but are not limited to, the following:

- (i) Not adhering to the stated investment guidelines.
- (ii) Performance results consistently below the stated performance objectives.
- (iii) Changes in ownership, personnel, structure, style, approach, and/or fees which might be deemed to affect the overall risk level of the assets or to reduce the potential return of the portfolios.

### **PROXY VOTING:**

The exercising of voting rights acquired by the fund is understood to be delegated to AllianceBernstein, with the instruction to vote in favour of any proposal which, in their opinion, will accrue and enhance the investment value of the relevant security and against any proposals which will increase the risk level or reduce the investment value of the relevant security.

If AllianceBernstein, or any of its officers, has any direct or indirect pecuniary interest in any matter on which the Master Trust has a right to vote, it should be brought to the attention of the Joint Pension Board which is given discretion to:

- i. Instruct the manager to exercise the voting right in line with the principles described above, on the grounds that the relevant pecuniary interest is not material; or
- ii. Instruct the manager how to cast the Master Trust's vote, having considered the principles described above; or
- iii. Authorize the Master Trust's custodian/trustee to exercise the voting right in line with the principles described above.

For the avoidance of doubt, compliance with AllianceBernstein's establishing proxy voting manual (a copy of which has been delivered to the Joint Pension Board) shall be deemed compliance with this section.

**ADDENDUM:**

If any item, guideline or constraint within this Investment Manager Mandates and Performance Standards statement proves to be too restrictive, in practice, given certain market conditions, it will be the responsibility of AllianceBernstein to prepare a written report on the specific item for consideration by the Joint Pension Board of The University of Western Ontario.

This document may be amended by the Joint Pension Board of the University of Western Ontario from time to time. The University of Western Ontario agrees to provide AllianceBernstein with any and all such amendments.

*Last revised: December 2013*

## **BEUTEL, GOODMAN & COMPANY LTD.**

### **INVESTMENT MANAGER MANDATE AND PERFORMANCE STANDARDS**

#### **MANAGER SPECIALIZATION:**

Beutel, Goodman & Company Ltd. (“Beutel Goodman”) has been appointed by the Joint Pension Board of The University of Western Ontario as an investment counsellor to manage a segment of The Master Trust for The University of Western Ontario Pension Plans and the University of Western Ontario Retirement Income Fund within a quasi mutual fund trust called the UWO Canadian Equity Segregated Fund (the “Fund”). Beutel Goodman will manage a Canadian equity portfolio.

#### **INVESTMENT OBJECTIVE:**

The overall objective under this mandate is to manage:

1. A diversified equity portfolio of Canadian stocks, resulting over time in returns which exceed the S&P/TSX Composite total return.

#### **EFFECTIVE COMMENCEMENT DATE:**

This mandate will be in effect as at August 28, 2009 and will remain in effect until further notice. This Investment Manager Mandate and Performance Standard statement will, however, be reviewed not less than on an annual basis to ensure the content is still appropriate. Any proposed changes will be forwarded to Beutel Goodman and reviewed by them for comments.

#### **INVESTMENT GUIDELINES:**

Beutel Goodman will have full discretion to manage the Fund subject to the following guidelines:

##### ***Permissible Investments***

Canadian common stock and equivalent securities including, but not limited to, equity warrants, rights, call options, installment receipts, convertible debentures, limited partnerships, private placements, REITs, preferred shares, stock index futures, options on futures, cash and equivalents, so long as all investments qualify at all times as “prescribed investments” for registered retirement income funds pursuant to the *Income Tax Act* (Canada) and the Regulations hereunder, as amended from time to time.



### **Asset Mix**

	<b>Minimum</b>	<b>Maximum</b>
Canadian equities	90%	100%
Cash & short-term equivalents	0%	10%

### **Risk Controls**

*Cash & short-term equivalents:* The minimum quality standards are R1-low for money market securities and A for short-term bond and floating rate notes, as rated by a recognized rating agency.

*Holdings:* The number of holdings will range between 30 and 45.

*Single Stock Limits:* A single company will not represent more than 10% of the Fund, as measured in terms of market value.

*Sector Weights:* No minimum; the maximum is equal to the S&P/TSX Composite Index sector weight, as defined by the Global Industry Classification Standard, plus 10%.

### **Derivatives**

Conventional derivative instruments, such as warrants, rights, call options, stock index futures and options on futures, may be used provided they comply with the permissible investment provisions of this Mandate, but leverage is prohibited.

### **Securities Lending**

Securities lending is permissible. Securities loaned must be secured by cash and/or readily marketable government bonds and treasury bills. The minimum collateral coverage should be consistent with current market practice.

### **Soft Dollars**

The use of soft dollars is permissible. Beutel Goodman's soft dollar policy must comply with the CFA Institute Soft Dollar Standards and all applicable laws and regulatory policies.

### **CODE OF CONDUCT:**

For these mandates, investment activities will be conducted in a manner consistent with the relevant section of the Code of Ethics and The Standards of Professional Conduct adopted by the CFA Institute.

### **PERFORMANCE STANDARDS:**

Performance results will be monitored and evaluated on a quarterly basis against the applicable market index and against an appropriate peer group sample.

The "value-added" performance objective for this mandate is highlighted below:

<b>Benchmark:</b>	S&P/TSX Composite expressed in Canadian dollars
<b>Value-Added Target:</b>	200 basis points per annum
<b>Time Frame:</b>	Four-year, moving-average time horizon

Performance results will also be monitored and evaluated on a twelve-month, moving-average basis to determine if performance is within an appropriate tolerance range on either side of the selected benchmark.

On a relative performance basis, results for this mandate are expected to place above the median return of a recognized comparative measurement service.

**PERSONNEL/STYLE:**

Continuity in personnel is important to a successful investment management program. Beutel Goodman has been selected as an investment management organization for its investment approach and for the skill and experience of its decision making professionals that implement this approach.

It is understood that any changes or proposed changes in key personnel, ownership, investment management philosophy, style, approach, and/or fees, will be discussed, in detail, with the appropriate individuals of The University of Western Ontario.

**MANAGER CONTACTS:**

Peter Clarke, Managing Director, will be the account executive and primary contact for this mandate. Mark Thomson, Managing Director is the lead portfolio manager.

**MEETING FREQUENCY:**

Performance reviews and investment strategy meetings will be held regularly but not less frequently than annually with the Joint Pension Board or internal staff of The University of Western Ontario.

**TERMINATION:**

Reasons for termination may include, but are not limited to, the following:

- (i) Not adhering to the stated investment guidelines.
- (ii) Performance results consistently below the stated performance objectives.
- (iii) Changes in ownership, personnel, structure, style, approach, and/or fees which might be deemed to affect the overall risk level of the assets or to reduce the potential return of the portfolio.

**PROXY VOTING:**

The exercising of voting rights acquired by the fund is understood to be delegated to Beutel Goodman, with the instruction to vote in favour of any proposal which, in its opinion, will

accrue and enhance the investment value of the relevant security and against any proposals which will increase the risk level or reduce the investment value of the relevant security.

If Beutel Goodman, or any of its officers, has any direct or indirect pecuniary interest in any matter on which the Fund has a right to vote, it should be brought to the attention of the Joint Pension Board of The University of Western Ontario, who is given discretion to:

- (i) instruct the manager to exercise the voting right in line with the principles described above, on the grounds that the relevant pecuniary interest is not material; or
- (ii) instruct the manager how to cast the Fund's vote, having considered the principles described above; or
- (iii) authorize the Fund's custodian/trustee to exercise the voting right in line with the principles described above

**ADDENDUM:**

If any item, guideline or constraint within this Investment Manager Mandates and Performance Standards statement proves to be too restrictive, in practice, given certain market conditions, it will be the responsibility of Beutel Goodman to prepare a written report on the specific item for consideration by the Joint Pension Board of The University of Western Ontario.

*Last revised: December 2013*

## **CONNOR, CLARK & LUNN INVESTMENT MANAGEMENT LTD.**

### **INVESTMENT MANAGER MANDATE AND PERFORMANCE STANDARD**

#### **MANAGER SPECIALIZATION:**

Connor Clark & Lunn Investment Management Ltd. (CC&L) has been appointed by the Joint Pension Board of The University of Western Ontario as an investment counselor to manage a segment of the Master Trust for The University of Western Ontario Pension Plans and Retirement Income Funds (the "Master Trust"). CC&L will manage a Canadian equity portfolio.

#### **INVESTMENT OBJECTIVE:**

The overall objective under this mandate is to manage:

1. A diversified Canadian equity portfolio resulting over time in returns which outperforms the S&P/TSX Composite total return.

#### **EFFECTIVE COMMENCEMENT DATE:**

This mandate will be in effect as at July 9th, 2004 with respect to the CC&L pooled Canadian Equity Q Core Fund and will remain until further notice. This Investment Manager Mandate and Performance Standard statement will, however, be reviewed on an annual basis to ensure the content is still appropriate. Any proposed changes will be forwarded to CC&L and reviewed by them for comments.

#### **INVESTMENT GUIDELINES:**

CC&L will have full discretion to manage this segment of the Master Trust subject to the following guidelines:

The portfolio of Canadian securities invested for the UWO Diversified Equity Fund and the UWO Canadian Equity Fund will be invested in the Canadian Equity Q Core Fund. This portfolio will be subject to the investment policies, procedures and guidelines set forth in the CC&L Statement of Investment Policies and Procedures, last revised in June 2006.

#### **INVESTMENT CONSTRAINTS:**

All securities held must meet qualification investment rules for the Registered Retirement Income Funds and Registered Retirement Savings Plans under Sections 146.3 and 204 of the Income Tax

Act and Section 4900 of the Regulation to the Income Tax Act (the Act).

As well, the investments are subject to the specific constraints covered by the Regulations under the Pension Benefits Act, the Pension Benefits Standards Act, and the Income Tax Act.

**CODE OF CONDUCT:**

For these mandates, investment activities will be conducted in a manner consistent with the relevant section of the Code of Ethics and The Standards of Professional Conduct adopted by the CFA Institute, as may be amended from time to time.

**PERFORMANCE STANDARDS:**

Performance results will be monitored and evaluated on a quarterly basis against the applicable market index.

The "value-added" performance objective for this fund is highlighted below:

Benchmark:	S&P/TSX Composite expressed in Canadian dollars
Value-Added Target:	200 basis points per annum
Time Frame:	Four-year, moving-average time horizon

Performance results will also be monitored and evaluated on a twelve-month, moving-average basis to determine if performance is within an appropriate tolerance range on either side of the selected benchmark.

**PERSONNEL/STYLE:**

Continuity in personnel is important to a successful investment management program. CC&L has been selected as an investment management organization for its investment approach and for the skill and experience of its decision making professionals that implement this approach.

It is understood that any changes or proposed changes in key personnel, ownership, investment management philosophy, style, approach, and/or fees, will be discussed, in detail, with the appropriate individuals of The University of Western Ontario.

**MANAGER CONTACTS:**

Phil Cotterill, Partner will be the account executive and primary contact for this mandate. Martin Gerber, Partner, is the lead portfolio manager.

**MEETING FREQUENCY:**

Performance reviews and investment strategy meetings will be held regularly but not less frequently than annually with the Joint Pension Board or internal staff of The University of Western Ontario.

**TERMINATION:**

Reasons for termination may include, but are not limited to, the following:

- (i) Not adhering to the stated investment guidelines.
- (ii) Performance results consistently below the stated performance objectives.
- (iii) Changes in ownership, personnel, structure, style, approach, and/or fees which might be deemed to affect the overall risk level of the assets or to reduce the potential return of the portfolios.

### **PROXY VOTING:**

The exercising of voting rights acquired by the fund is understood to be delegated to CC&L, with the instruction to vote in favour of any proposal which, in their opinion, will accrue and enhance the investment value of the relevant security and against any proposals which will increase the risk level or reduce the investment value of the relevant security.

If CC&L, or any of its officers, has any direct or indirect pecuniary interest in any matter on which the Master Trust has a right to vote, it should be brought to the attention of the Joint Pension Board of The University of Western Ontario, who is given discretion to:

- (i) instruct the manager to exercise the voting right in line with the principles described above, on the grounds that the relevant pecuniary interest is not material; or
- (ii) instruct the manager how to cast the Master Trust's vote, having considered the principles described above; or
- (iii) authorize the Master Trust's custodian/trustee to exercise the voting right in line with the principles described above.

### **ADDENDUM:**

If any item, guideline or constraint within this Investment Manager Mandates and Performance Standards statement proves to be too restrictive, in practice, given certain market conditions, it will be the responsibility of the investment manager to prepare a written report on the specific item for consideration by the Joint Pension Board of The University of Western Ontario.

This document may be amended from time to time. The University of Western Ontario agrees to provide CC&L with any and all such amendments.

*Last revised: December 2013*

**GREYSTONE MANAGED INVESTMENTS INC.**  
**INVESTMENT MANAGER MANDATE AND PERFORMANCE STANDARD**

**MANAGER SPECIALIZATION:**

Greystone Managed Investments Inc. (Greystone) has been appointed by the Joint Pension Board of The University of Western Ontario as an investment counsellor to manage two segments of The Master Trust for The University of Western Ontario Pension Plans and Retirement Income Funds (the "Master Trust"). Greystone will manage a Canadian equity portfolio.

**INVESTMENT OBJECTIVE:**

The overall objective under this mandate is to manage:

1. A diversified equity portfolio of Canadian stocks, resulting over time in returns which exceed the S&P/TSX Composite total return

**EFFECTIVE COMMENCEMENT DATE:**

This mandate will be in effect as at January 13, 2003 and will remain until further notice. This Investment Manager Mandate and Performance Standard statement will, however, be reviewed on an annual basis to ensure the content is still appropriate. Any proposed changes will be forwarded to Greystone and reviewed by them for comments.

**INVESTMENT GUIDELINES:**

Greystone will have full discretion to manage this segment of the Master Trust subject to the following guidelines:

The portfolio of Canadian securities invested for the UWO Diversified Equity Fund and the UWO Canadian Equity Fund will be invested in the Greystone Canadian Equity Pooled Fund. This portfolio will be subject to the

investment policies, procedures and guidelines set forth in the attached *Greystone Canadian Equity Fund Investment Policy* dated January 1, 2011 (and as amended from time to time).

**CODE OF CONDUCT:**

For these mandates, investment activities will be conducted in a manner consistent with the relevant section of the Code of Ethics and The Standards of Professional Conduct adopted by the CFA Institute.



## **PERFORMANCE STANDARDS:**

Performance results will be monitored and evaluated on a quarterly basis against the applicable market index and against an appropriate peer group sample.

The "value-added" performance objective for this mandate is highlighted below:

<b>Benchmark</b>	S&P/TSX Composite expressed in Canadian dollars
<b>Value-Added Target:</b>	200 basis points per annum
<b>Time Frame:</b>	Four-year, moving-average time horizon

Performance results will also be monitored and evaluated on a twelve-month, moving-average basis to determine if performance is within an appropriate tolerance range on either side of the selected benchmark.

On a relative performance basis, results for this mandate are expected to place above the median return of a recognized comparative measurement service.

## **PERSONNEL/STYLE:**

Continuity in personnel is important to a successful investment management program. Greystone has been selected as an investment management organization for its investment approach and for the skill and experience of its decision making professionals that implement this approach.

It is understood that any changes or proposed changes in key personnel, ownership, investment management philosophy, style, approach, and/or fees, will be discussed, in detail, with the appropriate individuals of The University of Western Ontario.

## **MANAGER CONTACTS:**

Mary Robinson will be the account executive and primary contact for these mandates. The Canadian Equity Portfolio Team will be responsible for the portfolio management with Chirag Patel acting as a specific resource on that group familiar with the Western portfolio.

## **MEETING FREQUENCY:**

Performance reviews and investment strategy meetings will be held regularly but not less frequently than annually with the Joint Pension Board or internal staff of The University of Western Ontario.

## **TERMINATION:**

Reasons for termination may include, but are not limited to, the following:

- (i) Not adhering to the stated investment guidelines.
- (ii) Performance results consistently below the stated performance objectives.
- (iii) Changes in ownership, personnel, structure, style, approach, and/or fees which might be deemed to affect the overall risk level of the assets or to reduce the potential return of the portfolio.

## **PROXY VOTING:**

The exercising of voting rights acquired by the fund is understood to be delegated to Greystone, with the instruction to vote in favour of any proposal which, in their opinion, will accrue and enhance the investment value of the relevant security and against any proposals which will increase the risk level or reduce the investment value of the relevant security.

If Greystone, or any of its officers, has any direct or indirect pecuniary interest in any matter on which the Fund has a right to vote, it should be brought to the attention of the Joint Pension Board of The University of Western Ontario, who is given discretion to:

- (i) instruct the manager to exercise the voting right in line with the principles described above, on the grounds that the relevant pecuniary interest is not material; or
- (ii) instruct the manager how to cast the Master Trust's vote, having considered the principles described above; or
- (iii) authorize the Master Trust's custodian/trustee to exercise the voting right in line with the principles described above.

## **ADDENDUM:**

If any item, guideline or constraint within this Investment Manager Mandates and Performance Standards statement proves to be too restrictive, in practice, given certain market conditions, it will be the responsibility of the investment manager to prepare a written report on the specific item for consideration by the Joint Pension Board of The University of Western Ontario.

This document may be amended from time to time. The University of Western Ontario agrees to provide Greystone with any and all such amendments.

*Last revised: December 2013*

## Appendix A

# GREYSTONE CANADIAN EQUITY FUND INVESTMENT POLICY

### **Objective**

The investment objective of the Greystone Canadian Equity Fund (the “Fund”) is to seek superior long-term capital

appreciation by investing in the equity securities of Canadian companies.

The performance objective is to exceed the Fund’s benchmark return gross of fees. Investment performance is evaluated over

a full market cycle, which generally lasts between three and five years.

### **Investment strategy**

The Fund invests in a diversified portfolio of Canadian common stocks and other related securities.

The Fund is actively

managed and seeks to enhance returns and control risks.

To meet its superior long-term capital appreciation objective, the portfolio management process focuses on mature companies

that can sustain superior earnings growth. Emphasis is also placed on earnings quality and financial strength. Analysis is

undertaken in the context of the overall market and accordingly growth characteristics are assessed on a relative basis.

### **Performance benchmark**

The performance benchmark index for the Fund is the S&P/TSX Composite Index calculated on a total return basis. In

instances where a stock comprises more than 10% of the Index, an appropriate “capped” equivalent index is adopted.

### **Permissible investments**

Canadian common stock and equivalent securities including, but not limited to, equity warrants, installment receipts,

subscription receipts, convertible debentures, limited partnerships, real estate investment trusts (REITs), income trusts and

“stapled” units are permitted investments by the Fund. “Stapled” units are a combination of securities that trade as one and

cannot be broken apart.

Index-replicating vehicles are permissible investments if the securities and/or strategies underlying the index-replicating vehicle

would be considered permissible investments of the Fund.

All securities are traded in recognized markets and purchased and sold through registered broker-dealers.

Private placements may be purchased, if the security issued will become eligible for trading within a reasonable and defined timeframe.

### **Asset guidelines**

Generally the Fund is fully invested in Canadian equities. Based on total current market value, investment classes will be within

the following ranges:

%

*Minimum*

%

*Maximum*

Canadian Equities 90 100

Cash & Short-term Equivalents (1) 0 10

(1) Cash and short-term equivalents are primarily used to facilitate ongoing realignments in the portfolio and liquidity requirements.

### **Greystone Managed Investments Inc.**

Policy effective as of January 1, 2013

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#### **Risk controls**

All risk controls are measured in terms of market value.

**Short-term:** Money market securities must have a minimum rating of 'R1' or equivalent, as rated by a recognized rating service.

Short-term bonds and floating rate securities must have a minimum rating of 'A' or equivalent, as rated by a recognized rating service.

**Holdings:** "Holding" refers collectively to equity securities of a single corporation, its subsidiaries and other controlled entities.

The number of holdings will range between 30 and 50.

**Single Stock Limits:** A single company will not represent more than 10% of the Fund. A single holding will not exceed 10%

of the voting shares of the corporation.

Index-replicating vehicles in aggregate will not exceed 4% of the Fund.

**Market Capitalization:** At time of purchase, securities will have a total float adjusted market capitalization of at least \$750 million.

**Industry Sector Limits:** Risk is managed by diversifying across various sectors and securities of the market. The Global

Industry Classification Standard defines 10 sectors of the S&P/TSX Composite Index. Based upon this classification scheme,

the aggregate holdings of the Fund in a single sector are maintained within the following ranges:

*S&P/TSX Composite Index Sector Weight Minimum Maximum*

Less than or equal to 7% 0% Sector +5%

Greater than 7% to 20% 0.25x Sector Sector +10%

Greater than 20% 0.5x Sector Sector +15%

In instances where a limit is breached due to changes in market prices or circumstances beyond Greystone's control and not

because of portfolio activity initiated by Greystone, the Fund is re-balanced within a reasonable period.

#### **Derivatives**

Derivatives may be utilized in the portfolio management process for liquidity, generating income or controlling risk.

Derivatives would not be used for leverage or access to a position that would not otherwise be eligible on its own. Currently,

the Fund does not employ derivatives. Should derivatives be utilized in the future, advance written notification will be given to

the unitholders.

### **Greystone Managed Investments Inc.**

Policy effective as of January 1, 2013

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#### **Safekeeping**

The Fund's custodian, State Street Trust Company Canada, safekeeps the securities and settles trades.

#### **Securities lending**

Securities lending is permissible. An affiliate of the Fund's custodian, State Street Bank and Trust Company, may loan securities held by the Fund, within a Greystone approved program.

Greystone will determine when it is in the best interest of the Fund to enter into a securities lending program. The purpose of

securities lending is to generate additional income for the Fund. The lending agent will guarantee that all securities on loan will

be recalled by settlement dates of sell transactions. If for some reason securities are not recalled on time and settlements fail, then

the agent would compensate the portfolio for all fees and charges related to failed settlements. The compensation would insure

that the account performance is not affected negatively.

Loans are collateralized by cash or readily marketable high quality non cash securities which all fall under the OSFI B-4

Guideline for acceptable collateral. Collateral margins in any other market must reflect best practices in that market.

### **Proxy voting**

Greystone is responsible for voting proxies of securities held by the Fund. Voting is done pursuant to Greystone's Proxy Voting

Guidelines approved by the Company and amended from time to time. A copy of the current summary of Greystone's Proxy

Voting Guidelines may be obtained from Greystone upon request.

Where the Fund participates in a securities lending program, the Fund does not vote the proxies attached to those lent securities.

In these instances, proxy voting becomes the right of the borrower.

Greystone engages the firm Institutional Shareholder Services (ISS) as its proxy management consultant. ISS assists Greystone

in the process of fulfilling its fiduciary responsibilities concerning the voting of its clients' proxy ballots including this Fund.

### **Brokerage commission usage**

Greystone engages in brokerage commission arrangements in trading the Fund's securities pursuant to Greystone's

Commissionable Services Policy approved by the Company and amended from time to time. A copy of the current

Commissionable Services Policy may be obtained from Greystone upon request.

### **Best execution**

Greystone strives to achieve "best execution" on all trades (both agency and principal).

Greystone, in carrying out its fiduciary duties to the Fund, seeks to obtain the most favourable terms reasonably available under

the circumstances for every Fund transaction.

In seeking the most favourable terms, Greystone considers the full range and quality of broker-dealer services in placing trades

including, among other things, execution capability, commission rate, market spread, financial stability, the value of research

provided and responsiveness to Greystone.

The determinative factor is not the lowest possible commission cost but whether the transaction represents the best qualitative

execution for the Fund, in light of the above circumstances.

Greystone has in place a periodic and systematic evaluation process, which ranks the execution performance of broker-dealers.

A transaction cost analysis is also done on a regular basis.

### **Prohibited trading**

The Fund is prohibited from short selling, margin trading and maintaining negative cash positions.

## **Greystone Managed Investments Inc.**

Policy effective as of January 1, 2013

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### **Performance measurement**

Greystone measures investment performance of the Fund and provides it to unitholders on a quarterly basis.

### **Related parties**

Greystone is a private company that is not associated with, nor related to, any parties providing services, including brokerage and custody services, to the Fund.

Greystone, Greystone's Funds and Greystone's employee pension plan may

hold units in the Fund from time to time.

## **GREYSTONE MANAGED INVESTMENTS AND THE KILGOUR WILLIAMS GROUP**

### **INVESTMENT MANAGER MANDATE AND PERFORMANCE STANDARDS**

#### **MANAGER SPECIALIZATION:**

Greystone Managed Investments Inc. (Greystone) together with the Kilgour Williams Group (KWG), who are acting as sub advisors, have been appointed by the University of Western Ontario Joint Pension Board (Western) as investment manager (the Manager) for the UWO Liquidating Trust. The UWO Liquidating Trust is a fund that invests primarily in fixed income securities including the MAV II Restructured Notes (formerly non bank asset backed commercial paper) received as a result of the settlement and restructuring of the non-bank asset backed commercial paper market in Canada which received court approval under a *Companies Creditors Arrangement Act* ("CCAA") restructuring plan in January 2009.

#### **INVESTMENT OBJECTIVE:**

The investment objective of the Liquidating Trust ("The Fund") is to facilitate the liquidation of the notes issued by the Master Asset Vehicle II (MAV II) special purpose entity held by the Fund and maximize the return of plan members holding units of the Fund.

#### **INVESTMENT STRATEGY:**

The Manager shall be responsible for the ongoing investment of the assets in the Fund including the Restructured Notes and interest payments generated by the Restructured Notes with a view to maximizing the return on the Fund, while preserving capital. The Manager has the discretion to sell assets held in the Liquidating Trust where in the view of Manager it may maximize the return on the fund or minimize risk of loss. Proceeds from the sale of assets must be re-invested in a diversified portfolio of high-quality fixed income securities.

## **INVESTMENT GUIDELINES:**

The fund will have two categories of investments:

- 1) Restructured Notes include the following categories of investments:
  - i. MAV II Class A-1 Notes
  - ii. MAV II Class A-2 Notes
  - iii. MAV II Class B Notes
  - iv. MAV II Class C Notes
  - v. MAV II Tracking Notes Class 13
  
- 2) Reinvested Cash  
The interest payments generated by the Restructured Notes and proceeds from selling the MAV II Notes will be invested in a portfolio of fixed income securities.

The asset mix should be restricted to the following:

<b>Fund</b>	<b>% Range</b>
TDF 2014	0% – 100%
TDF 2016	0% – 100%
TDF 2018	0% – 100%
CANADIAN BOND FUND	0% – 50%
GREYSTONE MONEY MARKET FUND	0% – 100%

The Fund is not permitted to purchase additional notes that are issued by the MAV II special purpose entity.

## **INVESTMENT CONSTRAINTS:**

All securities held must meet qualification investment rules for the Registered Retirement Income Funds and Registered Retirement Savings Plans under Sections 146.3 and 204 of the Income Tax Act and Section 4900 of the Regulation to the Income Tax Act (the “Act”).

As well, the investments are subject to the specific constraints covered by the Regulations under the Pension Benefits Act, the Pension Benefits Standards Act, and the Income Tax Act.

## **CODE OF CONDUCT:**

For these mandates, investment activities will be conducted in a manner consistent with the relevant section of the Code of Ethics and The Standards of Professional Conduct adopted by the CFA Institute.

## **PERFORMANCE STANDARDS:**

Due to its liquidation mandate, the portion of the Fund holding Restructured Notes will not be subject to performance standards, but it will be monitored by the Joint Pension Board to ensure compliance with this mandate.

For the portion of the Fund holding high-quality short-term fixed income securities, The performance objective is to exceed the Fund's benchmark return gross of fees. Investment performance is evaluated over a full market cycle, which generally lasts between three and five years.

**PERSONNEL/STYLE:**

Continuity in personnel is important to a successful investment management program. Greystone and KWG have been selected as an investment management organization for their investment approach and for the skill and experience of its decision making professionals that implement this approach.

It is understood that any changes or proposed changes in key personnel, ownership, investment management philosophy, style, approach, and/or fees, will be discussed, in detail, with the appropriate individuals of The University of Western Ontario.

**MANAGER CONTACTS:**

Primary contact at Greystone is Mary Robinson who is the account executive and primary contact for these mandates. The Primary contact at Kilgour Williams Group is Daniel Williams.

**MEETING FREQUENCY:**

Performance reviews and investment strategy meetings will be held regularly but not less frequently than annually with the Joint Pension Board or internal staff of The University of Western Ontario.

**TERMINATION:**

The Board may exercise its discretionary termination rights under the Agreement for reasons that may include, but are not limited to, the following:

- (i) Not adhering to the stated investment guidelines.
- (ii) Performance results consistently below the stated performance objectives.
- (iii) Changes in ownership, personnel, structure, style, approach, and/or fees which might be deemed to affect the overall risk level of the assets or to reduce the potential return of the portfolios.

**ADDENDUM:**

The Liquidating Trust Fund originated as a fund to hold illiquid non-bank asset backed commercial paper. The Fund now holds Restructured Notes and cash, the objective is to



maximize return for the assets and as needed liquidate the Restructured Notes either at maturity in 2017 or sooner, with a view to maximizing the return for unit holders.

If any item, guideline or constraint within this Investment Manager Mandates and Performance Standards statement proves to be too restrictive, in practice, given certain market conditions, it will be the responsibility of Manager to prepare a written report on the specific item for consideration by the Joint Pension Board of The University of Western Ontario.

This document may be amended from time to time. The University of Western Ontario agrees to provide Greystone and KWG with any and all such amendments.

*Last revised: December 2013*

## **Greystone Managed Investments Inc.**

Policy effective as of January 1, 2012

### **Objective**

The investment objective of the Greystone Money Market Fund (the “Fund”) is to seek superior short-term total returns (current income and capital appreciation) by investing in Canadian short-term fixed income securities.

The performance objective is to exceed the Fund’s benchmark return gross of fees. Investment performance is evaluated over a full market cycle, which generally lasts between three and five years.

### **Investment strategy**

The Fund invests in a diversified portfolio of Canadian short-term fixed income securities. The Fund is actively managed and seeks to enhance total returns and control risks. The Fund places a heavy emphasis on liquidity and capital security.

To meet its superior short-term total return objective, the portfolio management process focuses on anticipating the level and shape of the of the Canadian interest rate curve out to one year. Key elements of this strategy include:

- Managing the portfolio’s duration relative to the benchmark.
- Adjusting the portfolio’s sector mix.
- Maintaining a high level of liquidity. The maturity of any single investment will not exceed 365 days.

### **Performance benchmark**

The performance benchmark index for the Fund is the Derivative Exchange (DEX) 91-Day T-Bill Index.

### **Permissible investments**

The Fund invests primarily in short-term securities and cash, including treasury bills, promissory notes, floating rate securities, bankers acceptances, bearer deposit notes, commercial paper and term deposits. The Fund is also permitted to invest in government bonds (federal, provincial and municipal), debentures issued by Canadian corporations including asset backed securities (ABS), short-term bonds, repurchase agreements and floating rate securities of approved Canadian issuers. .

All securities in the Fund have a term to maturity of 365 days or less. The Fund does not invest in foreign currency obligations.

### **Asset guidelines**

Generally the Fund is fully invested in Canadian short-term fixed income securities. Cash is held primarily to meet ongoing portfolio realignments and liquidity requirements. Based on total current market value, investment classes are maintained within the following ranges:

#### ***Class Range Investment Vehicles***

Federal 20-100% T-bills, promissory notes, repurchase agreements, coupons, residuals, floating rate securities, bonds, Provincial 0-30% T-bills, promissory notes, coupons, residuals, floating rate securities, bonds, Banks 0-60% Bankers acceptances, term deposits, bearer deposit notes, floating rate securities, bonds Corporate 0-30% Commercial paper, floating rate securities, bonds

## **Greystone Managed Investments Inc.**

Policy effective as of January 1, 2012

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### **Risk controls**

All risk controls are measured in terms of market value.

**Term:** The Fund’s average term will not exceed 365 days.

**Credit quality risk constraints:** The minimum quality standards, as rated by a recognized rating service, are:

**Rating**

Money market securities R1

Short-term bonds and floating rate securities A

**Diversification:**

- Individual corporate issuer (excluding Canadian banks) will not exceed 8% of the Fund.
- Maximum exposure to any single bank issue is 30% of the Fund.
- Maximum exposure to floating rate securities is 10% of the Fund.

**Derivatives**

The Fund does not invest in derivative instruments.

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**Safekeeping**

The Fund's custodian, State Street Trust Company Canada, safekeeps the securities and settles trades.

**Securities lending**

Securities lending is permissible. An affiliate of the Fund's custodian, State Street Bank and Trust Company, may loan securities held by the Fund, within a Greystone approved program.

Greystone will determine when it is in the best interest of the Fund to enter into a securities lending program. The purpose of securities lending is to generate additional income for the Fund. The lending agent will guarantee that all securities on loan will be recalled by settlement dates of sell transactions. If for some reason securities are not recalled on time and settlements fail, then the agent would compensate the portfolio for all fees and charges related to failed settlements. The compensation would insure that the account performance is not affected negatively.

Loans are collateralized by cash or readily marketable high quality non cash securities which all fall under the OSFI B-4 Guideline for acceptable collateral. Collateral margins in any other market must reflect best practices in that market.

**Best execution**

Greystone strives to achieve "best execution" on all trades (both agency and principal).

Greystone, in carrying out its fiduciary duties to the Fund, seeks to obtain the most favourable terms reasonably available under the circumstances for every Fund transaction.

In seeking the most favourable terms, Greystone considers the full range and quality of broker-dealer services in placing trades including, among other things, execution capability, commission rate, market spread, financial stability, the value of research provided and responsiveness to Greystone.

The determinative factor is not the lowest possible commission cost but whether the transaction represents the best qualitative execution for the Fund, in light of the above circumstances.

Greystone has in place a periodic and systematic evaluation process, which ranks the execution performance of broker-dealers. A transaction cost analysis is also done on a regular basis.

**Prohibited trading**

The Fund is prohibited from short selling, margin trading and maintaining negative cash positions.

**Performance measurement**

Greystone measures investment performance of the Fund and provides it to unitholders on a quarterly basis.

**Related parties**

Greystone is a private company that is not associated with, nor related to, any parties providing services, including brokerage and custody services, to the Fund.

Greystone, Greystone's Funds and Greystone's employee pension plan may hold units in the Fund from time to time.

Appendix A

## **HARRIS ASSOCIATES L.P.**

### **INVESTMENT MANAGER MANDATE AND PERFORMANCE STANDARDS**

#### **MANAGER SPECIALIZATION:**

Harris Associates L.P. ("Harris") has been appointed by the Joint Pension Board of The University of Western Ontario (the "Joint Pension Board") as an investment counsellor to manage a segment of The Master Trust for The University of Western Ontario Pension Plans and Retirement Income Funds (the "Master Trust"). Harris will manage a global equity portfolio.

#### **INVESTMENT OBJECTIVE:**

The overall objective under this mandate is to manage a diversified equity portfolio of global equity stocks, resulting over time in returns which exceed the MSCI World Index total return as described more fully below under "Performance Standards".

#### **EFFECTIVE COMMENCEMENT DATE:**

This mandate will be in effect as at October 1, 2008 and will remain until further notice. This Investment Manager Mandate and Performance Standard statement will, however, be reviewed by the Joint Pension Board or internal staff of The University of Western Ontario on an annual basis to ensure the content is still appropriate. Any proposed changes will be forwarded to Harris and reviewed by them for comments.

#### **INVESTMENT GUIDELINES:**

Harris will have full discretion to manage this segment of the Master Trust subject to the following guidelines:

The portfolio of global equity securities invested for the UWO Diversified Equity Fund will be invested in the Harris Associates Global Large Cap L.P. This portfolio will be subject to the investment policies, procedures and guidelines set forth in the attached *Confidential Offering Memorandum* dated August, 2007 (and as amended from time to time).

Harris shall manage the Partnership in such a manner that the Master Trust shall not be called upon to provide additional cash to satisfy obligations incurred by Harris on behalf of the partnership, unless Harris obtains prior written approval from the Master Trust.

## **CODE OF CONDUCT:**

In carrying out its mandate under the Subscription Agreement and Limited Partnership Agreement as same are modified by any side letters between the parties, Harris shall exercise its powers and perform its duties honestly and in good faith and shall exercise the degree of care, diligence and skill that a prudent professional investment manager experienced in the management of pension trust assets would exercise in dealing with the property of another person. Harris and all of its employees, officers, directors, agents, contractors, delegates, successors and assigns shall comply with Harris' Code of Ethics, which is consistent with the industry and with the CFA Institute *Code of Ethics and Standards of Professional Conduct*, as amended from time to time.

## **PERFORMANCE STANDARDS:**

Performance results will be monitored and evaluated on a quarterly basis against the applicable market index and against an appropriate peer group sample.

The "value-added" performance objective for this mandate is highlighted below:

Global Mandate:

**Benchmark**  
US

MSCI World Index expressed in Canadian and  
dollars

**Value-Added Target:**

150 basis points per annum

**Time Frame:**

Four-year, moving-average time horizon

Performance results will also be monitored and evaluated on a twelve-month, moving-average basis to determine if performance is within an appropriate tolerance range on either side of the selected benchmark.

On a relative performance basis, results for this mandate are expected to place above the median return of a recognized comparative measurement service.

## **PERSONNEL/STYLE:**

Continuity in personnel is important to a successful investment management program. Harris has been selected as an investment management organization for its investment approach and for the skill and experience of its decision making professionals that implement this approach.

It is understood that any changes or proposed changes in key personnel, ownership, investment management philosophy, style, approach, and/or fees, will be discussed, in detail, with the appropriate individuals of The University of Western Ontario.

### **MANAGER CONTACTS:**

Vineeta Raketich will be the account executive and primary contact for these mandates. Members of the Global Equity Investment Team, including David Herro, Bob Levy, Ed Loeb and Rob Taylor will be responsible for the portfolio management with David Herro and Bob Levy acting as the lead portfolio for the Global L.P.

### **MEETING FREQUENCY:**

Performance reviews and investment strategy meetings will be held regularly but not less frequently than annually with the Joint Pension Board or internal staff of The University of Western Ontario.

### **TERMINATION:**

Reasons for termination may include, but are not limited to, the following:

- (i) Not adhering to the stated investment guidelines.
- (ii) Performance results below the stated performance objectives.
- (iii) Changes in ownership, personnel, structure, style, approach, and/or fees which might be deemed to affect the overall risk level of the assets or to reduce the potential return of the portfolio.

### **PROXY VOTING:**

The exercising of voting rights acquired by the fund is understood to be delegated to Harris, with the instruction to vote in favour of any proposal which, in their opinion, will accrue and enhance the investment value of the relevant security and against any proposals which will increase the risk level or reduce the investment value of the relevant security.

### **ADDENDUM:**

If any item, guideline or constraint within this Investment Manager Mandates and Performance Standard statement proves to be too restrictive in practice given certain market conditions, it will be the responsibility of the investment manager to prepare a written report on the specific item for consideration by the Joint Pension Board of The University of Western Ontario.

This document may be amended from time to time by the Joint Pension Board or internal staff of The University of Western Ontario. The University of Western Ontario agrees to provide Harris with any and all such amendments.

*Last revised: December 2013*

**MFS INVESTMENT MANAGEMENT CANADA  
INVESTMENT MANAGER MANDATE AND PERFORMANCE STANDARD  
MANAGER SPECIALIZATION:**

MFS (“MFS Investment Management Canada” or “Investment Manager”) has been appointed by the Joint Pension Board of The University of Western Ontario (the “Client”) as an investment counsellor to manage a segment of the Master Trust for The University of Western Ontario Pension Plans and Retirement Income Funds (the “Master Trust”). MFS will manage an international equity portfolio consisting of a pooled fund to be held in the Investment Account. The Client acknowledges and agrees that, because the Investment Manager will invest only a portion of the assets of the Master Trust and the Pension Plans, MFS does not have overall responsibility for ensuring that the total assets of the Pension Plans or the Master Trust are invested in accordance with the investment restrictions applicable under this Schedule A. For greater clarity, should any provision of this Investment Manager Mandate and Performance Standard Manager Specialization be in conflict with a provision of the Offering Memorandum of the MFS Investment Management Canada Pooled Fund, as amended from time to time, the provision of the Offering Memorandum shall prevail.

**INVESTMENT OBJECTIVE:**

The overall objective under this mandate is to manage a pooled fund and underlying diversified international equity portfolio resulting in long-term capital growth.

**EFFECTIVE COMMENCEMENT DATE:**

This mandate will be in effect as at June 6, 2012 with respect to the MFS (Formerly MFS Mclean Budden) Investment Account and will remain until further notice. This Investment Manager Mandate and Performance Standard will, however, be reviewed on an annual or, if requested by the Client, more frequent basis to ensure the content is still appropriate. Any proposed changes will be forwarded to the Investment Manager for its review and approval.

**INVESTMENT GUIDELINES:**

MFS will have full discretion to manage this segment of the Master Trust subject to the following guidelines:

- a) The Investment Manager may invest in all types of securities within the pooled fund (which may be denominated in local currencies), including, without limitation, common, preferred and other capital stock, convertible securities and depository receipts for these securities. The Investment Manager may also invest in fixed-income securities within the pooled fund for defensive purposes or for funds awaiting reinvestment and in fixed-income securities that are convertible into equity securities. Please see the current version of the Offering Memorandum for a description of eligible investments.
- b) The pooled fund invests primarily in securities of companies having their principal business activities or interests in companies included in the benchmark index – (MSCI EAFE). The manager may also at their discretion, analyze, and invest in companies outside the index deemed to have characteristics attractive to the fund.

c) The pooled fund may invest in securities of companies having their principal business activities or interests in countries not included in the benchmark index. Per the current version of the Offering Memorandum, Investment in securities of issuers in emerging market countries (as defined by the advisor) is limited to 15% of the Fund's assets. Investment in U.S. and Canadian securities will be limited to those having a material economic exposure to markets outside of the U.S./Canada, as determined by MFS, and such U.S. issuers will be limited to 10% (in aggregate) of the Fund's assets.

d) Equity index futures may be used within the pooled fund on an unleveraged basis solely to create synthetic equity exposure for cash. [The Fund's currency exposure may be hedged utilizing currency derivatives \(e.g., options on currency, futures, and forward contracts\). If utilized by the portfolio, currency hedging will be done for defensive purposes only.](#)

e) The Investment Manager may within the pooled fund acquire, buy and sell rights, calls, and warrants in order to maintain a fully invested position while at the same time accommodating liquidity requirements. The total position in rights, calls and warrants may not exceed 5% of the pooled fund. [Please see the current version of the Offering Memorandum for a description of eligible investments.](#)

#### **INVESTMENT CONSTRAINTS:**

The investments shall comply with the *Pension Benefits Act* (Ontario) and the *Pension Benefits Standards Act, 1985* (Canada) and the respective regulations made thereunder, as may be amended from time to time.

#### **CODE OF CONDUCT**

For these mandates, investment activities will be conducted in a manner consistent with MFS's Client Investment and Relationship Policy, which is generally similar to the Code of Ethics adopted by the CFA Institute. [MFS has also developed its own Code of Ethics and Code of Business Conduct.](#) MFS also claims compliance with CFA standards.

#### **PERFORMANCE STANDARDS:**

Performance results will be monitored and evaluated on a quarterly basis against the MSCI EAFE.

The "value-added" performance standard for the pooled fund is highlighted below:

Benchmark: MSCI EAFE

Value-Added Target: 200 basis points per annum

Time Frame: Four-year, moving-average time horizon

Performance results will also be monitored and evaluated on a twelve-month, moving-average basis to determine if performance is within an appropriate tolerance range on either side of the selected benchmark.

#### **PERSONNEL/STYLE:**



Continuity in personnel is important to a successful investment management program. MFS has been selected as an investment management organization for its investment approach and for the skill and experience of its decision making professionals that implement this approach.

It is understood that any changes or proposed changes in key personnel, ownership, investment management philosophy, style, approach, and/or fees, will be discussed, in detail, with the appropriate individuals as specified by the Client.

**MANAGER CONTACTS: Sarah Donahue S1Donahue@mfs.com**

**MEETING FREQUENCY:**

Performance reviews and investment strategy meetings will be held regularly but not less frequently than annually with the Joint Pension Board and internal staff of The University of Western Ontario.

**TERMINATION:**

Reasons for termination may include, but are not limited to, the following:

- (i) Not adhering to the stated investment guidelines [or the Offering Memorandum, as amended from time to time.](#)
- (ii) Performance results consistently below the stated performance objectives.
- (iii) Changes in ownership, personnel, structure, style, approach, and/or fees which might be deemed to affect the overall risk level of the assets or to reduce the potential return of the portfolios.

**ADDENDUM**

If any item, guideline or constraint within this Investment Manager Mandate and Performance Standards statement proves to be too restrictive, in practice, given certain market conditions, it will be the responsibility of the Investment Manager to prepare a written report on the specific item for consideration by the Joint Pension Board of The University of Western Ontario.

This document may be amended from time to time. The Client agrees to provide MFS with any and all such amendments.

*Last Updated December 2013*

# **PANAGORA U.S. DYNAMIC SMALL CAP CORE STRATEGY**

## **INVESTMENT MANAGER MANDATE AND PERFORMANCE STANDARD**

### **MANAGER SPECIALIZATION:**

PanAgora Asset Management, Inc. (PanAgora) has been appointed by the Joint Pension Board of The University of Western Ontario ("Western") as an investment counselor to manage a segment of the Master Trust for the University of Western Ontario Pension Plans and Retirement Income Funds (the "Master Trust"). PanAgora will manage a U.S. small cap equity portfolio.

### **INVESTMENT OBJECTIVES AND PERFORMANCE STANDARDS:**

-To outperform the Russell 2000 Index by 250 to 300 basis points per annum over a full market cycle (3 to 5 years)

-To maintain a predicted annual tracking error between 3% and 6%

The above objectives are targets and as such their achievement cannot be guaranteed.

### **EFFECTIVE COMMENCEMENT DATE:**

This mandate will be in effect as at October 13<sup>th</sup>, 2006 and will remain until further notice. This Investment Manager Mandate and Performance Standard statement will, however, be reviewed on an annual basis to ensure the content is still appropriate. Any proposed changes will be forwarded to PanAgora and reviewed by them for comments.

### **INVESTMENT GUIDELINES:**

1. The Account will invest primarily in the following type of securities;
  - Common and other Equity Securities
  - Exchange traded funds (ETFs)
  - U.S. Treasury Bills
  - Short-term investment funds
2. The Account may invest in derivative instruments, such as equity index futures as an alternative to direct investment in the cash equity market, provided that the appropriate amount of cash and short-term money market securities is retained to prevent leveraging the portfolio.
3. The Account may not invest in physical commodities or physical commodities contracts.
4. The Account may not engage in short sales.
5. The Account may not invest in private-placements, including Rule 144A securities.
6. The Account may invest in any single stock up to 2% above the issuer weight in the above Index.

7. The Account may invest in any sector up to 6% above the sector weight in the above Index.
8. Cash and cash equivalent holdings not equitized by futures will typically not exceed 5%.
9. PanAgora will have full discretion to manage this segment of the Master Trust subject to the following guidelines: The portfolio of U.S. securities invested for the UWO Diversified Equity Fund will hold companies listed on prescribed stock exchanges, as defined in PART XXXII of the Income Tax Regulations. These stock exchanges include, but are not limited to, the New York Stock Exchange, the National Association of Securities Dealers Automated Quotation System (NASDAQ), the American Stock Exchange (AMEX), the Chicago Board of Options, and the Chicago Board of Trade.
10. All securities held must meet qualification investment rules for the Registered Retirement Income Funds and Registered Retirement Savings Plans under Sections 146.3 and 204 of the Income Tax Act and Section 4900 of the Regulation to the Income Tax Act.

As well, the investments are subject to the specific constraints covered by the Regulations under the Pension Benefits Act, the Pension Benefits Standards Act, and the Income Tax Act.

All investment guidelines apply at the time the security is purchased for the Account.

#### **CURRENCY MANAGEMENT:**

The benchmark used for reporting purposes by Western is the Russell 2000 Index (unhedged) from a Canadian investor perspective. The manager may choose to hedge the U.S. currency exposure in order to add value.

#### **CODE OF CONDUCT:**

For these mandates, investment activities will be conducted in a manner consistent with the relevant section of the Code of Ethics and the Standards of Professional Conduct adopted by the CFA Institute, as may be amended from time to time.

#### **PERSONNEL/STYLE:**

Continuity in personnel is important to a successful investment management program. PanAgora has been selected as an investment management organization for its investment approach and for the skill and experience of its decision making professionals that implement this approach.

It is understood that any changes or proposed changes in key personnel, ownership, investment management philosophy, style, approach, and/or fees, will be discussed, in detail, with the appropriate individuals of The University of Western Ontario.

### **MANAGER CONTACTS:**

Kevin Dowie, Director, Client Service will be the account executive and primary contact for this mandate. Jane Zhou, Director Equities, is the lead portfolio manager.

### **MEETING FREQUENCY:**

Performance reviews and investment strategy meetings will be held regularly but not less frequently than annually with the Joint Pension Board or internal staff of The University of Western Ontario.

### **TERMINATION:**

Reasons for termination may include, but are not limited to, the following:

- (i) Not adhering to the stated investment guidelines.
- (ii) Performance results consistently below the stated performance objectives.
- (iii) Changes in ownership, personnel, structure, style, approach, and/or fees which might be deemed to affect the overall risk level of the assets or to reduce the potential return of the portfolios.

In case of termination, Western requests that the assets managed by PanAgora be transferred within 30 days.

### **PROXY VOTING:**

The exercising of voting rights acquired by the fund is understood to be delegated to PanAgora, with the instruction to vote in favour of any proposal which, in their opinion, will accrue and enhance the investment value of the relevant security and against any proposals which will increase the risk level or reduce the investment value of the relevant security.

If PanAgora, or any of its officers, has any direct or indirect pecuniary interest in any matter on which the Master Trust has a right to vote, it should be brought to the attention of the Joint Pension Board of The University of Western Ontario, who is given discretion to:

- (i) Instruct the manager to exercise the voting right in line with the principles described above, on the grounds that the relevant pecuniary interest is not material; or
- (ii) Instruct the manager how to cast the Master Trust's vote, having considered the principles described above; or
- (iii) Authorize the Master Trust's custodian/trustee to exercise the voting right in line with the principles described above.

### **ADDENDUM:**

If any item, guideline or constraint within this Investment Manager Mandates and Performance Standards statement proves to be too restrictive, in practice, given certain market conditions, it will be the responsibility of the investment manager to prepare a written report on the specific item for consideration by the Joint Pension Board of The University of Western Ontario.

*Last revised: December 2013*

## **ROMSPEN INVESTMENT CORPORATION**

### **INVESTMENT MANAGER MANDATE AND PERFORMANCE STANDARDS**

#### **MANAGER SPECIALIZATION:**

The Joint Pension Board of The University of Western Ontario has determined that an investment in Romspen Mortgage Investment Fund is a suitable investment for the Master Trust for The University of Western Ontario Pension Plans. Because Romspen Investment Corporation (“RIC”) makes the Fund available to qualified investors through an offering memorandum under applicable securities laws, the Joint Pension Board has not appointed RIC as an investment counselor to manage a segregated mandate. The Fund is a commercial mortgage fund into which the Master Trust – UWO Diversified Bond Fund (“Western Portfolio”) will invest.

#### **INVESTMENT OBJECTIVE:**

The overall objective under this mandate is to manage a commercial mortgage fund, resulting over time in returns which exceed the benchmark described more fully below under “Performance Standards”.

#### **EFFECTIVE COMMENCEMENT DATE:**

The investment into the Fund will be effected on July 1, 2012 and will remain so invested until further notice.

#### **INVESTMENT GUIDELINES:**

The assets overseen by RIC will be invested in the Fund. The Fund is subject to the investment policies, procedures and guidelines set forth in the attached Offering Memorandum dated July 2013 (and as amended from time to time).

#### **CODE OF CONDUCT:**

For this mandate, investment activities of the Joint Pension Board of The University of Western Ontario will be conducted in a manner consistent with the relevant section of the Code of Ethics and The Standards of Professional Conduct adopted by the CFA Institute.

### **PERFORMANCE STANDARDS:**

The current aim of the Fund is to outperform the blended benchmark displayed below over a rolling three year period.

60% DEX Short-Term Bond Index  
40% DEX Mid-Term Bond Index  
+50 bps per annum

RIC acknowledges that Client shall monitor the performance of the Fund on a quarterly and 12 month moving-average basis.

### **PERSONNEL/STYLE:**

RIC agrees to give Client reasonable notice (where practicable and consistent with the law applicable to RIC) of any change in the personnel of RIC who are directly responsible for investing the assets of the Fund. RIC undertakes to give Client prior written notice of any proposed material change to the investment objective, policy and/or restrictions of the Fund as set out in the Offering Memorandum.

### **MANAGER CONTACTS:**

Ronald Lloyd will be the account executive and primary contact for the Western Portfolio's investment in the Fund.

### **MEETING FREQUENCY:**

The parties agree to meet yearly or at such other intervals as agreed between them to discuss in particular the Fund's performance and investment objectives.

### **TERMINATION:**

Reasons for termination may include, but are not limited to, the following:

- (i) Not adhering to the stated investment guidelines.
- (ii) Performance results below the stated performance objectives.
- (iii) Changes in ownership, personnel, structure, style, approach, and/or fees which might be deemed to affect the overall risk level of the assets or to reduce the potential return of the portfolio.

The Agreement may be terminated by either Party upon 60 days written notice to the other Party.

The Agreement shall be terminated (i) automatically in the event of the commencement of insolvency, composition or liquidation proceedings for the assets of Client or fund, or (ii) if any of these entities lose necessary registrations to conduct the business contemplated by the Agreement, or (iii) in the event either Party breaches any material provision of the Agreement, provided that if the breach is capable of being remedied, the breaching Party has not remedied such breach within 10 days of receipt of a notice from the other Party of such material breach.

The Agreement may be terminated with immediate effect by Client upon redemption of its total holding of Fund Units.

For the avoidance of doubt, termination of the Agreement shall not act to terminate any rights a Party may have, including the right to indemnification, arising out of actions or conduct occurring prior to such termination.

Liquidation following a termination is subject to the conditions of redemption included in the offering memorandum.

**PROXY VOTING:**

RIC has not entered into an agreement with the University of Western Ontario for proxy voting.

**ADDENDUM:**

This document may be amended from time to time. The University of Western Ontario agrees to provide RIC with any and all such amendments.

*Last revised: December 2013*

# STATE STREET GLOBAL ADVISORS, LTD

## INVESTMENT MANAGER MANDATE AND PERFORMANCE STANDARD

### MANAGER SPECIALIZATION:

State Street Global Advisors, Ltd (“the Manager”) has been appointed by the Joint Pension Board of The University of Western Ontario as an investment manager to manage a segment of the pension fund portfolio Master Trust for the University of Western Ontario Pension Plans and Retirement Income Funds (the “Master Trust”). The manager will manage:

- 1) A series of Target Date Funds (“TDFs”), each with a prescribed maturity date.
- 2) A Canadian Short Term Investment Fund (currently known as Canadian Money Market Fund)
- 3) A Canadian Bond Fund
- 4) A Canadian Long Term Bond Fund, and
- 5) An Immunized Bond Fund for the University of Western Ontario Pension Plan for Members of the Administrative Staff and an Immunized Bond Fund for the University of Western Ontario Pension Plan for members of the Academic Staff

### INVESTMENT OBJECTIVE:

The overall objectives under this mandate are as follows:

#### **1) Target Date Funds**

The primary objective for each of the Target Date Funds managed by the Manager is to ensure, at a minimum, the achievement of a prescribed rate of return to the maturity date of each Target Date Fund (“TDF”). The prescribed rate of return will be determined at the inception date of each TDF and will be based on the yield to maturity on Government of Canada residual bonds with maturity dates closest to the maturity dates of each TDF. For those target date funds whose inception date was prior to the mandate effective commencement date, the prescribed rate of return will be the rate of interest, which is based directly on the yield to maturity of the portfolio as at November 30<sup>th</sup>, 2003.

A secondary objective is to add additional returns for each TDF by 1) purchasing issues that permit the TDFs to achieve a higher return than defined by the primary objective, and 2) by ongoing trading activity that will add incremental value to the TDFs over time.

#### **2) Canadian Short Term Investment Fund (currently known as Canadian Money Market Fund)**



The overall objective is to exceed the return of the DEX 91 day T-Bill index.

### **3) Optimized Canadian Bond Fund**

The overall objective is to match the risk/return parameters of the DEX Universe Bond Index.

### **4) Optimized Canadian Long Term Bond Fund**

The overall objective is to match the risk/return parameters of the DEX Long Term Bond Index.

### **5) Immunized Bond Funds**

The overall objective of the Immunized Bond Fund is to invest the assets of the general account backing the defined benefit liabilities of the Administrative Staff Pension Plan and the Academic Pension Plan in such a way that the cash flows generated by the Immunized Bond Fund match the expected benefit payments.

## **EFFECTIVE COMMENCEMENT DATE:**

This Investment Manager Mandate and Performance Standards statement will be in effect as at November 21, 2003 with respect to the TDFs, the Money Market Fund, the Optimized Canadian Bond Fund and the Optimized Canadian Long Term Bond Fund, as at September 26, 2006 with respect to the Immunized Bond Fund for the University of Western Ontario Pension Plan for Members of the Administrative Staff and as of June 28, 2010 for the University of Western Ontario Pension Plan for Members of the Academic Staff and will remain until further notice. The investment Manager Mandate and Performance Standard statement will however, be reviewed on an annual basis to ensure the content is still appropriate. Any proposed changes will be forwarded to the Manager and reviewed by them for comments.

## **INVESTMENT GUIDELINES:**

The Manager will have full discretion to manage this segment of the Master Trust subject to the following guidelines:

### **1) Target Date Funds:**

- a) Each TDF will be managed as an immunized portfolio.
- b) The average duration of each TDF should not deviate from its time to maturity date by more than 5%.
- c) Portfolios may be comprised only of strip bond issues, including coupon and residuals issued by the Government of Canada (including crown corporations) and Canadian Provinces (including provincially guaranteed securities).
- d) For each TDF, total holdings of cash and securities under one year to maturity will be limited as follows:

<u>Remaining Term</u>	<u>Maximum Short-Term %</u>
i. 4 Years or more	10%
ii. 2 to 3.9 Years	25%
iii. Under 2 Years	no limit

- e) Foreign debt issues and private placements are not permitted.

## **2) Canadian Short Term Investment Fund (currently known as Canadian Money Market Fund)**

### ***Permissible Investments***

The fund invests in high quality Canadian money market instruments such as Treasury bills, short-term government bonds (federal, provincial and municipal); other short-term government securities (promissory notes, repurchase agreements, coupons, residuals, floating-rate notes); banks (bankers' acceptances, term deposits, bearer deposit notes, floating-rate notes, short-term bonds); corporate securities (commercial paper, floating-rate notes, short-term bonds); and cash on hand.

### ***Asset Mix***

<b>Class</b>	<b>% Range</b>
Governments	20% - 100%
Banks	0% - 75%
Corporates	0% - 50%

### ***Risk Controls***

- a) The maximum average term of the fund will not exceed 180 days.
- b) The minimum quality standards are: R1-low for money market securities and A for short-term bond and floating rate notes.
- c) No restrictions on floating rate notes with a term to maturity of less than 1 year.
- d) At least 95% of the fund must be invested in securities with term to maturity of one year or less.
- e) The term to maturity for floating rate notes is deemed to be the full term to maturity for the purposes of calculating the average term of the fund and complying with the restriction requiring the proportion of the fund invested in securities with term to maturity of one year or less to be at least 95%
- f) The maximum term to maturity for floating-rate notes is limited to 3 years.
- g) The maximum reset period is limited to one year.
- h) The maximum exposure to any single corporate issuer (excluding banks) is limited to 10%.
- i) Holdings will be limited to Canadian issues denominated in Canadian dollars.

## **3) Optimized Canadian Bond Fund**

- a) The portfolio will be managed as an indexed fixed income portfolio

- b) The portfolio should have characteristics substantially similar to the characteristics of the underlying benchmark with respect to quality, sector, duration and term structure.
- c) Foreign debt issues are not permitted
- d) Investment is not permitted in short term paper with quality ratings less than R1-low as measured by a recognized Canadian bond rating service

#### **4) Optimized Canadian Long Term Bond Fund**

- a) The portfolio will be managed as an indexed fixed income portfolio
- b) The portfolio should have characteristics substantially similar to the characteristics of the underlying benchmark with respect to quality, sector, duration and term structure.
- c) Foreign debt issues are not permitted
- d) Investment is not permitted in short term paper with quality ratings less than R1-low as measured by a recognized Canadian bond rating service

#### **5) Immunized Bond Funds**

- a) The primary investment objective of the Immunized Bond Portfolio Strategy is to manage a portion of the Fund's assets such that their value moves approximately in tandem with changes in the value of the fund's liabilities due to the effects of changes in interest rates.
- b) The Manager shall invest the Immunized Bond Portfolio in a segregated portfolio comprised only of Government of Canada issues (including Crown Corporations) and Canadian Provincial Issues (including provincially guaranteed securities) this will also include federal and provincial guaranteed issues of strip bonds and money market securities.
- c) The Manager shall manage the Immunized Bond Portfolio according to a modified duration target provided on receipt of advice from University of Western Ontario, which may be amended from time to time. The Manager shall ensure that the Immunized Bond Portfolio will be managed within plus or minus 0.25 years of the target modified duration.
- d) The Manager shall provide sufficient liquidity in the Immunized Bond Portfolio to pay monthly pension benefits. The Manager shall also provide sufficient liquidity in the Immunized Bond Portfolio so that all other fees and expenses of the Fund are paid. Therefore, all investments must be in highly liquid, publicly traded securities.

#### **INVESTMENT CONSTRAINTS:**

All securities held must meet qualification investment rules for the Registered Retirement Income Funds and Registered Retirement Savings Plans under Sections 146.3 and 204 of the Income Tax Act and Section 4900 of the Regulation to the Income Tax Act (the "Act").

As well, the investments are subject to the specific constraints covered by the Regulations under the Pension Benefits Act, the Pension Benefits Standards Act, and the Income Tax Act.

### **CODE OF CONDUCT:**

For these mandates, SSGA complies with the State Street Global Advisor, Ltd.'s Code of Ethics and State Street Corporation's Standard of Conduct requirements. Moreover, SSGA recognizes that its employees who have obtained the CFA® charter or who are candidates in the CFA® program are subject to the "Code of Ethics and Standards of Professional Conduct" established by the "CFA Institute".

### **PERFORMANCE STANDARDS:**

#### **1) Target Date Funds ("TDFs"):**

Performance results will be monitored and evaluated at least quarterly.

The basis for evaluation will be the projected value at maturity of a unit of each TDF on the date of valuation. This maturity value will be calculated using the current unit value as determined by the fund custodian using generally accepted accounting principles and a rate of interest, which is based directly on the yield to maturity of the portfolio. This projected maturity value will be compared to the corresponding benchmark for each TDF<sup>2</sup> :

**Benchmark:** The projected maturity value per unit as determined at the inception date of each TDF, based on the returns on Government of Canada residuals with maturity dates closest to the maturity dates of each TDF.

The returns on the Canadian issues will be determined by averaging the offering yields of three recognized investment dealers in zero coupon securities, of those issues which best meet the maturity criteria noted above, at 4 pm on the first day on which the Manager is notified that funds are available to invest in each TDF.

Performance results will be monitored on an ongoing basis to determine if performance is within an appropriate tolerance range of the selected benchmark.

#### **2) Canadian Short Term Investment Fund (currently known as Canadian Money Market Fund):**

Performance results will be evaluated on a quarterly basis against the DEX 91 day T-Bill index.

The "value-added" objective follows:

<b>Benchmark:</b>	DEX 91-day T-Bill index
<b>Value-Added Target:</b>	15 basis points per annum
<b>Time Frame:</b>	Four year, moving average time horizon

#### **3) Optimized Canadian Bond Fund**

Performance results will be monitored and evaluated on a quarterly basis against the appropriate benchmark:

**Benchmark:** DEX Universe Bond Index  
**Tracking error:** 10 bps annually

#### **4) Optimized Canadian Long Term Bond Fund**

Performance results will be monitored and evaluated on a quarterly basis against the appropriate benchmark:

**Benchmark:** DEX Long Term Bond Index  
**Tracking error:** 10 bps annually

#### **5) Immunized Bond Funds**

Performance results will be monitored and evaluated at least quarterly.

**Benchmark:** DEX Universe Bond Index

The basis for performance evaluation will be the successful completion of the following goals:

- a) Insuring that the fund's asset value moves approximately in tandem with the fund's liabilities due to the effect of changes in interest rates;
- b) Maintaining a portfolio duration within plus or minus 0.25 years of the target modified duration provided by the University.
- c) Providing sufficient liquidity to pay monthly pension benefits

#### **PERSONNEL/STYLE:**

Continuity in personnel is important to a successful investment management program. The Manager has been selected as an investment management organization for its investment approach and for the skill and experience of its decision-making professionals that implement this approach.

It is understood that any changes in key personnel, ownership, and any changes or proposed changes to investment management philosophy, style, approach, and/or fees specific to this mandate, will be discussed in detail, with the appropriate individuals at the University of Western Ontario.

#### **MANAGER CONTACTS:**

Mr. Anthony Spagnolo will be the Relationship Manager and primary contact for these mandates. The Fixed Income Team will be responsible for the portfolio management Louis Basque acting as specific resources on that group familiar with the Western portfolio.

#### **MEETING FREQUENCY:**

Performance review meetings will be held regularly but not less frequently than annually with the Joint Pension Board or internal staff of the University of Western Ontario.

**TERMINATION:**

Reasons for termination may include, but are not limited to, the following:

- 1) Not adhering to the stated investment guidelines.
- 2) Performance results consistently below the stated performance objectives.
- 3) Changes in ownership, personnel, organizational structure, style, approach and/or fees which might be deemed to affect the overall risk level of the fund assets or to reduce the potential return of the portfolios.

The University of Western Ontario retains the right to terminate for any reason.

**ADDENDUM:**

If any item, guideline or constraint within this Investment Manager Mandate and Performance Standards statement proves to be too restrictive, in practice, given certain market conditions, it will be the responsibility of the investment manager to prepare a written report on the specific item for consideration by the Joint Pension Board of the University of Western Ontario.

This document may be amended from time to time. The University of Western Ontario agrees to provide the Manager with any and all such amendments.

*Last revised: January 2014*

## **STATE STREET GLOBAL ADVISORS, LTD - (US Equity)**

### **INVESTMENT MANAGER MANDATE AND PERFORMANCE STANDARD**

#### **MANAGER SPECIALIZATION:**

State Street Global Advisors, Ltd (“the Manager”) has been appointed by the Joint Pension Board of The University of Western Ontario as an investment manager to manage a segment of the pension fund portfolio Master Trust for the University of Western Ontario Pension Plans and Retirement Income Funds (the “Master Trust”). The manager will manage:

- 1) A U.S. Large Cap Equity Fund, indexed to the S&P 500 Index, with currency hedging
- 2) A U.S. Large Cap Equity Fund, indexed to the S&P 500 Index, without currency hedging
- 3) A U.S. Mid Cap Equity Fund, indexed to the S&P Midcap 400 Index, with currency hedging
- 4) A U.S. Low Volatility Equity Fund, with currency hedging

#### **INVESTMENT OBJECTIVE:**

The overall objectives under this mandate are as follows:

##### **1) U.S. Equity Hedged Fund**

The overall objective of this mandate is to replicate the performance of the S&P 500 index. The return to this portfolio will be hedged against exchange rate changes.

##### **2) U.S. Equity Unhedged Fund**

The overall objective of this mandate is to replicate the performance of the S&P 500 index. The return to this portfolio will not be hedged against exchange rate changes.

##### **3) Mid Cap U.S. Equity Hedged Fund**

The overall objective of this mandate is to replicate the performance of the S&P 400 index. The return to this portfolio will be hedged against exchange rate changes.

4 U.S. Low Volatility Equity Fund

The SSgA US Low Volatility Strategy strives to achieve market-like returns, as measured by the Russell 3000 Index, over the long-term, at the same time targeting between 20% and 30% reduction in realized volatility.

### **EFFECTIVE COMMENCEMENT DATE:**

This Investment Manager Mandate and Performance Standards statement will be in effect as at April 16, 2009 with respect to the U.S. Equity Hedged Fund, the U.S. Equity Unhedged Fund and the Mid Cap U.S. Equity Hedged Fund and will remain until further notice. The investment Manager Mandate and Performance Standard statement will however, be reviewed on an annual basis to ensure the content is still appropriate. Any proposed changes will be forwarded to the Manager and reviewed by them for comments.

### **INVESTMENT GUIDELINES:**

The Manager will have full discretion to manage this segment of the Master Trust subject to the following guidelines:

#### **1) U.S. Equity Hedged Fund:**

The portfolio of U.S. equity securities will be invested in the State Street Bank and Trust Company S&P 500 Index Common Trust Fund. The currency hedging component of the mandate will be done according to the currency overlay mandate described in schedule A of the First Amendment to the Investment Management Agreement made as of May 14, 2009.

#### **2) U.S. Equity Unhedged Fund:**

The portfolio of U.S. equity securities will be invested in the State Street Bank and Trust Company S&P 500 Index Common Trust Fund.

#### **3) Mid Cap U.S. Equity Unhedged Fund:**

The portfolio of U.S. equity securities will be invested in the State Street Bank and Trust Company S&P Midcap Index Common Trust Fund. The currency hedging component of the mandate will be done according to the currency overlay mandate described in schedule A of the First Amendment to the Investment Management Agreement made as of May 14, 2009.

#### **4 U.S. Low Volatility Equity Fund**

The portfolio of U.S. equity securities will be invested in the State Street Bank and Trust Company fund NAME TBD

### **INVESTMENT CONSTRAINTS:**

All securities held must meet qualification investment rules for the Registered Retirement Income Funds and Registered Retirement Savings Plans under Sections 146.3 and 204 of the Income Tax Act and Section 4900 of the Regulation to the Income Tax Act (the "Act").

As well, the investments are subject to the specific constraints covered by the



Regulations under the Pension Benefits Act, the Pension Benefits Standards Act, and the Income Tax Act.

### **CODE OF CONDUCT:**

For these mandates, SSGA complies with the State Street Global Advisor, Ltd.'s Code of Ethics and State Street Corporation's Standard of Conduct requirements. Moreover, SSGA recognizes that its employees who have obtained the CFA® charter or who are candidates in the CFA® program are subject to the "Code of Ethics and Standards of Professional Conduct" established by the "CFA Institute".

### **PERFORMANCE STANDARDS:**

#### **1) U.S. Equity Hedged Fund:**

Performance results will be monitored and evaluated on a quarterly basis against the appropriate benchmark:

**Benchmark:** S&P 500 Index Hedged  
**Tracking error:** 10 bps annually

#### **2) U.S. Equity Unhedged Fund:**

Performance results will be monitored and evaluated on a quarterly basis against the appropriate benchmark:

**Benchmark:** S&P 500 Index Unhedged  
**Tracking error:** 10 bps annually

#### **3) Mid Cap U.S. Equity Hedged Fund:**

Performance results will be monitored and evaluated on a quarterly basis against the appropriate benchmark:

**Benchmark:** S&P Midcap 400 Index Hedged  
**Tracking error:** 10 bps annually

#### **4) U.S. Low Volatility Equity**

Performance results will be monitored and evaluated on a quarterly basis against the appropriate benchmark:

**Benchmark:** Russell 3000 Index Hedged

### **PERSONNEL/STYLE:**

Continuity in personnel is important to a successful investment management program. The Manager has been selected as an investment management organization for its investment approach and for the skill and experience of its decision-making professionals that implement this approach.

It is understood that any changes in key personnel, ownership, and any changes or proposed changes to investment management philosophy, style, approach, and/or fees specific to this mandate, will be discussed in detail, with the appropriate individuals at the University of Western Ontario.

### **MANAGER CONTACTS:**

Mr. Anthony Spagnolo will be the Relationship Manager and primary contact for these mandates. The U.S. Equity Team will be responsible for the portfolio management of U.S. equities with David Chin and Dwayne Hancock acting as specific resources on that group familiar with the Western portfolio and the Currency team will be responsible for the currency overlay with Mark Abbott acting as specific resources on that group familiar with the Western portfolio.

### **MEETING FREQUENCY:**

Performance review meetings will be held regularly but not less frequently than annually with the Joint Pension Board or internal staff of the University of Western Ontario.

### **TERMINATION:**

Reasons for termination may include, but are not limited to, the following:

- 1) Not adhering to the stated investment guidelines.
- 2) Performance results consistently below the stated performance objectives.
- 3) Changes in ownership, personnel, organizational structure, style, approach and/or fees which might be deemed to affect the overall risk level of the fund assets or to reduce the potential return of the portfolios.

The University of Western Ontario retains the right to terminate for any reason.

### **ADDENDUM:**

If any item, guideline or constraint within this Investment Manager Mandate and Performance Standards statement proves to be too restrictive, in practice, given certain market conditions, it will be the responsibility of the investment manager to prepare a written report on the specific item for consideration by the Joint Pension Board of the University of Western Ontario.

This document may be amended from time to time. The University of Western Ontario agrees to provide the Manager with any and all such amendments.

*Last revised: January 2014*

## **T. ROWE PRICE INTERNATIONAL LTD**

### **INVESTMENT MANAGER MANDATE AND PERFORMANCE STANDARDS**

#### **MANAGER SPECIALIZATION:**

The Joint Pension Board of The University of Western Ontario has determined that an investment in T. Rowe Price Funds SICAV A Global Growth Stock Fund (the "Fund") is a suitable investment for the Master Trust for The University of Western Ontario Pension Plans and Retirement Income Funds. Because T. Rowe Price International Ltd ("TRPIL") makes the Fund available to the public through a prospectus under applicable securities laws, the Joint Pension Board has not appointed TRPIL as an investment counselor to manage a segregated mandate. The Fund is a global large cap equity portfolio into which the Master Trust – UWO Diversified Equity Fund ("Western Portfolio") will invest.

#### **INVESTMENT OBJECTIVE:**

The Fund's objective is to provide long-term capital appreciation by investing primarily in a diversified portfolio of transferable equity and equity-related securities of large companies, listed on the world's equity markets, whose market capitalisation, at the time of purchase, falls within or above the range covered by the MSCI All Country World Large Cap Index. The portfolio may include investments in the securities of companies listed on the stock exchanges of developing countries.

#### **EFFECTIVE COMMENCEMENT DATE:**

The initial investment into the Fund was effected on June 11, 2012 and will remain so invested until further notice.

#### **INVESTMENT GUIDELINES:**

The Fund is subject to the investment policies, procedures and guidelines set forth in the attached Prospectus dated April 2012 and the Key Investor Information dated 7 May 2012 (and as amended from time to time).

**CODE OF CONDUCT:**

For this mandate, investment activities of the Joint Pension Board of The University of Western Ontario will be conducted in a manner consistent with the relevant section of the Code of Ethics and The Standards of Professional Conduct adopted by the CFA Institute.

### **PERFORMANCE STANDARDS:**

The current aim of the Fund is to outperform the MSCI All Country World Large Cap Index by 3% per annum, or more (gross of fees), over a rolling three year period, with an expected tracking error of 3% to 7%. The tracking error is an expected level, rather than a target level. There is no guarantee of investment performance.

TRPIL acknowledges that Client shall monitor the performance of the Fund on a quarterly and 12 month moving-average basis.

### **PERSONNEL/STYLE:**

TRPIL agrees to give Client at least one month's prior written notice (where practicable and consistent with the law applicable to TRPIL and its parent company) of any change in the personnel of TRPIL who are directly responsible for investing the assets of the Fund, being Scott Berg, or if such personnel otherwise cease to be employed in the same capacity as they were employed as at the date of the initial investment in the Fund.

TRPIL undertakes to give Client prior written notice of any proposed material change to the investment objective, policy and/or restrictions of the Fund as set out in the Prospectus.

### **MANAGER CONTACTS:**

Marlon Brown will be the account executive and primary contact for the Western Portfolio's investment in the Fund. TRPIL's Global Large-Cap Equity Portfolio Team will be responsible for the management of the Fund with Scott Berg, Jason Nogueira, Kurt Umbarger and Lawrence Taylor acting as specific resources on that group familiar with the Western Portfolio.

### **MEETING FREQUENCY:**

The parties agree to meet yearly or at such other intervals as agreed between them to discuss in particular the Fund's performance and investment objectives.

### **TERMINATION:**

The purchase agreement between TRPIL and Western dated 30 September 2008 ("Agreement") may be terminated by either Party upon 60 days written notice to the other Party.

The Agreement shall be terminated (i) automatically in the event of the commencement of insolvency, composition or liquidation proceedings for the assets of Client or TRPIL or T. Rowe Price Funds SICAV, or (ii) if any of these entities lose necessary registrations to conduct the business contemplated by the Agreement, or (iii) in the event either Party breaches any material provision of the Agreement, provided that if the breach is capable of being remedied, the breaching Party has not remedied such breach within 10 days of receipt of a notice from the other Party of such material breach.

The Agreement may be terminated with immediate effect by Client upon redemption of its total holding of Shares.

For the avoidance of doubt, termination of the Agreement shall not act to terminate any rights a Party may have, including the right to indemnification, arising out of actions or conduct occurring prior to such termination.

**PROXY VOTING:**

Western acknowledges that proxy voting in relation to the Fund is undertaken by TRPIL or its delegate, in accordance with its proxy voting procedures.

**ADDENDUM:**

This document may be amended from time to time. The University of Western Ontario agrees to provide TRPIL with any and all such amendments.

*Last revised: November 2013*

# **WILLIAM BLAIR & COMPANY**

## **INVESTMENT MANAGER MANDATE AND PERFORMANCE STANDARD**

### **MANAGER SPECIALIZATION:**

William Blair & Co. (William Blair) has been appointed by the Joint Pension Board of The University of Western Ontario (UWO) as an investment counselor to manage a segment of the Master Trust for the University of Western Ontario Pension Plans and Retirement Income Funds (the "Master Trust"). William Blair will manage an emerging market portfolio through a pooled fund vehicle.

### **INVESTMENT OBJECTIVES AND PERFORMANCE STANDARDS:**

-To outperform the MSCI Emerging Markets Index by 250 to 300 basis points per annum over a full market cycle (3 to 5 years)

-To maintain a predicted annual tracking error between 3% and 6%

The above objectives are targets and as such their achievement can not be guaranteed.

### **EFFECTIVE COMMENCEMENT DATE:**

This mandate will be in effect as at November 21, 2013 and will remain until further notice. This Investment Manager Mandate and Performance Standard statement will, however, be reviewed on an annual basis to ensure the content is still appropriate. Any proposed changes will be forwarded to William Blair and reviewed by them for comments.

### **INVESTMENT GUIDELINES:**

William Blair will have full authority over investment of their account subject to guidelines set out in the Offering Memorandum of their fund.

### **CODE OF CONDUCT:**

For these mandates, investment activities will be conducted in a manner consistent with the relevant section of the Code of Ethics and the Standards of Professional Conduct adopted by the CFA Institute, as may be amended from time to time.

### **PERSONNEL/STYLE:**

Continuity in personnel is important to a successful investment management program. William Blair has been selected as an investment management organization for its investment approach and for the skill and experience of its decision making professionals that implement this approach.

It is understood that any changes or proposed changes in key personnel, ownership, investment management philosophy, style, approach, and/or fees, will be discussed, in detail, with the appropriate individuals of The University of Western Ontario.

### **MANAGER CONTACTS:**

Douglas Kryscio, Senior Client Relationship Manager will be the account executive and primary contact for this mandate.

**MEETING FREQUENCY:**

Performance reviews and investment strategy meetings will be held regularly but not less frequently than annually with the Joint Pension Board or internal staff of The University of Western Ontario.

**TERMINATION:**

Reasons for termination may include, but are not limited to, the following:

- (iv) Not adhering to the stated investment guidelines.
- (v) Performance results consistently below the stated performance objectives.
- (vi) Changes in ownership, personnel, structure, style, approach, and/or fees which might be deemed to affect the overall risk level of the assets or to reduce the potential return of the portfolios.

In case of termination, UWO requests that the assets managed by William Blair be transferred within 30 days.

**PROXY VOTING:**

The exercising of voting rights acquired by the fund is understood to be delegated to William Blair, with the instruction to vote in favour of any proposal which, in their opinion, will accrue and enhance the investment value of the relevant security and against any proposals which will increase the risk level or reduce the investment value of the relevant security.

If William Blair, or any of its officers, has any direct or indirect pecuniary interest in any matter on which the Master Trust has a right to vote, it should be brought to the attention of the Joint Pension Board of The University of Western Ontario, who is given discretion to:

- (iv) Instruct the manager to exercise the voting right in line with the principles described above, on the grounds that the relevant pecuniary interest is not material; or
- (v) Instruct the manager how to cast the Master Trust's vote, having considered the principles described above; or
- (vi) Authorize the Master Trust's custodian/trustee to exercise the voting right in line with the principles described above.

**ADDENDUM:**

If any item, guideline or constraint within this Investment Manager Mandates and Performance Standards statement proves to be too restrictive, in practice, given certain market conditions, it will be the responsibility of the investment manager to prepare a written report on the specific item for consideration by the Joint Pension Board of The University of Western Ontario.

*Last revised: November 2013*



# **APPENDIX B – Pension Agents**

DELEGATION OF DUTIES

TO

PENSION AGENTS

## **ACS/BUCK CONSULTANTS**

### **Services provided to the University of Western Ontario Pension Plans**

As part of the pension boards' effort to ensure prudent governance of the pension plans, the Joint Pension Board is documenting the role that ACS Buck Consultants and other pension agents play in the administration of the pension plans.

ACS/Buck Consultants have been employed by the University Pension Plans since 1994 when they were asked to design and deliver record keeping software. ACS is among the largest pension and actuarial consulting firms in Canada. Their primary role for our purposes is the development and maintenance of pension record keeping software. However, in the past they have also provided services regarding communication strategies - including conducting focus groups and making recommendations for communication strategies based on those focus group results. The following is a detailed description of their role, based on the most recent plan year:

- assessment of functionality of BASIS the software developed for our pension plan record keeping, as issues are reported to them from their clients and as technology and operating systems change
- provide improvements in system capabilities either when new functions are required or when a error in the processing logic has been identified
- provide guidance on interfaces of BASIS with other systems and database software (e.g. Payroll, improvements, new retiree benefits imports, exports for annual statements, direct query on data via Crystal reports)
- assist in the production of the annual statements to members

## **FINANCIAL EDUCATION INSTITUTE OF CANADA**

### **Services provided to the University of Western Ontario Pension Plans**

In order to better service its members and to comply with the requirements of the Capital Accumulation Plan Guidelines, the Joint Pension has entered into an agreement with the Financial Education Institute of Canada.

The Financial Education Institute of Canada is an independent provider of financial, retirement, and life planning education to various types of investors. The firm is not associated with any investment firms and does not sell financial products. As such, the advice provided is unbiased and we can expect that members will be more comfortable in this type of environment.

The firm provides education through three mediums: 1) seminars and workshops, 2) books and publications, and 3) a comprehensive website. The seminars and workshops are provided by independent facilitators. The facilitator for the University will be Christopher Cartwright, the President of the Financial Education Institute of Canada.

#### **Seminars and Workshops**

The content for the education sessions follows a modular design. The client can choose the modules that they would like to have included in the workshops. The Financial Education Institute of Canada offers a variety of financial modules and non-financial or life planning modules.

One-Day Financial and Retirement Planning Workshops use a holistic approach to address the following topics:

- Creating a happy, healthy, lifestyle
- Pre-retirement preparation and planning
- Time management
- Human needs satisfaction
- Relationships in retirement
- Financial self-management skills and techniques
- Investment and asset allocation strategies
- Retirement income planning

#### **Books and Publications**

The Financial Education Institute of Canada publishes the following books:

- Financial Survival for the 21<sup>st</sup> Century
- Financial Pursuit: Canada's Working Guide to Personal Wealth
- Me Inc.
- How to choose a Financial Advisor

#### **The Financial Educator™ Website**

The Financial Educator™ is an e-learning website that offers a modular-based self-study program with each module functioning independently of the others. The financial exercises supported by tips and narratives. The modules are continually being redesigned and new modules added. This is an area of priority for Financial Education Institute of Canada.

The modules are presented under four different themes: financial planning, retirement planning, life planning and specialty planning.

Here's a list of modules currently offered:

- 1) Financial Planning:

- Financial Planning - The Basics
  - Creating Goals & Setting Objectives
  - Magic of Compounding
  - Asset Allocation Strategies
  - The Personal Financial Planning Process
  - The ABCs of Fixed-Income
  - The ABCs of Equities
  - Economic Cycles
  - The World of Financial Advisors
  - An Honest Assessment of Your Finances
  - Mutual Funds - The Basics
  - Mutual Funds - Intermediate Planning Strategies
  - Mutual Funds - Advanced Planning Strategies
  - ABCs of Income Trusts
  - REITs, Royalty, and Business Trusts
  - Bear Market Psychology
  - Registered Education Savings Plans
  - Risk Management - Life Insurance
  - Exchange Traded Funds
- 2) Retirement Planning:
- Retirement Planning - The Basics
  - Making the Most of Your RRSPs
  - RRSPs - Advanced Planning Strategies
  - Annuity Tactics
  - RRIF Opportunities
  - Retirement Income Planning
  - Reverse Mortgages
  - Retirement Income risks
- 3) Life Planning:
- Life Planning - The Basics
  - Work-Life Balance - Stress Management
  - Work-Life Balance - Time Management
  - Relationships in Retirement
- 4) Specialty Planning:
- Pensions - Commuted Value Theory
  - Pensions - Commuted Value Considerations

The website has a resource section which includes:

- Newsletters published by the Institute
- Advisor Checklist
- Portfolio Management Strategies
- Exclusive Free books
- Tax Free Savings Account Information

The website also offers an extensive suite of everyday use calculators. There are 25 calculators in total and they cover topics such as loan calculations, asset accumulation, budgeting, mortgages, life expectancy, life insurance, renting or buying and RRIF payments.

## HICKS MORLEY HAMILTON STEWART STORIE LLP

### Services provided to the University of Western Ontario Pension Plans

As part of the pension boards' effort to ensure prudent governance of the pension plans, the Joint Pension Board are documenting the role that *Hicks Morley Hamilton Stewart Storie LLP* and other pension agents play in the administration of the pension plans.

*Hicks Morley* is the external legal counsel to the pension plans. They provide a variety of services to the pension plans as follows:

- **Information and advice on good plan governance**

*Hicks Morley* representatives attend the pension board retreat sessions and provide opportunities for internal staff to meet with them and other clients to discuss specific governance and administrative cases. They provide a regular newsletter that generally includes pension-related court decisions

- **Legal documents**

At the discretion of the Department staff, *Hicks Morley* is called upon to clarify details or suggest amendments to draft contracts with external providers of services, and amendments to the pension plan texts.

- **Proposed communication to plan members**

At the discretion of the Department staff, *Hicks Morley* is asked to review communication material for distribution to plan members and make comment on any areas where the University may be exposed to liability and make specific wording recommendations.

- **Interpretation of Plan Documents, Applicable Legislation and Court Orders**

Where the Department staff is unclear of the interpretation of plan provisions, the Ontario Pension Benefits Act and regulations, the Income Tax Act and regulations, the Family Law Act, the Employment Standards Act or specific court orders as relates to unique or uncommon situations (e.g. Assignment of benefits due to marriage breakdown, payment of survivor benefits) *Hicks Morley* is consulted.

- **Special Projects as delegated**

In the past *Hicks Morley* has been involved significantly in the development of special programs including the Supplemental Pension Arrangement and the Life Income Fund products.

*Hicks Morley* is paid an hourly rate, depending on the level of services required.

## **KILGOUR WILLIAMS GROUP, INC.**

### **Services Provided to the University of Western Ontario Pension Plans**

Kilgour Williams Group, Inc. (KWG) has been appointed by the Joint Pension Board of The University of Western Ontario to act as a sub-advisor to Greystone Management Investments Inc. (Greystone). KWG is an expert in the unique market for MAV II Notes (Notes) and the valuation for the Notes and has been retained to provide expert advice in regard to market developments for the Notes and in the selling of Notes held in the UWO Liquidation Trust. The following is a summary of the work performed by KWG, as defined by the consulting and sub-advisor services agreement.

#### **1) Portfolio Valuation**

- a) The AB Notes will be marked to market based on a monthly survey of indicative bids from the most active dealers in the MAV notes.
- b) If the lack of a liquid, quoted secondary market for the AB notes makes it infeasible to provide a market value for the AB Notes, KWG will provide model Valuation of the intrinsic 'Fair Market Value' of the AB Notes held in the UWO Liquidating Trust using KWG's valuation.
- c) Valuation methodology is intended to comply with Generally Accepted Accounting Principles ("GAAP") requirements. The valuation methodology developed by KWG takes a probability-weighted net present value approach and takes into consideration events that affect the value of AB Notes, such as the condition of broad corporate credit markets and the impact of missed interest payments. The model is designed to provide a GAAP-compliant 'Fair Market Value' in the absence of a true liquid, quoted secondary market.
- d) In any case prices of each individual note will be provided by the 9<sup>th</sup> business day of the following month.
- e) Meet with the auditors for the retirement plans as and if needed to review the KWG valuation methodology.

#### **2) Quarterly Reporting**

On a quarterly basis and within 30 calendar days of quarter-end, KWG will render a prose-style written Report that will include at least the following sections:

- a) *Credit Markets*  
Update and discussion of the state and evolution of the broad credit markets, referencing US and European on-the-run CDS indices and bond yields and highlighting salient technical and fundamental factors
- b) *Margin Triggers and Reference Indices*  
Description of the 'spread-loss' triggers and examination of the impact of any recent losses. Details of the levels and movement of referenced CDX and iTraxx indices. Tracking of the degree to which the indices are remote or near to triggers.
- c) *Events Affecting the AB Notes*  
Description and discussion of any events effecting the risk and valuation of the AB Notes. Past examples include: asset defaults, interpretation of payment date reports, examination of disclosure by DBRS, etc.
- d) *AB Notes Secondary Market*  
Commentary on the secondary market for the AB Notes, including reported and rumoured trades, current bid levels, degree of interest and activity, number and types of participants, etc.
- e) *Portfolio Valuation*  
Assessment of the intrinsic 'Fair Market Value' of the portfolio using KWG's valuation methodology.

### **3) Ad Hoc Reporting**

KWG will provide ad hoc reports of significant current events affecting the AB Notes (DBRS disclosures, credit events in underlying assets, noteworthy secondary market activity, etc.). Through this communication, KWG will attempt to provide full disclosure on the risks and intrinsic value of AB Notes. While not all market events can be foreseen, we will try to adopt a 'no-surprises' approach whereby the Client is aware in advance of possible impacts on your portfolio.

### **4) Soliciting Buyers and determine market opportunities**

KWG will, on an ongoing basis, monitor the secondary market for AB Notes and assess whether opportunities exist for optimal liquidation of the AB Notes held in the UWO Liquidating Trust. An opportunistic liquidation strategy may or may not be presented, depending on market conditions.

### **5) Liquidating AB Notes**

KWG manages the liquidation process of AB Notes held in the UWO Liquidating Trust. Specifically, KWG will seek and consolidate bids for the AB Notes and recommend a trade or series of trades for the UWO Liquidating Trust to undertake through the Investment Manager who has the final sell authority. All trades will occur on a 'full transparency' basis where the Client and the Master Trust is apprised of the buyer and the transaction price on both sides of the trade, where known.

Last Updated November 2013

## **KPMG**

### **Services provided to the University of Western Ontario Pension Plans**

KMPG have been retained as the auditors for both pension plans in order to express an opinion on the financial statements (hereinafter referred to as "annual financial statements") of The University of Western Ontario Pension Plan for Members of the Academic Staff and The University of Western Ontario Pension Plan for Members of the Administrative Staff.

As auditors, KGMG will conduct the audit in accordance with Canadian generally accepted auditing standards (hereinafter referred to as applicable "professional standards"). KPMG will plan and perform the audit to obtain reasonable assurance about whether the annual financial statements present fairly, in all material respects, the net assets available for benefits and changes in net assets available for benefits in accordance with the financial reporting framework referred to above.

KMPG services include but are not limited to:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the annual financial statements. Assessing the accounting principles used and their application and significant estimates made by management, as well as evaluating the overall financial statement presentation.
- Maintaining independence with respect to the Plans within the meaning of the Rules of Professional Conduct/Code of Ethics under which we are governed.
- Communicating a summary of the audit approach as well as other matters required by professional standards to those with oversight responsibility for the financial reporting process (e.g., the Joint Pension Board) to the extent that such matters come to our attention during our engagement. Such matters include:
  - Auditing for:
    - any misstatements resulting from error, other than trivial errors, as communicated to management;
    - Any evidence obtained that indicates an illegal act or possibly illegal act as communicated to management;
    - any material weaknesses in the Plans' internal control over financial reporting, as communicated to management;
    - any fraud or any information obtained that indicates that a fraud may exist that, involves management, involves employees who have significant roles in internal control over financial reporting, or results, or may result, in a non-trivial misstatement of the annual financial statements;
    - any related party transaction which is not in the normal course of operations and involves significant judgments made by management concerning measurement or disclosure;
    - questions regarding the honesty and integrity of management. and
    - matters that may cause future annual financial statements to be materially misstated.

We will communicate any services we provided to the Plans (and related/affiliated entities) and other relationships between ourselves and the Plans (and related/affiliated entities) that, in our professional judgment, may reasonably be thought to bear on our independence. We will also



confirm annually, in a written letter, our independence with respect to the Plans, within the meaning of the Rules of Professional Conduct/Code of Ethics under which we are governed.

#### OTHER MATTERS

Other services can be provided such as tax advisory services, other audit services and compliance services but these will be contracted for separately from the audit engagement letter.

**MELLON ANALYTICAL SOLUTIONS CANADA, INC.**

**Services provided to the University of Western Ontario Pension Plans**

Mellon Analytical Solutions Canada, Inc. ("MAS") provides performance measurement services and analytical services through research reports, data and/or database(s) to be delivered by electronic means or hard copy format.

Reporting above includes:

- Monthly calculations of total fund, investment manager, and asset class performance of the pension plans based on the Custodial Financial Statements.
- Quarterly Performance Reports –including details of the capital market environment, fixed income and equity market, asset class summary by class and manager, returns over selective time periods by class and manager, returns attribution analysis, and comparative analysis measurement for active manager. QPB is sent in both Abode and Hardcopy to University of Western Ontario and Russell Investments Canada Limited.
- Comparison and, where warranted, reconciliation of MAS's and investment Manager returns.
- Portfolio characteristics for year-end reporting

Access to MAS' web based Workbench system including 9 user licenses.

## **MORNEAU SHEPELL LTD.**

### **Services provided to the University of Western Ontario Pension Plans**

Morneau Shepell Ltd. provides services to the University as part of the University's obligations to meet the ongoing pension liability of the Academic Staff and Administrative Staff Pension Plans and any obligations resulting from the supplemental benefits payable to special members who are entitled to a minimum defined benefit guarantee.

The services provided by Morneau, , are the following:

#### **Actuarial Valuations**

Morneau Shepell will perform a triennial actuarial valuation of the Academic and Staff Plans at December 31 including:

- A verification and analysis of demographic, financial and trust data provided by the University;
- A determination of the actuarial value of plan assets, actuarial liabilities on both going concern and solvency bases and the resulting determination of any funding surplus or deficit;
- An actuarial opinion on current service costs and special payments, if any, required to amortize an unfunded liability or solvency deficiency in accordance with the requirements of the Pension Benefits Act of Ontario, the Income Tax Act and the professional requirements of the Canadian Institute of Actuaries;
- An actuarial opinion on the financial impact of ad hoc improvements of pensions in payment; and
- An analysis of the change in funding position of the two pension plans since the most recent actuarial valuation prepared for funding purposes.

#### **Disclosure Statements and PBGF Assessment Certificates**

Morneau Shepell will prepare the relevant information related to the Plans' liabilities to be included on the University's pension plan financial statements using the template provided in Appendix A of the RFP. In interim valuation years, disclosure items will be extrapolated from full accounting valuation results in the triennial valuation year.

Morneau Shepell will also complete the Pension Benefits Guarantee Fund Assessment Certificate for each pension plan on an annual basis.

#### **Benefit and Policy Design**

Morneau Shepell will provide advice on all aspects of benefit and policy design that may be required by the University,.

#### **Special Actuarial Projects**

In addition to triennial actuarial valuations, special actuarial projects could include:

- Costings to determine the effects of plan improvements;
- Projections to test the adequacy of benefits provided to Faculty and Staff from the pension plans; and
- Asset/liability projections to assist the University in choosing an asset mix for the pension funds backing the defined benefit provisions that match the liability structure of the defined benefit provisions.

Any special Actuarial Projects will only commence at the request of the University or at our request with approval by the University.

#### **Approach to the Actuarial Valuation**

In order to perform the triennial valuations of the Staff and Academic Plans in an efficient and timely manner, Morneau Shepell will:

- Prepare for and attend a pre-valuation discussion of actuarial assumptions and other relevant valuation issues;

- Request membership data via an Excel spreadsheet with simple instructions for the University to meet their data requirements;
- Perform adequacy tests on membership data compared to the data used for the previous valuation and fully rectify any data issues or problems;
- Perform adequacy tests on the pension fund data compared to the trustee's or auditor's reports and fully rectify any fund data issues or problems;
- Perform a complete reconciliation of the membership and pension fund data from the data used in the most recent actuarial valuation for funding purposes;
- Perform the funding and solvency valuations using membership data provided by the University, fund data provided by the trustee or auditor as well as the assumptions developed in the pre-valuation discussion;
- Perform a thorough gain and loss analysis to explain the change in going concern funded position of the plans since the previous actuarial valuation;
- Present the valuation results in a format that meets the University's needs and attend a meeting with the appropriate University representatives or Committee to review and discuss the valuation results; and
- Prepare funding actuarial reports and filings for the regulatory authorities including the completion of the Actuarial Information Summary Form.

**Meeting With the Director, Investments or the Director, Total Compensation**

- On or before March 1<sup>st</sup> and prior to the commencement of any work outlined in previous paragraphs, Morneau Shepell will meet with the Director, Investments or the Director, Total Compensation to discuss and agree upon:
- The schedule for the completion of the actuarial valuation or information for pension plan disclosure statements;
- The staff proposed to work on the valuations; and
- A list of the necessary schedules, working papers, analysis and other information to be prepared by the staff of the University.

## **MERCER INVESTMENT CONSULTING SERVICES**

### **Services provided to the University of Western Ontario Pension Plans**

Mercer Human Resource Consulting provides investment consulting services to the University regarding the monitoring of the Socially Responsible Global Equity Fund that was added to the Retirement Plans on March 1, 2008.

The services provided by Mercer, as defined in appendix A of a letter of agreement dated June 25, 2007, are the following:

#### **Investment Monitoring Annual Report – Qualitative Review**

Our qualitative analysis is a forward-looking review which will include the following:

- Ownership and strategic direction of the firm;
- Stability of its investment team and succession plan;
- “street” perception of the organization;
- Growth in its asset base and client servicing capabilities;
- Implementation of investment philosophy relative to stated approach and consistency of portfolio management with stated style; and
- Mercer’s Research View of the product, including our observations of the fund and our opinion on the probability of the fund to outperform the appropriate benchmark into the future.

A qualitative review of the plan permits early detection of potential problems that may not yet be reflected in the performance of the manager’s fund.

#### **Updates on Emerging Developments**

The monitoring program will also include the provision of updates on significant developments impacting Aberdeen that are material to the University of Western Ontario, including any changes to the Mercer rating of the Aberdeen SRI product.

## **NORTHERN TRUST**

### **Services provided to the University of Western Ontario Pension Plans**

As part of the pension boards' effort to ensure prudent governance of the pension plans, the Communications and Administration Committee of the Joint Pension Board is documenting the role that *NORTHERN TRUST* and other pension agents play in the administration of the pension plans.

*Northern Trust* has been the trustee and custodian to the pension plans since December 1, 1999. They provide a variety of services to the pension plans as follows:

- **Hold assets and provide valuation of assets on a monthly basis**
- **Execute transactions as instructed by Western and Managers**
- **Pay monthly and lump sum payments**
- **Provide documentation and special reports for audit and financial statements**
- **Provide on-line access to investment accounts**
- **Coordinate securities lending**

More details on the services provided by Northern are articulated in the service level agreement.

## **RUSSELL INVESTMENTS CANADA LIMITED**

### **Services provided to the University of Western Ontario Pension Plans**

Russell Investments plays an important role in the administration of the pension plan. They not only provide consulting services but are a reliable and valuable resource for a wide variety of investment data and analysis. Russell Investments contract with the pension plans on a retainer fee basis. The following is a summary of the work performed by Russell Investments, as defined by the consulting service agreement:

#### **Fund Governance**

Russell shall provide assistance in the development of governance structures, policies and procedures that:

- Separate policy, management, operation and control responsibilities;
- Delegate investment management decisions prudently and profitably;
- Deliver timely and informative fund and manager reports; and,
- Monitor fund and manager compliance with policies, procedures and restrictions.

Russell shall provide assistance with documentation for the Plan, including:

- Statement of Investment Policies and Procedures;
- Statement of Investment Beliefs; and,
- Investment manager mandates.

#### **Objective Setting and Asset Allocation**

For the operating and Endowment Funds and, where applicable, for the Pension Fund, Russell shall provide:

- Assistance in the clarification of liabilities to be managed, objectives, risks to be managed and risk tolerance.
- Assistance in developing asset mix policies that maximize expected surplus growth or minimize contributions subject to client objectives and risk constraints.
- Assistance in the evaluation of a wide spectrum of asset classes including Canadian, U.S. and international stocks, bonds and cash, Canadian real estate, and non-traditional strategies, such as private equity, hedge funds and currency overlay.
- Assessment and recommendations regarding an appropriate rebalancing policy.

#### **Investment Strategies and Manager Structures**

Russell shall provide:

- Recommendations as to asset class strategies that are designed to reduce underperformance risk by diversifying among complementary investment management styles.
- Analysis and recommendations regarding manager structures, using the appropriate mix of active and passive management, balanced and specialty management, segregated accounts and pooled funds.
- Style classification of composite and individual equity and bond portfolios using qualitative assessment, portfolio characteristic analysis and return-based measures.
- On a periodic basis, formal structural review of active manager strategies.

#### **Investment and Manager Research**

Russell shall provide:

- Evaluation of Canadian, U.S. and global investment manager products using Russell Investments' worldwide manager-research professionals.
- Manager Notes that formally document meetings between Russell's manager research professionals and the investment managers for the products that it follows for the Client.

- Opinions regarding managers, including Hire/Retain/Review/Terminate ranks.
- Updates to Russell's manager recommendations, as they occur, including assessments of material staff, organizational and process changes.

### **Manager Search and Selection**

Russell shall provide:

- Identification of potential suitable candidates as investment managers in traditional asset classes and hedge funds, including an analysis of the blend of styles to identify good fit for the portfolios.
- Assistance in reducing the list to three or four, based on the style of management desired.
- Structural and performance analysis of short-list candidates and existing managers for comparison purposes.
- Preparation of questionnaires for interviews of investment managers.
- Attendance at manager interviews.

### **Performance Measurement, Evaluation and Reporting**

Russell shall provide:

- A Quarterly Performance Bulletin, with the data analytics to be provided by Northern trust, Investment and Risk Analytical Service. including details of the capital market environment, fixed income and equity markets, details of certain manager benchmark returns by industry, asset summary by class and manager, returns over selective time periods by class and manager, risk summary by class and manager, return attribution analysis, characteristics of stock and bond portfolios and comparative measurement for active managers.
- Comparison and, where warranted, reconciliation of Russell and investment manager returns.
- Quarterly performance and investment manager review presentations.
- Ongoing active manager qualitative review.

### **Research**

Russell shall provide the following research publications to the Client:

- Capital Market Returns (monthly).
- Canadian Capital Market History (annual).
- Russell Canada publications and ad hoc research from time to time.
- Russell Research Commentaries and Conversation Pieces from time to time.
- Russell Consulting Viewpoints and Practice Notes from time to time.

Russell will provide web-based access to Russell's research library of all published research, including Research Commentaries, Viewpoints, Monographs, and Practice Notes etc noted above. Russell will also provide capital market data on a monthly and annual basis (e.g. information for annual mailing to members) including rates of return and standard deviations and correlations for various time frames.

Russell will provide direct research support, including data, analysis and interpretation, relating to questions or issues of an investment nature that are relevant to the investment program.

### **Education**

Russell shall provide the following education seminars which the Client may attend:

- Customized education seminars to members on specific topics as required and at educational sessions for Joint Pension Board on topics that are mutually agreed. This can include broad fiduciary training seminars every 3 to 5 years.
- Russell Investment Seminars, that are held periodically in Tacoma, Washington.
- Staff members and board members are invited to Russell client conferences that are held annually.
- Investment issue conferences that may be held on an ad hoc basis.

### **Attendance at Meetings**



- Russell to commit to be available to attend up to 12 meetings per year of the Joint Pension Board.
- Russell will provide pension boards with an external perspective on asset management issues, including preparation and presentation of key materials as may be required.
- Russell will observe and assess organizational or investment policy issues specific to the pension board.

**Other Services**

- Russell will provide consulting assistance as required arising from regulatory changes.

**'Summerwood Capital Corp.'**

**Services Provided to the University of Western Ontario Pension Plans**

Summerwood Capital Corp. has been appointed by the Joint Pension Board of The University of Western Ontario to provide non-discretionary advisory services to the Diversified Equity Fund. Summerwood has been retained to provide advice in regard to the suitability of investing in emerging markets funds, as defined by the consulting and sub-advisor services agreement.

**1) Advisory Services to the Diversified Equity Fund**

Summerwood Capital will monitor the investments made through William Blair and Co. by the Diversified Equity Fund and assess suitability of the investments based on "Know Your Client" rules.

**2) Manager Reporting**

Summerwood Capital will monitor monthly reporting and trade confirmations issued by the manager of the William Blair and Co. fund.

Last Updated: November 2013

## DEPARTMENT OF HUMAN RESOURCES

### KEY RESPONSIBILITIES IN ADMINISTRATION OF PENSION PLAN

The day-to-day operation of the Plan will be a function of Human Resources, subject to any delegation by the Pension Board to an outside Administrator of all or any part of such operation, with operating decisions based on policies as established from time to time by the Pension Board.

- **INDUCTION OF NEW MEMBERS**

Individual sessions with new regular full time members to provide information on contribution levels, investment options and benefits on termination, death and retirement, and designation of beneficiaries.

- Determination of eligibility of part time or contract employees.
- Preparation and distribution of communication material outlining part time member enrollment.
- Establish and verify the rate of contribution deduction on payroll system.
- Establish and verify beneficiary and investment direction on pension system.

- **SERVICES FOR MEMBERS ON LEAVE**

- For members on parental, sabbatical or unpaid leave: information and coordination of contributions during their absence.
- For members on sick leave: determination of level of University contributions.

- **SERVICES FOR TERMINATING EMPLOYEES**

Individual sessions to provide information on severance payment options, pension payment options, and health benefit continuation, calculation and authorization of lump sum pension payments; coordination of payments between member, trustee and new administrator of funds.

- **SERVICES FOR RETIRING EMPLOYEES**

- Several individual sessions starting as early as age 55 until retirement to provide information on retiring allowance payment options, pension payment options, pension projections, annuity quotations, health and other benefit continuation, and life insurance coverage.
- Calculation and authorization of lump sum pension payments and annuity purchases; coordination of payments between member, trustee and new administrator of funds.
- Provide calculations to departments with respect to the cost savings due to a member retiring early.

- **SERVICES PROVIDED TO ALL MEMBERS OR FORMER MEMBERS WITH FUNDS INVESTED IN THE PLAN**

- Monthly investment of contributions and valuation of units held in funds.
- Monthly opportunity to change direction of investments, alter level of voluntary contributions, change beneficiaries. Verification of these changes is reported back to the members.
- Individual member statements available on request.
- Individual sessions to provide information on investment funds and contribution levels.

- Coordination of lump sum transfers into the pension plan from previous employers or RRSP's.
  - Calculation and coordination of pension benefit assignments to former spouses of members.
  - Preparation and mailing of pension statements, pension plan descriptions, and investment fund performance on an annual basis.
  - Design and coordination of pension information sessions for members and their spouses.
  - Maintenance of website with details of pension benefits, investment funds and returns.
  - Publication of unit vales and benefit changes in Western News and via direct mail as required.
  - Publication of a quarterly newsletter that provides updates about plan changes, meeting announcements and investment education.
- **SERVICES TO THE ACADEMIC AND ADMINISTRATIVE STAFF PENSION BOARDS**
    - Working with the chair of each board, Schedule meetings, book rooms, invite guests, prepare and mail (deliver) agendas for all pension board meetings.
    - Keep attendance, minutes and present the notes to the board members for approval.
    - Maintain a library of minutes and agenda attachments, investment manager and consultant reports, and other presentations made to the boards.
    - Coordinate the nomination and election of new board members.
    - Prepare material and design training sessions for new board members.
    - Actively participate in education of Board members. Preparation of agenda items and attendance at all pension board meetings.
- **SERVICES REQUIRED TO MAINTAIN ACCURATE INVESTMENT OF FUNDS**
    - Determination of net cashflows through each of the Academic and Administrative Staff trust accounts to each of the 20 trust accounts holding assets for 15 investment funds under the plan; two cash flows per month.
    - Liaison with investment managers and trustee with respect to significant rebalancing or changes in structure of the assets.
    - Verification of assets reported on a monthly basis and determination of returns for each of the investment funds.
    - Monitoring performance of all investment managers, whether they have a passive or an active mandate.
    - Coordination with financial services with respect to manager mandates, contracts, performance measurement, valuation of assets.
- **MISCELLANEOUS**
    - Completion of investment management surveys for Statistics Canada, Benefits Canada, PIAC and Canadian University investment management groups.

Review of software and communication tools for retirement planning. Design, testing and review of pension record keeping, cash flow and payroll software applications.

# **APPENDIX C – Governance of Pension Plans**

## **Executive Summary**

The governance of Western pension plans has evolved gradually over the years. Given the relatively unique structure of the plan, historical experience, and the changing external environment, documentation of governance is warranted. An initial overview of the current situation suggests that the size and the defined contribution nature of the pension plans imply that significant resources should be devoted toward their management. Also, seven key principles (choice, fairness, liquidity, well-informed decisions, responsiveness to member preferences, prudence and cost effective administration) should be used to determine the basic structure of the pension plans.

This document outlines the mandate for the Investment functions and the Communications and Administration functions of the Joint Pension Board.

### **Overview of the Current Situation**

The Joint Pension Board is a governing body made up of all members from the Academic Staff Pension Board and the Administrative Staff Pension Board. For efficiency, the Joint Pension Board meets frequently to discuss and set pension policies that concern both the Pension Plan for Academic Staff and the Pension Plan for Administrative Staff. The Academic Staff and Administrative Pension Boards are subcommittees of the Board of Governors of the University. The Pension Boards report to the Board of Governors annually and seek the approval of the Board of Governors for significant amendments to the Pension Plans.

Each of the Academic and Administrative Staff Pension Boards consist of four elected members of the respective plans and three appointed representatives of the University. Elected members serve for four year terms. Board members receive no compensation, either financial or time release, for their effort.

The Board works with internal staff in Human Resource Services and retains outside consultants for investment advice, design and actuarial cost advice, as well as legal advice.

The Academic and Administrative Staff Pension Plans have combined assets of over \$908 million, one of the larger funds in Canada. The size of the Western pension funds both demands and permits significant resources to be devoted to fund management.

The nature of Western pension plans eliminates some administrative problems faced by defined benefit plans, but also creates additional challenges. Defined contribution plans like those sponsored by Western allow members to exercise choice over the way in which funds are invested and over the type of retirement income vehicle chosen. This flexibility implies that resources must be devoted to communication efforts that help members make informed decisions, since members assume the risks associated with these decisions.

Pension contributions are made by both Plan members and the University, based upon percentages of pensionable earnings. Plan members may allocate both the University's and their contributions among 15 fund alternatives: two Balanced Funds, a Diversified Bond Fund, a Diversified Equity Fund, a Money Market Fund, a Canadian Bond Fund, a Long Term Bond Fund, a Canadian Equity Fund, two U.S. Equity Funds, a Non-North American Equity Fund, three Target Date Funds, and a Socially Responsible Global Equity Fund. In the event that new members have not chosen a specific allocation, contributions are allocated to the Balanced Growth Fund until written direction is provided by the member.

External managers have been hired to manage all pension funds.

- The Balanced Funds are pre-established mixes of the Diversified Bond and Diversified Equity Fund.
- The Money Market Fund is invested in short-term, high quality fixed income assets.
- Target Date Funds are invested in Government of Canada Bonds and Provincial Bonds with durations that average out to the time to the respective Target Date.
- The Diversified Bond Fund is invested primarily in high quality, fixed income assets of various maturity periods from Canadian and foreign issuers. Up to 10% of the fund investments are in high-yield corporate bond and emerging market debt. The fund also has a 15% allocation to commercial mortgages.
- The Long Term Bond Fund is invested in high quality, fixed income assets of maturity periods over 10 years from Canadian issuers.
- The Diversified Equity Fund includes a variety of asset classes including stocks of large and medium capital Canadian companies, U.S. equities, international equities, global equities and emerging markets equities. The regional funds for the bonds and equities (Canadian, US, Non-North American) have the same investment mandate as the respective components of the Diversified Funds.

The Money Market and some of the bond and equity investments are actively managed. The U.S. equity investments are indexed to the S&P 500 and S&P Midcap 400. A portion of the Diversified Bond Fund is indexed to the DEX Universe Bond index.

### **Rationale for Current Strategies**

The Pension Boards are constantly seeking ways to improving returns on members' investments. Past experience with actively managed funds have yielded disappointing value added results. Passive management where feasible and rational, should serve to improve on past returns in these asset classes.

Being able to move in and out of investments quickly is an important feature for investment of Western pension funds, since many members make this decision monthly. Past investments in asset classes such as Canadian venture capital and Canadian real estate have not allowed for the liquidity required by the plan. For this reason, the degree of liquidity associated with an asset class will be a principle for consideration in the future.

Significant changes in the investment environment have occurred recently. There are much greater opportunities to use derivative instruments to track specific investment alternatives, both within Canada and internationally. These changes have implications for both the choice of passive versus active management and for the feasibility of offering a wider variety of investment funds for members.

In the design of the investment options, a modular approach has been used where the managers and mandates of special regional funds are the same as the components of diversified funds and, in turn, the balanced funds. This design provides for members that are active in their investment allocation decisions and a preset allocation for members who are less active. This design also simplifies the administration and communication of the investment options.

The scope of alternative retirement vehicles has changed dramatically within the last 10 years. Retiring and terminating members are no longer limited to purchasing an annuity, but can choose among Locked-In Retirement Accounts, Life Income Funds, and Retirement Income Funds. As the multiplicity of choices (and vendors of vehicles) has increased, so has the demand for help in making these choices.

Continuity of internal administration is also important. The volunteer and temporary nature of the Pension Board membership can create some confusion about the nature and rationale for certain policies. There are inefficiencies created as new Pension Board members learn what has happened in the past. With a

solid governance structure, these inefficiencies can be overcome as committee members develop an "expertise" in an area and then pass it on to new members. With specific principles defined, new board members will have a framework within which the operation of the plans can be reviewed.

Board members will normally request data and research for their decision making from outside suppliers via the Director, Investments.

### **Mission Statement**

*Our Mission is to provide members with the opportunity to accumulate adequate funds for retirement. We seek to provide sufficient choices but not onerous choices. We seek to provide services and options on a cost effective basis to accommodate members who are active in the management of their retirement savings and also for those members who look to the board for guidance. We will provide these services and options while following our principles.*

### **Principles for Western Pension Plan Management**

The design, governance, and operation of the Western Pension Plans are bound by the seven principles described below. The purpose of specifying these principles is to define a broad framework within which the plan design can be reviewed and specific operational decisions can be made. It is important to recognize, of course, that the principles themselves may at times conflict. For example, cost considerations may conflict with the goal of optimum choice. In such areas of conflict it will be particularly important for the Pension Board to exercise good judgements in making the appropriate trade-offs. Despite such difficulties, it is anticipated that the act of defining basic principles will be of great benefit in helping both present and future Pension Boards to review the overall design of the pension plans, to make specific operational decisions, and to assure continuity between present and future Pension Boards.

#### **PRINCIPLES:**

1. **Offer members the broad and diversified CHOICE of both investment and retirement vehicles.** Flexibility and choice is very important because it allows individuals to adopt different decisions reflecting their degree of risk tolerance, the size and nature of their investment portfolio outside of the Western Retirement Plan, their age and family circumstances, their interest in adopting an active asset allocation strategy, and their varying need for payments from their portfolio.
2. **Maintain FAIRNESS among members in plan operations.** Within the constraint of administrative feasibility, the choice of one member should not inequitably restrict or adversely affect the choice of another.
3. **Provide investment alternatives which possess high LIQUIDITY.** If members are to be free to move monies from one fund to another, if the portfolios are to be easily rebalanced to their established mix and if retired members are arranging for payments as frequently as monthly, these funds should be as liquid as possible.
4. **Assist members in making WELL—INFORMED DECISIONS about investment and retirement alternatives.** If choice is to be meaningful, members must be provided clear and comprehensive information about the plan operation, fund performance and relevance of plan options to individual circumstances.



5. **Solicit information about and be RESPONSIVE TO MEMBER PREFERENCES regarding the plan.** Communication is a two-way street. If there is to be an effective split of responsibilities between the Pension Board and member decision-making, members not only need to be informed about available options, they must also have ample opportunity to express their opinions and desires about how the plan itself should be run.
6. **Use PRUDENCE in assessing and reviewing plan decisions and operations.** The fiduciary responsibility of the Pension Board, to use ordinary prudence when dealing with the property of another person, is always of critical importance. Due diligence must be exercised in monitoring and supervising all aspects of the administration of the pension plans, managing all anticipated capital market, operational, legal and reputational risks of the pension and retirement income fund programs.
7. **Assure COST EFFECTIVE ADMINISTRATION of plan operation.** Cost is always a consideration. Concerns about costs may limit the extent to which other principles may be applied to a decision.

### **Intention of Passive Management**

The Joint Pension Board has considered and approved the following as part of its belief structure regarding investments.

*It is the belief of the Joint Pension Board, based upon the survey of research that has been done for the Board, advice from the Board's investment consultant, and the Board's own historical experience, that in general active investment management cannot be expected to outperform passive management on a risk adjusted basis in markets deemed to be efficient but active management may be appropriate in certain markets where there is convincing evidence of inefficiencies. Furthermore, the Board recognizes that active management is more costly than passive management and so anticipated added value through active management must exceed additional costs.*

The Board reviews its current selection of investment managers and its future decisions regarding investment choices for members in view of this intention.

Possible grounds for exception to the general principle of passive management would include the following:

1. Implementation problems: for some asset classes it may be difficult to adopt a completely passive management policy.
2. Attractive active management: in some instances there may be good reasons to believe that such a manager could achieve out-performance and be easily monitored as to effectiveness.
3. No clearly attractive passive benchmark available.

### **Conflicts of Interest**

A member of the Joint Pension Board who is a member of the plan may take part in discussions and vote on all matters relating to the pension plan, other than matters in which the member's interest is not the same or substantially the same as that of other members of the plan.

If a member has any direct or indirect interest, which is not the same or substantially the same as that of other members of the plan, in any matter, and that member is present at a meeting of the Pension Board at which time the matter is considered, the person shall, as soon as practical after the commencement of the meeting, disclose this interest and shall not take part in the discussion or vote on the matter.

Where the Board or Committee is of the opinion that a conflict of interest exists that has not been declared, the Board may declare, by resolution carried by two-thirds of the members present at the meeting, that a conflict of interest exists, and a member of the Board is thus found to be in conflict of interest shall, (a) refrain from taking part in any discussion or vote related to the matter, and (b) withdraw from the meeting when the matter is being discussed if requested to do so by a majority of members present at the meeting.

### **Joint Pension Board Structure**

At its June 23, 2008 meeting, the Joint Pension Board voted to disband its sub committee structure, which created the Investment Policy Committee and the Communications and Administration Committee. This structure was replaced with one monthly meeting of the full Joint Pension Board addressing topics formerly considered by these two committees with all board members having a vote on policy decisions for all issues.

The Terms of Reference for the Joint Pension Board for the items that are the responsibility of the Joint Pension Board are as follows:

#### **Investment Functions**

- Choice of pension plan funds available to members
- Decisions regarding asset mix within funds
- Decisions on internal versus external management
- Selection of managers and their mandates
- Selection of investment consultant(s) and their mandate
- Review and update of Statement of Investment Policy and Procedures
- Ensure Joint Pension Board members are knowledgeable regarding investment policy issues
- Participate in activities of PIAC (Pension Investment Association of Canada) and other relevant organizations
- Decisions regarding currency policy

#### **Communications and Administration Functions**

- Monitor the fiduciary soundness of all operational pension plan activities
- Oversee the Board's information systems including unit value calculations, member accounting and fund accounting
- Provide input on the assignment of internal resources to Human Resource Services
- Provide opportunities for new and current Board members to become better informed on a broad range of pension matters, including a one-day initiation session and an annual one-day retreat
- Oversee the management of cash in accordance with Board Policy
- Act as the link between Pension Boards and pension plan members Benefits
- Monitor the personal pension counseling program provided to the pension plan members through Human Resource Services

- Provide input to PIAC/ACPM and regulatory bodies on proposed program designs and legislative constraints

### **Agendas for Meetings**

- Agendas and relevant material for each board meeting should be distributed to members at least seven days ahead of each meeting to allow sufficient preparation time
- Notice of all pension board meetings are posted on the Pension Plan web site and posted at the department
- Items for each agenda for each board meeting are based on the plans approved by the Joint Pension Board and amended as required
- When specific motions or decisions are to be made at a meeting, this is to be clearly specified on the agenda