



Joint Board of Trustees of the CUPE Employees' Pension Plan  
Le Conseil de fiducie mixte du régime de retraite des employé(e)s du SCFP



**Canadian Union of Public Employees**

**Employees' Pension Plan**

**Statement of Investment Policies and Procedures (SIP&P)**

**Effective June 17, 2020**

**Approved by the Trustees of the Plan  
at the meeting held on September 16, 2020**

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## INTRODUCTION

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This Statement of Investment Policies and Procedures (the “SIP&P”) has been set for the Pension Fund (the “Fund”) of the *Canadian Union of Public Employees Employees’ Pension Plan* (the “Plan”). Effective June 17, 2020, this SIP&P replaces the one that was adopted previously by the Trustees of the Plan (the “Administrator”).

The basic goal pursued by the Administrator in establishing the SIP&P is to ensure that the Fund is invested as per the “prudent person portfolio approach”, which essentially requires the application of the investment principles of a reasonable and prudent person to the whole of the Fund assets, while considering the purpose and circumstances of the Plan.

## **SECTION 1 – FINANCIAL OBLIGATIONS OF THE PLAN**

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### **1.01 Type of Plan**

The Plan has been established in 1971 to cover the employees of Canadian Union of Public Employees (CUPE). The Plan is a defined benefit final average pension plan, with the following main characteristics:

- The basic pension formula is, for each year of credited service, 2% of best 3-year average earnings, subject to the maximum pension limits under the Income Tax Act (ITA).
- A bridge pension may also be payable up to age 65 in accordance with different plan provisions, subject to ITA limits.
- Unreduced early retirement is permitted as of age 60 or when the sum of age and credited service totals at least 80.
- Pensions payable under the Plan may be subject to annual indexation adjustments, pursuant to the terms of collective agreements as negotiated from time to time.
- The basic and bridge pensions are continued to the surviving spouse, after the death of the member, at 66 2/3% of their levels just before death with a 5-year guarantee from date of retirement.
- Members contribute to the Plan at the rate of 9.7% of earnings or at such different rate as agreed by the Settlers, subject to ITA limits.

## SECTION 1 – FINANCIAL OBLIGATIONS OF THE PLAN

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### 1.02 Financial Status

The most recent actuarial valuation of the Plan filed with government authorities, which was performed as at January 1, 2018, revealed the following results on a going concern basis (\$ in thousands):

<b>Actuarial Liabilities</b>	<b>\$</b>	<b>% of Actuarial Liabilities</b>
Active members	\$249,840	42%
Vested Terminated Members	\$3,299	1%
Pensioners and Survivors	<u>\$345,632</u>	<u>57%</u>
<b>Total</b>	<b>\$598,771</b>	<b>100%</b>

  

<b>Assets / Surplus (Deficit)</b>	<b>\$</b>	<b>% of Actuarial Liabilities</b>
Actuarial Value of Assets	<u>\$776,440</u>	
Surplus	\$177,669	30%

  

<b>Current Service Cost for year 2018</b>	<b>\$</b>	<b>% of Covered Payroll</b>
Employee contributions	\$8,863	9.70%
Employer contributions	<u>\$9,460</u>	<u>10.35%</u>
<b>Total</b>	<b>\$18,323</b>	<b>20.05%</b>

The deficit on a wind-up basis as at January 1, 2018, based on market values of assets and liabilities represented 7.0% of actuarial liabilities. The purpose of the wind-up valuation is to show the degree of benefit security provided for all of the Plan members' accrued benefit by the current assets of the Fund in case of a wind-up of the Plan. The Plan wind-up liabilities in respect of pensioners then represented 55% of aggregate wind-up liabilities and it is anticipated that this percentage will continue to gradually increase in the future. The investment horizon under the Plan is long term and liquidity requirements will not constitute an investment constraint for many years in the future.

The uncertainty of future economic/investment scenarios also dictates diversification through significant participation at all times in several different asset classes (fixed income, Canadian equities, Global equities and alternative investments).

## **SECTION 2 – MANAGEMENT STRUCTURE**

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### **2.01 Responsibilities**

#### **a) Administrator**

The Administrator is responsible for:

- the adoption of the SIP&P;
- the annual review and maintenance of the SIP&P;
- the submission of the SIP&P to the actuary of the Plan;
- the selection of the Investment Manager(s) and the Custodian;
- the quarterly evaluation of the performance of the Investment Manager(s);  
and
- the monitoring of the Investment Manager(s) and the Custodian.

In order to assist with the fulfillment of the above responsibilities, the Administrator has created an Investment Committee, which is composed of members of the Joint Board of Trustees. The role of the Investment Committee is to coordinate and/or perform any analysis and research activities that may be required in connection with investment issues related to the above responsibilities and to provide comments and recommendations thereon to the Administrator for decision purposes; all decision powers in connection with the above responsibilities remain with the Administrator, unless such decision-making authority is delegated to the Investment Committee by resolution of the Joint Board of Trustees.

The Administrator may, at its discretion, retain third party services to help fulfill the foregoing responsibilities.

#### **b) Investment Manager(s)**

The Investment Manager(s), including Balanced Investment Manager(s), Specialized Fixed Income Investment Manager(s), Canadian Equity Manager(s), Canadian Small Cap Equity Investment Manager(s), Global Equity Investment Manager(s) and Real Estate Investment Manager(s), will:

- invest the Fund as per the SIP&P, their investment management agreement with the Administrator, applicable legal requirements and any other document approved by the Administrator in connection with their investment mandate;
- notify the Administrator of any significant changes in the Investment Manager's organization, philosophy, procedures or personnel;
- prepare a quarterly report on the performance of the portion of the Fund covered by their investment mandate (i.e. the "Mandate Portfolio");
- meet at least biennially with the Administrator to review the performance of their Mandate Portfolio; and
- file quarterly compliance reports (Appendix A).

## **SECTION 2 – MANAGEMENT STRUCTURE**

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### **c) Custodian**

The Custodian will:

- maintain safe custody of the assets of the Fund;
- make the transactions requested by the Administrator or the Investment Manager(s); and
- provide quarterly financial statements on the Fund.

### **2.02 Investment Management Approach**

The Administrator has adopted an active management approach for most of the Fund, both for asset allocation and security selection, with the objective that the value added by such active management should exceed the additional investment management fees.

A target amount representing currently approximately 9.0% of the Fund is allocated to Canadian real estate investments through a specialized Canadian Real Estate Investment Mandate. The allocation to Canadian real estate investments is referred to herein as the “Canadian Real Estate Allocation” and the Investment Manager responsible for this mandate is referred to as the “Canadian Real Estate Investment Manager”.

Effective July 1, 2014, an amount representing approximately 9.0% of the Fund has been allocated to a specialized fixed income securities mandate (the “Specialized Fixed Income Investment Mandate”). This allocation to fixed income securities is referred to herein as the “Specialized Fixed Income Allocation” and the Investment Manager responsible for this mandate is referred to as the “Specialized Fixed Income Investment Manager”.

Effective April 1, 2015, an amount representing approximately 6.0% of the Fund will be allocated to a Canadian small cap securities mandate (the “Canadian Small Cap Equity Investment Mandate”). This allocation to Canadian small cap equity securities is referred to herein as the “Canadian Small Cap Equity Allocation” and the Investment Manager responsible for this mandate is referred to as the “Canadian Small Cap Equity Investment Manager”.

Effective January 1, 2018, a target amount representing approximately 6.0% of the Fund is allocated to Global real estate investments through a specialized Global Real Estate Investment Mandate. The allocation to Global real estate investments is referred to herein as the “Global Real Estate Allocation” and the Investment Manager responsible for this mandate is referred to as the “Global Real Estate Investment Manager”.

Effective September 30, 2019, an amount representing approximately 15.0% of the Fund will be allocated to global equity securities mandates (the “Global



## SECTION 2 – MANAGEMENT STRUCTURE

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Equity Investment Mandates”). This allocation to global equity securities is referred to herein as the “Global Equity Allocation” and the Investment Managers responsible for this mandate are referred to as the “Global Equity Investment Managers”.

Effective May 8, 2020, an amount representing approximately 10.0% of the Fund will be allocated to a Canadian equity securities mandate (the “Canadian Equity Investment Mandate”). This allocation to Canadian equity securities is referred to herein as the “Canadian Equity Allocation” and the Investment Manager responsible for this mandate is referred to as the “Canadian Equity Investment Manager”.

Effective June 17, 2020, an amount representing approximately 7.0% of the Fund will be allocated to the Specialized Fixed Income Investment Mandate and an amount representing approximately 7.0% of the Fund will be allocated to the Fixed Income mandate of Balanced Mandate 2. These amounts will come from Balanced Mandate 1, as its Fixed Income mandate will be terminated.

The balance of the Fund (referred to herein as the “Balanced Mandates Allocation”) is to be invested through Balanced Investment Mandates, and the Investment Managers responsible for the management of these mandates are referred to herein as the “Balanced Investment Managers”.

The Administrator is responsible for the determination of the portion of the Fund which is allocated to each of the investment mandates and such allocation will be reviewed by the Administrator at least annually (i.e. at the annual review of the SIP&P), or at more frequent intervals, if deemed appropriate by the Administrator.

Although any pooled fund used by the Fund will be subject to its own investment policy, this SIP&P provides for guidelines regarding the asset allocation of the Fund as well as specific performance objectives and constraints. The actual extent of investment quality and diversification within each pooled fund shall comply with the investment policies of the pooled funds (Appendix B).

The Administrator believes that environmental, social and governance (ESG) factors are relevant to the Fund’s investments and that the effective management of ESG factors may have a positive impact on long-term investment performance. In order for ESG factors to be efficiently and rigorously addressed in the context of the Fund, the Administrator maintains a Responsible Investment Policy as a separate document (Appendix E).

## SECTION 3 – RISK AND PERFORMANCE OBJECTIVES

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### 3.01 Rate of Return Objective

Recognizing the long-term nature of the financial obligations of the Plan and the funding policy retained by the Administrator, the long-term objective for the total Fund is to achieve a rate of return of at least 3.75% above increases in the Consumer Price Index (CPI). Such objective is typically measured over ten-year moving average periods.

### 3.02 Fund Benchmark Portfolio

In order to achieve the foregoing rate of return objective within an acceptable level of risk, the Administrator has established the following long-term asset mix that will also be used as a Fund Benchmark Portfolio to evaluate the performance of the Fund:

<b>Asset Classes and Investment Mandates</b>	<b>Allocation to each asset class (and Investment mandates)</b>
Cash Equivalents	<b>2%</b>
- Balanced Mandates	2%
Fixed Income	<b>32%</b>
- Balanced Mandates	14%
- Specialized Mandate	18%
Canadian Equity	<b>30%</b>
- Balanced Mandates	20%
- Specialized Mandate	10%
Canadian Small Cap Equity	<b>6%</b>
Global Equity	<b>15%</b>
- Global Equities (World)	10%
- Global Equities (ACWI)	5%
Canadian Real Estate	<b>9%</b>
Global Real Estate	<b>6%</b>

The managers responsible for the above-mentioned mandates are presented in Appendix D.

The sub-allocations within the Balanced Investment Mandates are defined in Section 3.03.

The real rate of return expectation of the Fund Benchmark Portfolio exceeds the real rate of return objective of 3.75%, based on historical performance data.

## SECTION 3 – RISK AND PERFORMANCE OBJECTIVES

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### 3.03 Performance Objectives – Balanced Investment Manager(s)

The Balanced Investment Manager(s) is expected to obtain a total Fund rate of return, on a moving four-year average, that meets the following objective: to exceed by 1% the rate of return that would have been earned by the passive management of the Balanced Benchmark Portfolios which refer to the sub-allocation applicable to each Balanced Investment Manager. The table below presents each Balanced Benchmark Portfolios as well as the market indices they will be measured against:

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Asset classes	Balanced Benchmark Portfolios		Market indices
	Balanced Mandate 1	Balanced Mandate 2	
- Canadian Equity	90%	38%	S&P/TSX Composite Index
- Fixed Income	0%	58%	FTSE TMX Canada Universe Bond Index
- Cash Equivalents	10%	4%	FTSE TMX Canada 91 Day T-Bill Index

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### 3.04 Performance Objectives – Specialized Fixed Income Investment Manager(s)

The Specialized Fixed Income Investment Manager(s) is expected to obtain a total Fund rate of return, on a four-year moving average basis, that exceeds by 0.75% the rate of return that would have been earned by the passive management of the fixed income portfolio, as measured by the FTSE TMX Canada Universe Bond Index.

### 3.05 Performance Objectives – Canadian Equity Investment Manager(s)

The Canadian Equity Investment Manager(s) is expected to obtain a total Fund rate of return, on a four-year moving average basis, that exceeds by 1.5% the rate of return that would have been earned by the passive management of the equity portfolio, as measured by the S&P/TSX Composite Index.

## **SECTION 3 – RISK AND PERFORMANCE OBJECTIVES**

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### **3.06 Performance Objectives – Canadian Small Cap Equity Investment Manager(s)**

The Canadian Small Cap Equity Investment Manager(s) is expected to obtain a total Fund rate of return, on a four-year moving average basis, that exceeds by 3% the rate of return that would have been earned by the passive management of the equity portfolio, as measured by the S&P/TSX Small Cap Index.

### **3.07 Performance Objectives – Global Equity Investment Manager(s)**

The Global Equity Investment Managers with a World or ACWI Mandate are expected to obtain a total Fund rate of return, on a four-year moving average basis, that exceeds by 2.5% the rate of return that would have been earned by the passive management of their respective equity portfolios, as measured by the following market indices:

<b>Mandate</b>	<b>Market Indices</b>
- Global Equities (World)	MSCI World Index
- Global Equities (ACWI)	MSCI ACWI Index

### **3.08 Performance Objectives – Canadian Real Estate Investment Manager(s)**

The Real Estate Investment Manager(s) is expected to obtain a total Fund rate of return, on a moving four-year average, that meets the following objective: to exceed by 1% the rate of return that would have been earned by the passive management of the real estate portfolio, as measured by the Investment Property Databank (“IPD”) Canada Index.

### **3.09 Performance Objectives – Global Real Estate Investment Manager(s)**

The Real Estate Investment Manager(s) is expected to obtain a total Fund rate of return, on a moving four-year average, that meets the following objective: to exceed by 4.5% the increase in the Consumer Price Index.

## SECTION 4 – INVESTMENT CONSTRAINTS

### 4.01 Asset Allocation Limits

- a) The allocation of the Fund to each asset class will have to remain within the following limits as a percentage of the market value of the Fund:

Asset Class	Minimum	Benchmark	Maximum
Cash Equivalents	0%	2%	10%
Fixed Income			
- Balanced Mandates	11%	14%	17%
- Specialized	15%	18%	21%
Canadian Equities			
- Balanced Mandates	17%	20%	23%
- Specialized	7%	10%	13%
Canadian Small Cap Equities	3%	6%	9%
Global Equities (World)	7%	10%	13%
Global Equities (ACWI)	2%	5%	8%
Canadian Real Estate	0%	9%	11%
Global Real Estate	0%	6%	8%
<b>Total</b>		<b>100%</b>	

<sup>1</sup> Asset allocation based on corresponding investment categories listed in section 76(12) of Regulation 909 of PBA (Ontario) is shown in appendix B

- b) The Balanced Investment Manager(s) is permitted to vary the asset allocation of his Mandate Portfolio in order to add value, within the following limits as a percentage of market value of the Mandate Portfolio:

#### Balanced Mandate 1

Asset Class	Minimum	Benchmark	Maximum
Canadian Equities	85%	90%	95%
Cash Equivalents	5%	10%	15%
<b>Total</b>		<b>100%</b>	

## SECTION 4 – INVESTMENT CONSTRAINTS

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### Balanced Mandate 2

<b>Asset Class</b>	<b>Minimum</b>	<b>Benchmark</b>	<b>Maximum</b>
Fixed Income	48%	58%	68%
Canadian Equities	28%	38%	48%
Cash Equivalents	2%	<u>4%</u>	15%
<b>Total</b>		<b>100%</b>	

#### 4.02 Permitted Categories of Investments

The investments of the Fund must comply with the requirements of the Income Tax Act and the Ontario Pension Benefits Act (including the Federal Investment Regulations as defined in the regulations under the Act).

Investments under the Balanced Investment Mandates may be made in any of the following investment categories from Canadian companies, through purchase of securities issued by Canadian companies or units of Canadian pooled funds:

a) Equities traded on recognized market exchanges:

- common stocks;
- units of income or royalty trusts;
- American Depository Receipts (ADRs) or Global Depository Receipts (GDRs);
- convertible preferred stocks;
- convertible debt securities.

b) Fixed income:

- bonds and related coupons or residuals;
- debentures, notes and non-convertible preferred stocks;
- mortgages;
- mortgage-backed securities; and term deposits and guaranteed income certificates.

c) Cash or equivalents:

- cash;
- demand or term deposits;
- treasury bills; and
- commercial paper (other than asset-backed securities not unconditionally guaranteed by a Canadian chartered bank) or bankers' acceptances.

Investments under the Specialized Fixed Income Investment Mandate may be made in open-ended pooled funds investing primarily in Canadian fixed income

## SECTION 4 – INVESTMENT CONSTRAINTS

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securities and/or in individual fixed income securities through a segregated account. If a segregated account is used for the mandate, securities included in the portfolio shall be restricted to the following debt instruments:

- i. Treasury bills, bonds or other evidence of indebtedness of or fully guaranteed by the Government/Government agency of Canada, a province of Canada, a Municipality of Canada, or a supranational organization;
- ii. Term deposits, notes, bonds or other evidence of indebtedness issued by Canadian corporations or trusts;
- iii. Term deposits, notes, bonds or other evidence of indebtedness issued by non-Canadian governments, corporations or trusts;
- iv. Mortgages or asset backed securities, collateralized mortgage obligations, collateralized debt obligations collateralized loan obligations and leverage loans;
- v. Real return bonds;
- vi. Repurchase and reverse repurchase agreements; and
- vii. Money markets funds.

The portfolio for the Specialized Fixed Income Mandate may utilize futures, options, swaps and swaptions (on currency, interest rate and credit, long or short); derivatives, other than for currency hedging, shall however not exceed 15% of the portfolio.

Investments under the Canadian Equity Investment Mandates may be made in open-ended pooled funds investing primarily in Canadian equity securities and/or in individual equity securities through a segregated account. If a segregated account is used for the mandate, securities included in the portfolio shall be restricted to the following equity instruments:

- i. Common stocks;
- ii. Instalment receipts;
- iii. Subscription receipts;
- iv. Convertible preferred stocks; and
- v. Income trusts.

Investments under the Canadian Small Cap Equity Investment Mandate may be made in open-ended pooled funds investing primarily in Canadian small to mid-cap equity securities and/or in individual equity securities through a segregated account. If a segregated account is used for the mandate, securities included in the portfolio shall be restricted to the following equity instruments:

- i. Common stocks;
- ii. Instalment receipts;

## **SECTION 4 – INVESTMENT CONSTRAINTS**

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- iii. Subscription receipts;
- iv. Convertible preferred stocks; and
- v. Income trusts.

Investments under the Global Equity Investment Mandates may be made in open-ended pooled funds investing primarily in Global equity securities and/or in individual equity securities through a segregated account. If a segregated account is used for the mandate, securities included in the portfolio shall be restricted to the following equity instruments:

- i. Common stocks;
- ii. Instalment receipts;
- iii. Subscription receipts;
- iv. Convertible preferred stocks; and
- v. Income trusts.

Investments under the Real Estate Investment Mandates – Canadian and Global may be made in open-ended or close-ended pooled funds investing primarily in Canadian or Global income-producing real estate properties or pooled funds investing primarily in Canadian or Global real estate investment trusts.

### **4.03 Quality Requirements – Balanced Investment Mandates**

The fixed income securities should meet the following minimum quality rates from at least two recognized bond rating agencies:

- “BBB” or equivalent rate for individual bonds and debentures, unless provided otherwise in quantity restrictions (Section 4.04);
- “R-1” or equivalent rate for cash or equivalents, unless provided otherwise in quantity restrictions (Section 4.04); and
- “P-1” or equivalent rate for preferred shares.

Investment in units of an income or royalty trust is only permitted where applicable legislation limits the Plan’s liability to the amount invested in that trust.

### **4.04 Quantity Restrictions – Balanced Investment Mandates**

The Mandate Portfolio will be invested as per the following quantity restrictions:

- no single Equity holding shall represent more than:
  - 7% of the total book value of the Mandate Portfolio;
  - 20% of the voting rights of any corporation; or



## **SECTION 4 – INVESTMENT CONSTRAINTS**

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- 10% of the market value of the equity segment of the Mandate Portfolio;
- minimum of 30 Equity securities;
- market value weighting of Equity securities in any one industry sector shall not exceed the lower of: (a) 35% and (b) the greater of 15% or twice the sector weight in the S&P/TSX Composite Index;
- the market value of bonds shall comply with the following maximum weightings:
  - 15% in BBB or equivalent (for purposes of verifying compliance with this restriction, the quality ratings of all bonds in the portfolio shall be as determined by the same recognized bond rating agency, as selected and consistently used by the Investment Manager and as communicated to the Administrator);
  - 10% in unrated;
  - 15% in private placements;
  - 10% in any single holding from issuers other than the Canadian or provincial governments;
  - 25% in foreign currency;
- up to 30% of the market value of cash or equivalents can be invested in unrated short-term deposits of less than one year issued by cooperative savings and credit unions if, in the opinion of the Investment Manager making the investment, it is made at a competitive rate of return and level of risk; and
- investments in mortgages shall only be made in first mortgages not exceeding 75% of the property value, with a maximum market value weighting of 5% in any single holding.

### **4.05 Quality Requirements and Quantity Restrictions – Specialized Fixed Income Investment Mandate(s)**

If the totality or a portion of the mandate is managed through investments in a segregated account, the quality requirements and quantity restrictions (based on market values) applicable to securities included in the segregated portfolio shall be as follows:

- a) The portfolio shall not contain any security issued by Public-Private Partnership (PPPs);
- b) The average quality rating of the portfolio shall at least be BBB and no more than 30% of the portfolio shall be in non-investment grade securities; minimum quality rating shall be “C” or equivalent;
- c) The percentage of the portfolio invested in any one corporate issuer shall be subject to a maximum of 10% for securities rated “BBB” or above, 3% for securities rated “BB”, 2% for securities rated “B” and 1% for securities rated “CCC” to “C”;

## **SECTION 4 – INVESTMENT CONSTRAINTS**

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- d) No more than 30% of the portfolio shall be in securities of Non-Canadian issuers and no more than 10% of the portfolio shall be invested in emerging market securities;
- e) At least 70% of the portfolio shall be invested in Canadian investment grade securities;
- f) The maximum net exposure to non-Canadian currencies shall be 10%; and
- g) The maximum allocation to corporate securities shall be 80%.

If the totality or a portion of the mandate is managed through investments in one or more open-ended pooled funds, the quality requirements and quantity restrictions applicable to such investments shall be as described in the investment policies of the pooled funds used for the mandate (Appendix B).

### **4.06 Quality Requirements and Quantity Restrictions – Canadian Equity Investment Mandate(s)**

The quality requirements and quantity restrictions applicable to Canadian Equity Investment Mandates will be as described in the investment policy of the pooled funds used for this mandate (Appendix B).

### **4.07 Quality Requirements and Quantity Restrictions – Canadian Small Cap Equity Investment Mandate**

If the totality or a portion of the mandate is managed through investments in a segregated account, the quality requirements and quantity restrictions (based on market values) applicable to securities included in the segregated portfolio shall be as follows:

- a) The portfolio shall not contain any security issued by Public-Private Partnership (PPPs);
- b) The portfolio shall be invested in a majority of securities with a market capitalization of less than \$2.5 billion at purchase; the portfolio will be allowed to hold a maximum aggregate exposure of 25% in securities whose market capitalization has increased to between \$2.5 billion and \$3 billion;
- c) Securities shall be of appropriate quality, be listed on a recognized stock exchange, and have adequate market liquidity relative to the size of the investment;
- d) Cash may be held from time to time as defensive reserves or to implement short-term strategies up to a maximum of 20% in the aggregate of the market value of the portfolio, except in the initial stages of the portfolio's life;
- e) A maximum of 10% of the market value of the portfolio shall be invested in the equity securities of any one issuer;

## **SECTION 4 – INVESTMENT CONSTRAINTS**

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- f) The portfolio shall be invested in at least 5 of the 10 sectors of the market at all times;
- g) The weight of any individual sector, as a proportion of the portfolio's equity market value, shall be limited to 35%; however, for the Industrial sector, the limit will be 45%;
- h) The number of stocks held in the portfolio shall be between 20 and 40 securities; and
- i) Private placements and investments in derivatives, such as warrants and rights, shall not be permitted.

If the totality or a portion of the mandate is managed through investments in one or more open-ended pooled funds, the quality requirements and quantity restrictions applicable to such investments shall be as described in the investment policies of the pooled funds used for the mandate (Appendix B).

### **4.08 Quality Requirements and Quantity Restrictions – Global Equity Investment Mandate(s)**

The quality requirements and quantity restrictions applicable to Global Equity Investment Mandates will be as described in the investment policies of the pooled funds used for these mandates (Appendix B).

### **4.09 Quality Requirements and Quantity Restrictions – Real Estate Investment Mandate(s) – Canadian and Global**

The quality requirements and quantity restrictions applicable to Real Estate Investment Mandate(s) – Canadian and Global will be as described in the investment policies of the pooled funds used for these mandates (Appendix B).

### **4.10 Applicability of this Section to the Mandate Portfolio of each Investment Manager**

The requirements and restrictions contained in this Section apply to the Mandate Portfolio of each Investment Manager.

## **SECTION 5 – OTHER ADMINISTRATIVE ISSUES**

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### **5.01 Securities Lending**

There shall be no lending of cash or securities of the Fund.

### **5.02 Conflicts of Interest**

The Administrator and its agents involved in any decisions or recommendations with respect to the Pension Fund, including the Custodian and the Investment Manager(s), are all fiduciaries of the Plan and are subject to the guidelines pertaining to conflicts of interest.

The particulars of all actual or perceived conflicts of interest with respect to the Plan or the Fund must be disclosed by the person or persons in conflict, immediately upon becoming aware of the conflict, in writing, to the Administrator. The person or persons in conflict shall not directly or indirectly participate in any discussion on the subject of the conflict nor participate in any vote or decision on the matter.

While it is impossible to determine every circumstance or case giving rise to a possible conflict of interest, the following indicate some of the activities that could result in a conflict of interest that should be disclosed:

- a) any material beneficial ownership of investments, which could reasonably be expected to impair the ability to render unbiased and objective advice, should be disclosed whenever the fiduciary wishes to make recommendations concerning an investment in which he or she has a material beneficial interest or potential conflict;
- b) any additional or special compensation arrangements from any person other than his or her employer, which could reasonably be expected to impair his or her ability to render unbiased and objective advice with respect to the Plan and Fund; and,
- c) any consideration paid to others for making a particular recommendation relating to Fund matters (such disclosures must be made before the recommendation is implemented).

### **5.03 Related Party Transactions**

The term “Related Party” includes the Administrator and its agents, and any officer, director or employee of CUPE. It also includes the Custodian and its employees, a member, a spouse or child of the aforementioned individuals, and a corporation that is directly or indirectly controlled by the persons named previously. Related Party does not include a government or a government agency, a bank, a trust company or other financial institution that holds the assets of the Plan, where that person is not the Administrator of the Plan.

## **SECTION 5 – OTHER ADMINISTRATIVE ISSUES**

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The Administrator, on behalf of the Plan assets, may not enter into a transaction with a Related Party unless:

- a) the transaction is required for operation or administration of the Plan and:
  - i. its terms and conditions are no less favourable to the Plan than market terms and conditions; and
  - ii. it does not involve the making of loans to or investments in the Related Party;
- b) the transaction involves an investment:
  - i. in an investment fund that is open to investors other than the Administrator and its affiliates; or
  - ii. in an index fund or contract or agreement linked to the performance of a widely recognized index; or
- c) the combined value of all transactions with the same Related Party is nominal or the transaction is immaterial to the Plan. Transactions less than 0.5% of the market value of the Plan assets are considered nominal.

### **5.04 Voting Rights**

The voting rights for all securities held under the Plan may be delegated to the Investment Manager or alternatively to a service provider specialized in proxy voting (“Specialized Provider”), subject to the Administrator exercising its right at any time to give direction to the Investment Manager or Specialized Provider with respect to the voting on any specific situations. In this connection, on September 8, 2010, the Administrator has adopted the CEPP - Proxy Voting Guidelines (the “Guidelines”), and may amend such document from time to time. The rights exercised by the Investment Manager or the Specialized Provider shall be in the best interests of the Fund and in line with the Guidelines and, where applicable, with the SIP&P or any other instructions adopted by the Administrator. Except if required under the Guidelines, the Investment Manager or the Specialized Provider is not required to advise the Administrator in advance of the manner in which he intends to exercise any vote, but shall provide to the Administrator on a quarterly basis a report on the voting activities.

### **5.05 Investments Not Regularly Traded**

Should the Investment Manager(s) invest in any securities wherein the market value is not readily available, the Investment Manager(s) will present the method to be employed in establishing the marketable value for approval by the Administrator.

## **SECTION 5 – OTHER ADMINISTRATIVE ISSUES**

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### **5.06 Other Constraints**

- a) The Fund shall not borrow money.
- b) The Investment Manager(s) will comply with the standards of the CFA Institute.

### **5.07 Periodic Review**

The requirements of this document reflect the mutual agreement between the Administrator and the Investment Manager(s).

It is the intention of the Administrator to re-assess the SIP&P annually, or more frequently as required. However, if at any time the Investment Manager(s) feels that the SIP&P cannot be met, or may restrict performance, the Administrator should be notified immediately. Upon mutual agreement, the SIP&P may then be changed to allow the Investment Manager(s) the necessary latitude to exercise his special skills.

The Investment Manager(s) will meet with the Administrator at least annually to review the past performance and discuss future investment strategies. All proceedings of such meetings will be recorded in writing and distributed to persons the Administrator deems appropriate.

## APPENDIX A – QUARTERLY COMPLIANCE REPORT

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### 1. For Balanced Investment Mandate 1

Canadian Union of Public Employees Employees' Pension Plan

Quarterly Compliance Report – Balanced Investment Mandate  
Quarter Ending \_\_\_\_\_(date)

ASSET ALLOCATION LIMITS (4.01)	% of Total Market Value	Complied Yes / No*
Canadian Equities	85% - 95%	
Cash Equivalents	5% – 15%	
<b>PERMITTED INVESTMENT CATEGORIES (4.02)</b>		
Canadian Equities (4.02 a)		
Cash or equivalents (4.02 c)		
<b>QUALITY REQUIREMENTS (4.03)</b>		
<b>QUANTITY RESTRICTIONS (4.04)</b>		

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\* Please provide comments in case of non-compliance, including for non-compliance events occurring during a given quarter and which were corrected before quarter-end.

## APPENDIX A – QUARTERLY COMPLIANCE REPORT

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### 2. For Balanced Investment Mandate 2

Canadian Union of Public Employees Employees' Pension Plan

Quarterly Compliance Report – Balanced Investment Mandate  
Quarter Ending \_\_\_\_\_(date)

ASSET ALLOCATION LIMITS (4.01)	% of Total Market Value	Complied Yes / No*
Canadian Equities	38% - 58%	
Fixed Income (must be rated BBB, R-1, P-1)	48% - 68%	
Cash Equivalents	2% – 15%	
<b>PERMITTED INVESTMENT CATEGORIES (4.02)</b>		
Canadian Equities (4.02 a)		
Fixed Income (4.02 b)		
Cash or equivalents (4.02 c)		
<b>QUALITY REQUIREMENTS (4.03)</b>		
<b>QUANTITY RESTRICTIONS (4.04)</b>		

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\* Please provide comments in case of non-compliance, including for non-compliance events occurring during a given quarter and which were corrected before quarter-end.



## **APPENDIX A – QUARTERLY COMPLIANCE REPORT**

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### **3. For Canadian Real Estate Investment Mandates**

#### **Canadian Union of Public Employees Employees' Pension Plan**

#### **Quarterly Compliance Report – Canadian Real Estate Investment Mandate Quarter Ending \_\_\_\_\_(date)**

**I hereby certify that for the quarter indicated hereinabove, the investment of the assets covered by our mandate has been effected in full compliance with the statement of investment policies applicable to the pooled fund in which the assets are invested, as attached herewith\*.**

\_\_\_\_\_  
**Signature**

\_\_\_\_\_  
**Date**

\* Please provide comments in case of non-compliance, including for non-compliance events occurring during a given quarter and which were corrected before quarter-end.

## **APPENDIX A – QUARTERLY COMPLIANCE REPORT**

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### **4. For Global Real Estate Investment Mandates**

**Canadian Union of Public Employees Employees' Pension Plan**

**Quarterly Compliance Report – Global Real Estate Investment Mandate**  
**Quarter Ending \_\_\_\_\_(date)**

**I hereby certify that for the quarter indicated hereinabove, the investment of the assets covered by our mandate has been effected in full compliance with the statement of investment policies applicable to the pooled fund in which the assets are invested, as attached herewith\*.**

\_\_\_\_\_  
**Signature**

\_\_\_\_\_  
**Date**

\* Please provide comments in case of non-compliance, including for non-compliance events occurring during a given quarter and which were corrected before quarter-end.

## **APPENDIX A – QUARTERLY COMPLIANCE REPORT**

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### **5. For Specialized Fixed Income Investment Mandates**

#### **Canadian Union of Public Employees Employees' Pension Plan**

#### **Quarterly Compliance Report – Specialized Fixed Income Investment Mandate Quarter Ending \_\_\_\_\_(date)**

**I hereby certify that for the quarter indicated hereinabove, the investment of the assets covered by our mandate has been effected in full compliance with the applicable provisions of the Statement of Investment Policies & Procedures (SIP&P) of the Plan\*.**

\_\_\_\_\_  
**Signature**

\_\_\_\_\_  
**Date**

\* Please provide comments in case of non-compliance, including for non-compliance events occurring during a given quarter and which were corrected before quarter-end.

## **APPENDIX A – QUARTERLY COMPLIANCE REPORT**

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### **6. For Canadian Small Cap Equity Investment Mandates**

#### **Canadian Union of Public Employees Employees' Pension Plan**

#### **Quarterly Compliance Report – Canadian Small Cap Equity Investment Mandate Quarter Ending \_\_\_\_\_(date)**

**I hereby certify that for the quarter indicated hereinabove, the investment of the assets covered by our mandate has been effected in full compliance with the applicable provisions of the Statement of Investment Policies & Procedures (SIP&P) of the Plan\*.**

\_\_\_\_\_  
**Signature**

\_\_\_\_\_  
**Date**

\* Please provide comments in case of non-compliance, including for non-compliance events occurring during a given quarter and which were corrected before quarter-end.

## **APPENDIX A – QUARTERLY COMPLIANCE REPORT**

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### **7. For Canadian Equity Investment Mandates**

#### **Canadian Union of Public Employees Employees' Pension Plan**

#### **Quarterly Compliance Report – Canadian Equity Investment Mandate Quarter Ending \_\_\_\_\_(date)**

**I hereby certify that for the quarter indicated hereinabove, the investment of the assets covered by our mandate has been effected in full compliance with the applicable provisions of the Statement of Investment Policies & Procedures (SIP&P) of the Plan\*.**

\_\_\_\_\_  
**Signature**

\_\_\_\_\_  
**Date**

\* Please provide comments in case of non-compliance, including for non-compliance events occurring during a given quarter and which were corrected before quarter-end.

## **APPENDIX A – QUARTERLY COMPLIANCE REPORT**

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### **8. For Global Equity Investment Mandates**

**Canadian Union of Public Employees Employees' Pension Plan**  
**Quarterly Compliance Report – Global Equity Investment Mandate**  
**Quarter Ending \_\_\_\_\_(date)**

**I hereby certify that for the quarter indicated hereinabove, the investment of the assets covered by our mandate has been effected in full compliance with the applicable provisions of the Statement of Investment Policies & Procedures (SIP&P) of the Plan\*.**

\_\_\_\_\_  
**Signature**

\_\_\_\_\_  
**Date**

\* Please provide comments in case of non-compliance, including for non-compliance events occurring during a given quarter and which were corrected before quarter-end.

## APPENDIX B – TARGET INVESTMENT ALLOCATION – Subsection 76(12) of the Regulations of the Pension Benefits Act (Ontario)

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The following details the target investment allocations for each investment category listed in subsection 76(12) of the Regulations to the Pension Benefits Act (Ontario).

<b>Asset Class</b>	<b>Benchmark</b>	<b>Corresponding Investment categories listed in section 76(12) of Regulation 909 of PBA (Ontario) <sup>(1)</sup></b>
Cash Equivalents	2%	3. Demand deposits and cash on hand
Fixed Income	32%	15. Canadian bonds and debentures
Canadian Equities	36%	13. Canadian stocks
Foreign Equities	15%	14. Non-Canadian stocks
Canadian Real Estate	9%	7. Real estate
Global Real Estate	6%	7. Real estate
<b>Total</b>	<b>100%</b>	

*(1) Investment categories 1, 2, 4, 5, 6, 8, 9, 10, 11, 12, 16 and 17 listed in section 76(12) of Regulation 909 of PBA (Ontario) have a 0% target asset allocation.*

## **APPENDIX C – INVESTMENT POLICIES OF POOLED FUNDS**

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Following pages contain Investment Policies of pooled funds in which a portion of the Fund may be invested, i.e.

- Bentall GreenOak Investment Management – Prime Canadian Property Pooled Fund
- Guardian Capital LP – Short Term Investment Fund
- Invesco – Global Direct Real Estate Fund
- Fiera Capital – Global Equity Fund (World)
- Global Equity Manager – Global Equity Fund (ACWI)
- Fiera Capital – Canadian Equity Fund

June 17, 2020



## APPENDIX D – INVESTMENT MANAGER PER MANDATE

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<b>Investment Mandates</b>	<b>Investment Managers</b>
Balanced Mandate 1	Letko Brosseau
Balanced Mandate 2	Guardian Capital
Fixed Income Specialized Mandate	TD Greystone
Canadian Equity Specialized Mandate	Fiera Capital
Canadian Small Cap Equity	Barrantagh Investment Manager
Global Equities (World)	Fiera Capital
Global Equities (ACWI)	Baillie Gifford
Canadian Real Estate	BentallGreenOak
Global Real Estate	Invesco

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## APPENDIX E – RESPONSIBLE INVESTMENT POLICY

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### CUPE EMPLOYEES' PENSION PLAN ("CEPP") RESPONSIBLE INVESTMENT POLICY May 2020

#### I. PREAMBLE

The Joint Board of Trustees ("JBT") of the CEPP is the administrator of the CEPP, for purposes of the Ontario *Pension Benefits Act* ("PBA"). It is responsible for the overall investment of the assets of the CEPP Trust Fund and stands in a fiduciary relationship with the Plan and its membership.

The JBT recognizes that its fiduciary investment obligation is to maximize long-term investment returns at an acceptable level of risk. The JBT is guided by these considerations in establishing its asset allocation policies, and in selecting its Investment Managers. However, the JBT does not engage in the analysis or selection of individual securities directly, but rather delegates security selection to its Investment Managers and relies upon their skills and expertise to make decisions at the security level.

At the level of security selection, financial factors are analyzed and weighed, but the JBT also recognizes that non-financial criteria, and especially environmental, social and governance ("ESG") criteria may also influence investment performance. As was set out in a United Nations sponsored legal analysis of plan fiduciaries' legal obligations in regard to pension investments:

"Conventional investment analysis focuses on *value*, in the sense of financial performance. As we note above, the links between ESG factors and financial performance are increasingly being recognised. On that basis, integrating ESG considerations into an investment analysis so as to more reliably predict financial performance is clearly permissible and is arguably required in all jurisdictions." (*A Legal Framework for the Integration of Environmental, Social and Governance Issues into Institutional Investment* (the 'Freshfields report')), produced for the Asset Management Working Group of the UNEP Finance Initiative, October 2005, at p. 13).

In conformity with the Freshfields' opinion, the JBT believes that business entities that implement ESG standards are likely to be better managed and more financially successful over the longer-term than those which do not.

Accordingly, the JBT has recommended to its Investment Managers that they consider ESG standards in making their security selections so that all relevant risks and opportunities can be properly evaluated. The JBT has adopted this approach with respect to all of its Investment Managers, for all classes of assets in which the CEPP Trust Fund is invested.

In the event that an Investment Manager declines to expressly consider ESG standards in its securities selections, the JBT will consider this as an adverse indication when evaluating the Investment Manager's performance.

## **APPENDIX E – RESPONSIBLE INVESTMENT POLICY**

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### **II. RESPONSIBLE INVESTING INITIATIVES**

In furtherance of its objectives in regard to responsible investing, the JBT has pursued the following:

- A. implementation of a proxy voting program with respect to all equity securities of Canadian publicly held companies in the CEPP portfolio;
- B. adoption of a shareholder engagement strategy;
- C. adoption of the United Nations Principles for Responsible Investments; and
- D. adoption of the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up (“ILO Declaration”).

#### **A. Proxy Voting**

The JBT has retained SHARE to provide proxy voting services to the CEPP and has adopted proxy voting guidelines that are closely modelled on SHARE’s proxy voting guidelines which are available at [www.share.ca](http://www.share.ca). The guidelines analyse a range of resolutions typically put to corporate shareholders in regard to corporate governance and corporate social responsibility. The SHARE guidelines are updated annually to address new issues, and refine the way in which already identified issues are addressed, and the results of SHARE’s proxy voting are reported to the JBT every year.

#### **B. Shareholder Engagement Program**

In some cases, on the recommendation of SHARE, the JBT will consider advocating change directly to the Board of Directors of a Canadian corporation in which the CEPP holds shares. Engagement may take many forms, from private meetings to proposing shareholder resolutions in regard to specific issues. The JBT will commit resources to shareholder engagement initiatives where it considers that the issue in question relates directly and materially to the reward or risk attached to an investment in the Corporation. All decisions with respect to shareholder engagement are made on a case by case basis.

#### **C. United Nations-supported Principles for Responsible Investment (“UNPRI”)**

The UNPRI were launched in 2006, and have been endorsed by a large number of pension and investment funds all over the world. Signatories to the UNPRI include the Canada Pension Plan Investment Board, the Caisse de dépôt et placement du Québec, the British Columbia Investment Management Corporation and the Ontario Teachers’ Pension Plan. All signatories have agreed to the following six Principles for Responsible Investment (the “Principles”):

- 1. to incorporate environmental, social and governance issues into investment analysis and decision-making processes;
- 2. to be active owners and incorporate environmental, social and governance issues into our ownership policies and practices;
- 3. to seek appropriate disclosure on environmental, social and governance issues by the entities in which we invest;

## **APPENDIX E – RESPONSIBLE INVESTMENT POLICY**

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4. to promote acceptance in the implementation of the Principles within the investment industry;
5. to work together to enhance our effectiveness in implementing the Principles; and
6. to report on our activities and progress towards implementing the Principles.

As a mid-size pension plan, the JBT is not able to devote substantial resources to implementing all of these principles. However, the JBT has taken important steps to encourage its Investment Managers to consider ESG criteria in security selections and to engage directly with publicly held Canadian corporations on particular ESG issues of concern.

### **D. Labour Standards of the International Labour Organization (“ILO”)**

The ILO has adopted a number of conventions regarding a wide range of labour related issues, including those related to freedom of association and collective bargaining. The JBT endorses ILO conventions as minimum labour standards.

The ILO’s labour standards are based on the fundamental premise that fairness and labour relations is essential to labour peace and prosperity, and the JBT endorses this premise as a factor in security selection. The JBT specifically endorses the following fundamental rights, as reflected in Article 2 of the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up:

1. freedom of association and the effective recognition of the right to collective bargaining;
2. the elimination of all forms of forced or compulsory labour;
3. the effective abolition of child labour; and
4. the elimination of discrimination in respect of employment and occupation.