



**University
of Windsor**

STATEMENT OF INVESTMENT POLICIES AND PROCEDURES

**University of Windsor Employees' Retirement Plan and Retirement Plan for
Faculty and Certain Employees**

FSRA Registration #: 0310573 & 0366849

Approved by: Board of Governors

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General Provisions

Purpose and Scope

- 1.1 This Policy provides objectives, policies and procedures for the management of the assets of the University of Windsor Employees' Retirement Plan (the "Employees' Plan") and Retirement Plan for Faculty and Certain Employees (the "Faculty Plan"). The Pension Plans are together referred to as the "Plans"; the invested assets are together referred to as the "Fund".
- 1.2 The Employees' Plan is a defined benefit (DB) plan. The Faculty Plan is a money purchase (defined contribution) plan, with a DB component that provides a minimum level of pension benefits. In developing the Policy, the University of Windsor has considered the obligations and objectives of the Pension Plans as well as applicable regulatory requirements. In the event of a conflict between this Policy and the Act or the *Income Tax Act* (Canada), the legislation shall prevail.
- 1.3 This Policy contains several sections:
 - a) Section 1 contains a number of definitions and general provisions
 - b) Section 2 addresses the investment of the Fund
 - c) Section 3 covers the review and approval of the Policy

Definitions

The following definitions shall have the meaning ascribed to them when used throughout the Policy. Definitions that appear in the singular shall be deemed to include the plural and vice versa as applicable in the circumstances.

"Act" means the *Pension Benefits Act of Ontario, R.S.O. 1990, c. P.8* and any regulations thereto.

"Administrator" means the legal administrator of the Plans, which is the University of Windsor ("the University") or such other entity as may be designated the legal Administrator under the Act under which the Plans are registered.

"Committee" means the Investment Committee of the Board of Governors.

"Fund" means all the assets held pursuant to the Plans by the Trustee.

"Investment Manager" means a manager appointed to invest all or a portion of the Fund assets.

“Members” means the members of the Plans.

“Plans” means the Employees’ Retirement Plan and the Retirement Plan for Faculty and Certain Employees.

“Policy” means this Statement of Investment Policies and Procedures.

“Pooled Funds” means commingled investment vehicles such as unit trusts, mutual funds, and segregated funds of an insurance company.

“Trustee” means a corporate trustee or other funding agent permitted under applicable legislation appointed by the University from time to time to receive and hold the Fund or any portion of the Fund pursuant to a funding agreement.

“University” means the University of Windsor.

Governance and Administration

- 1.4 The University is the Administrator of the Plans and is responsible for overall management and administration of the Plans except to the extent such responsibility is permitted to be, and has been, delegated to another entity. The University acts through its Board of Governors. The Board of Governors reviews recommendations from its Investment Committee with respect to all investment-related matters of the Fund.
- 1.5 In fulfilling its responsibilities, the Committee may delegate functions or responsibilities to, or otherwise utilize, employees of the University where appropriate. The Committee may rely on independent experts for certain aspects of the operations and administration of the Plans. The Committee, as appropriate, shall retain responsibility and utilize suitable personnel for such activities and monitor the activities undertaken by the selected personnel.
- 1.6 The Administrator or delegate shall:
 - a) Appoint one or more custodians to hold the assets of the Fund;
 - b) Appoint one or more Investment Managers to invest the assets of the Plans;
 - c) Satisfy itself of the appropriateness of the investment policy of any Pooled Fund investments; and
 - d) Delegate certain aspects of the operations and administration of the Plans to independent advisors where appropriate, and will monitor the activities undertaken by the selected personnel.
- 1.7 Where investments are made through Pooled Funds, those investments are to be governed in accordance with the investment policy of the Pooled Fund. The University shall satisfy itself that the Pooled Fund investment policy is generally consistent with the objectives and risk tolerances expressed in this Policy.

Related Party Transactions

- 1.8 Related party transactions, including transactions required for the operation or administration of the Plans, are only permitted if they are permitted under Schedule III of the *Pension Benefits Standards Regulations, 1985* (Canada) or such other applicable legislation, as amended from time to time. For this purpose:
- a) A "related party" and a "transaction" in respect of the Plans have the meanings given to such terms in Schedule III of the *Pension Benefits Standards Regulations, 1985* (Canada) or such other applicable legislation, as amended from time to time;
 - b) A transaction shall be considered nominal or immaterial if, together with other transactions with the same related party during a calendar year, it is for an amount that is less than 3% of the market value of the Fund.
- 1.9 For greater certainty, permitted related party transactions include non-investment transactions required for the operation or administration of the Plans where the terms and conditions of the transaction are equal to the actual cost incurred by the related party to perform the service, or are no less favourable than market terms and conditions at the time of the transaction.

Conflicts of Interest

- 1.10 "Affected Persons" means:
- a) Committee members;
 - b) The University, including its subsidiaries, associates and affiliates;
 - c) The Trustee;
 - d) The Board of Governors;
 - e) The Investment Manager(s);
 - f) The Custodian(s);
 - g) The Consultant(s);
 - h) Staff of the University that directly support the Committee and who deal with the investment portfolios of the Fund;
 - i) Agents, advisors and managers retained by any of the above in connection with the investment or administration of the Fund.
- 1.11 A conflict of interest is defined as any direct, indirect, actual or perceived material pecuniary interest of an Affected Person in, or any other direct or indirect personal benefit, actual or perceived, to be derived by an Affected Person from any arrangement, contract, investment, transaction or other matter related to the Affected Person's duties or powers with respect to the Plans. All Affected Persons shall comply with the provisions of the Board of Governors Code of Conduct and Conflict of Interest Policy for Board Members and Board Committee Members.

- 1.12 Each Affected Person shall use its best efforts to avoid any situation involving any actual or perceived conflict of interest. Each Affected Person shall disclose to the University in writing, if practical, any conflict or perceived conflict of interest. Disclosure shall be made promptly after the Affected Person becomes aware of the conflict or perceived conflict. The University shall then determine an appropriate course of action.
- 1.13 Any failure to comply with the procedures described in this Section shall not of itself invalidate any transaction or decision and the University shall have discretion to determine an appropriate course of action.

Environmental, Social & Governance

- 1.14 Environmental, Social, and Governance (ESG) factors can affect the performance of companies and other entities in which the Fund invests and may therefore be considered where relevant and material to the assessment of investment value and mitigation of investment risk.
- 1.15 The University has given appointed Investment Managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own policies and procedures.

Lending or Borrowing of Cash and Securities

- 1.16 Securities lending is not permitted within the Fund.
- 1.17 Other than through making investments as allowed by this Policy, assets of the Fund shall not be loaned to any party. Pooled Funds may lend securities if permitted under their investment policies and providing the loaned investments are secured by adequate collateral consistent with market practice. The Fund may enter into securities loan agreements providing the loaned investments are secured by cash or highly liquid investments having a market value of at least 102% of the loan, and that this 102% level of security is maintained at least daily.
- 1.18 No money may be borrowed by or on behalf of the Fund except as required for the payment of refunds, benefits and administration costs of the Plans, and provided such borrowing is on a short term basis in order to prevent distress sale of long-term investments and subject to limitations set out by law applicable to pension plans.

Voting Rights

- 1.19 With respect to any portion of the Fund invested in Pooled Funds, the authority for exercising all voting rights is delegated to the Investment Manager of the Pooled Fund, to be exercised in accordance with the Pooled Fund's policies.
- 1.20 With respect to any portion of the Fund invested in segregated mandates where individual securities are beneficially owned by the Fund, the authority for exercising all voting rights is delegated to the Investment Manager of the segregated mandate, provided that the Administrator reserves the right

to direct or override the voting decisions of the Investment Manager if, in its view, such action is in the best interests of the Fund and its beneficiaries.

- 1.21 Any rights acquired to exercise the votes of Pooled Fund units and interests in partnerships or limited partnership within the Fund shall be the responsibility of the Administrator, which shall vote in the best interests of the beneficiaries of the Plans.

Valuation of Investments

- 1.22 Investments in Pooled Funds shall be valued according to the unit values published by the Investment Manager.
- 1.23 If any of the Fund assets are invested in assets or securities that are not regularly traded at a marketplace, then such securities will be valued at least once annually by the Investment Manager with the basis for such valuation be made available to the Committee. In the absence of any other valuation by the Trustee or independent appraiser, such assets or securities will be held at their book value.
- 1.24 With respect to any portion of the Fund invested in segregated mandates where individual securities are beneficially owned by the Fund:
- a) Investment in publicly traded securities shall be valued at their fair market value no less frequently than monthly.
 - b) If a market valuation of an investment is not readily available, then, where expertise exists, the security will be valued at least monthly by the Investment Manager using best judgment in consultation with market makers. Securities that fall outside this area of expertise will be valued by external, independent, qualified specialists that will be retained at a minimum of once per calendar year.
 - c) Derivatives not traded over public exchanges will be valued by an entity independent of the counterparty to the derivative transaction.

Liquidity of Investments

- 1.25 Investment of the Fund will be undertaken with a view to providing for sufficient liquidity to enable the Plans to meet its obligations as they become due.

Performance Measurement Monitoring

- 1.26 The University will review investment performance at least semi-annually.
- 1.27 Performance of an Investment Manager will be evaluated with respect to an appropriate market index or other benchmark.
- 1.28 For the purpose of measuring rates of return, all returns shall be measured before investment management fees, but after transaction costs, and over rolling four-year periods. All index returns shall be total returns. All foreign index returns shall be Canadian dollar returns.

Selection, Monitoring and Termination of Managers

- 1.29 The selection and monitoring of Investment Managers involves consideration of both qualitative and quantitative factors, which may include, but are not limited to:
- a) Investment performance relative to benchmark and/or peers;
 - b) Overall adherence to this Policy;
 - c) Characteristics of the firm and organization and evaluation of any changes to the firm or key personnel; and
 - d) Competitiveness of fees and expenses.
- 1.30 If an Investment Manager fails to meet the criteria used for selection and monitoring, the University shall consider whether further action should be taken, as appropriate.

Investment Provisions

Investment Principles and Beliefs

2.1 In developing the investment strategy for the Plans, the following factors were considered:

- a) Nature of the liabilities;
- b) Allocation of such liabilities between active and retired Members;
- c) Funded and/or solvency positions;
- d) Net cash flow position;
- e) Investment horizon;
- f) Historical and expected capital market returns;
- g) Benefits of investment diversification;
- h) University's ability to take risk; and
- i) Operational considerations.

Diversification

2.2 Asset mix diversification is the key risk management strategy and the University shall periodically review the asset mix policy to ensure it aligns with the overall objectives of the Plans.

2.3 The use of broadly diversified Pooled Funds is an additional risk management strategy used to mitigate risks associated with any one particular security, country, region, industry and/or currency.

Permitted Investments and Investment Guidelines

2.4 All investments of the Plans must comply with the requirements and restrictions set out in this Policy, the Act and the *Income Tax Act* (Canada) and their respective regulations.

2.5 The following categories of investments are permitted for the Fund:

- a) Equities;
- b) Fixed Income;
- c) Real Assets, including infrastructure;
- d) Other Asset Classes, including private equity;
- e) Derivatives, including levered bonds; and
- f) Cash and demand deposits and money market securities.

Asset Mix and Rate of Return Expectations

- 2.6 The long-term investment objective of the Fund is to achieve a nominal annual rate of return equal to the return that could have been earned by passively investing in the Benchmark Index outlined below.
- 2.7 The long term strategic asset mix of the Fund is indicated in the table below. Market values of the individual asset classes of the Fund shall normally be held within the indicated minimum and maximum aggregate investment limits. Also shown are the performance benchmarks used to measure the performance of the total Fund and the underlying investment strategies.

Investment Category	Benchmark	Policy Allocation	Minimum	Maximum
Cash/Short-Term Equivalents	FTSE Canada 91-Day T-Bill	1%	0%	20%
Fixed Income – Universe Bonds	FTSE Canada Universe Bond	0%	0%	10%
Fixed Income – Long Bonds	FTSE Canada Long Term Bond	24%	14%	34%
Fixed Income – Provincial Bond Overlay	Customized manager benchmark*	10%	0%	20%
Canadian Equities	S&P/TSX Composite	15%	5%	25%
Global Equities	MSCI World	30%	20%	40%
Infrastructure	Consumer Price Index + 4%	10%	5%	15%
Private Equity	MSCI World + 4%	10%	5%	15%

*The benchmark for the Provincial Bond Overlay is a custom weighed proxy benchmark that reflects changes in the leverage of the fund on a monthly basis. For illustrative purposes, the 3x FTSE Long Provincial Bond Index minus 2x 91 Day-T Bill can be used as a proxy.

- 2.8 Where more than one Investment Manager has been hired by the Fund within a single asset class, it is expected that the asset allocation between the Investment Managers will be appropriately equal.
- 2.9 If the asset allocation moves outside of the allowable range, the University will be responsible for initiating action to rebalance the portfolio back within the allowable range. Alternatively the University shall authorize temporary asset mix positions outside those ranges.
- 2.10 The asset allocations listed above incorporate target allocations to infrastructure and private equity, which may take several years to fully invest. During this period, commitments not called may be invested in various other asset classes as permitted by this Policy.
- 2.11 Private market asset classes are generally not expected to be rebalanced due to the long term illiquid nature of the investments.

Target Asset Allocation

- 2.12 The target asset allocation for the Plans in respect of each investment category listed in section 76(12) of the *Pension Benefits Act* (Ontario), *Regulation 909* is as below:

Investment Category	Target Allocation (%)
1. Insured contracts	-
2. Mutual or pooled funds or segregated funds	-
3. Demand deposits and cash on hand	1%
4. Short-term notes and treasury bills	-
4. a. Investment grade	-
4. b. Non-investment grade	-
5. Term deposits and guaranteed investment certificates	-
6. Mortgage loans	-
7. Real estate	-
8. Real estate debentures	-
9. Resource properties	-
10. Venture capital	-
11. Corporations referred to in subsection 11(2) of Schedule III to the federal investment regulations	-
12. Employer issued securities	-
13. Canadian stocks other than investments referred to in paragraphs 1 to 12	15%
14. Non-Canadian stocks other than investments referred to in paragraphs 1 to 12	30%
15. Canadian bonds and debentures other than investments referred to in paragraphs 1 to 12	34%
15. a. Investment grade	34%
15. b. Non-investment grade	-
16. Non-Canadian bonds and debentures other than investments referred to in paragraphs 1 to 12	-
16. a. Investment grade	-
16. b. Non-investment grade	-
17. Investments other than investments referred to in paragraphs 1 to 16	20%

- 2.13 Consistent with the benchmark indices shown above, the minimum rating for the target investment allocation of investment grade fixed income is BBB low (or equivalent), as rated by at least one credit rating agency that is recognized by a competent authority. Notwithstanding this target, actual quality requirements and permitted ranges shall be determined by the respective Investment Manager responsible for implementation of the strategy.

Derivatives, Options, and Futures

- 2.14 Derivatives such as options, futures, swaps, forward contracts or currency hedging contract on any securities including indices are permitted investments.
- 2.15 The use of derivatives shall be restricted to create an exposure or asset mix position consistent with the allocation guidelines set out within the Policy. The use of derivatives shall be restricted to the following purposes:
 - a) Manage positions as they relate to duration, credit exposure, interest rates, inflation, capital market indices and/or currency consistent with this Policy in order to manage risk;
 - b) Increase revenue by selling covered calls; and/or
 - c) Hedge (fully or partly) any investment risk, including market, interest rate, credit, liquidity, and currency risk.
- 2.16 The Investment Manager shall be responsible for assessing counterparty risk with regard to credit rating and total exposure limits for each derivatives securities dealer and bank directly involved in the derivative transaction.

Review and Approval of Policy

- 3.1 The University shall review the Policy periodically, but in any event no less than annually.
- 3.2 A copy of this Policy and any amendments to it shall be delivered to the actuary for the Plans and filed with the Financial Services Regulatory Authority of Ontario.