YORK UNIVERSITY PENSION FUND
Ontario PBA Reg. No. 0329763

STATEMENT OF INVESTMENT POLICIES
AND PROCEDURES

September 24, 2014

Approved and adopted by York University Pension Fund Board of Trustees
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Section I – Introduction

1.1 This document constitutes the Statement of Investment Policies and Procedures (“the Policy”) applicable to the assets held in respect of the York University Pension Plan (“the Plan”). The Plan was established by York University (“the University”), to provide retirement benefits for the Members.

1.2 The purpose of this Policy is to formulate those investment policies, guidelines and monitoring procedures that are appropriate to the needs and objectives of the York University Pension Fund (“the Fund”), in a manner conforming to the rules in the Act. With regards to this Policy, references to the term “Act” mean the Pension Benefits Act, Ontario and related regulations.

1.3 This Policy may be changed or modified at any time by action of the York University Pension Fund Board of Trustees (“Board of Trustees”).

1.4 This Policy is augmented by other documents, including the Statement of Investment Principles, and the Terms of Reference & Pension Reporting Policy for the York University Pension Plan and Fund.
Section II – Overview of the Fund

2.1 The purpose of the Fund is to secure the pension benefits of the Plan’s members.

2.2 The Plan is a defined contribution Plan with a defined benefit minimum guarantee. Pension benefits at retirement are determined by the contributions made by the member and on behalf of the member by the University, and the investment performance of the Fund over a member’s working lifetime, with a minimum guaranteed benefit determined by a final average salary formula.

2.3 To the extent that the Fund does well, all Plan members benefit. If the fund performs poorly, then active members are protected through the minimum guarantee formula. Pensions in pay for retired members are adjusted annually by the excess of a moving average of Fund returns over 6%, and are protected through a guarantee that this adjusted pension will never be reduced.

2.4 Contributions into the Fund are made by the Plan members and the University. For the foreseeable future, the Fund is expected to experience net cash outflows greater then inflows. The current Fund investments provide sufficient liquidity to meet this cash requirement.
Section III – Governance and Administration

3.1 In fulfilling its responsibilities, the University acts through its Board of Governors. The Board of Governors may delegate to or otherwise utilize employees of the University where appropriate. The Board of Governors has appointed a Pension Fund Board of Trustees (the “Trustees”) to oversee the Fund. The Trustees have delegated tasks to a Sub Committee on Investment Performance (the “Committee”), to employees of the University, and to various agents that have been retained to assist them in carrying out their duties in respect of the Fund. The University shall retain responsibility and utilize suitable personnel for such activities and monitor the activities undertaken by the selected personnel.

3.2 The University may rely on independent experts for certain aspects of the Fund's operations where expert knowledge is required or where a perceived or actual conflict of interest exists.

3.3 Neither the Trustees, the Committee, nor any employee of the University shall select securities on behalf of the Fund. The Trustees will select Investment Managers (“Managers”), Pooled Funds, Segregated Funds, or short-term deposits for the Fund.

3.4 Particulars of the Manager Mandates, portfolios and performance objectives of the Managers are contained under separate cover.

3.5 To the extent the Fund invests in Pooled Funds, each Manager will provide a copy of the Manager’s own investment policy for their specific Pooled Funds. Amendments to the investment policies of the Pooled Funds, as made from time to time, are incorporated into this Policy.

3.6 The Trustees shall appoint one or more Custodians (the “Custodian”) for all or part of the Fund assets. Any Custodian shall be a trust company registered in Canada or an insurance company authorized to underwrite life insurance in Canada. All investments and assets of the Fund shall be held by a custodian.

3.7 The Fund’s financial statements shall be audited by an independent auditor at least annually.
Section IV – Asset Classes Eligible for Investment

4.1 From time to time, and subject to this Policy, the Fund may invest in any or all of the following asset categories and subcategories of investments either directly or through Pooled Funds or exchange traded funds that hold these investments:

(a) “Equity”
   - Securities publicly traded and listed on recognised Canadian, foreign, and emerging markets stock exchanges including, but not limited to, common shares, convertibles, instalment receipts, depositary receipts, exchangeable shares, share purchase warrants, limited partnership units, income trusts, and preferred shares;
   - Units in real estate investment trusts.

(b) “Fixed Income”
   - Bonds, real return bonds, debentures, notes, or other debt instruments of domestic, and foreign issuers;
   - Asset-backed securities;
   - Mortgage-backed securities;
   - Convertible or other hybrid debt instruments;
   - Term deposits or similar instruments of licensed trust companies and banks.

(c) “Real Assets (Real Estate or Infrastructure)”
   - Open or closed-end pooled funds structured as participating debentures, or shares of corporations or limited partnerships formed to invest in real assets
   - Investments in securities of publicly traded real estate companies and publicly traded real estate investment trusts (“REITs”) or Infrastructure are considered Equity and not Real Assets.

(d) “Cash and Cash Equivalents”
   - Deposits with banks or trust companies with a term to maturity of one year or less;
   - Money market securities with a term to maturity of one year or less;
   - Floating rate notes.

(e) “Derivatives”
   - May be used to hedge (i.e., reduce), fully or partly, any investment risk, including market, interest rate, credit, liquidity, and currency risk; or
   - To replicate direct investments in the underlying assets or groups of assets (e.g., indices) so as to achieve some advantage of lower cost, transactional ease, or market exposure.
Section V – Return Considerations

5.1 The Fund is expected to achieve over moving four to five-year periods a return, at least equal to a composite benchmark, rebalanced monthly, made of passive investments in appropriate market indices according to the Investment Policy Portfolio, plus an added value for active management where applicable.
Section VI – Asset Allocation Guidelines

6.1 Over complete market cycles the allocation is expected to stay within the following ranges:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Investment Policy Portfolio (% of total fund)</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>50%</td>
<td>45%</td>
<td>60%</td>
</tr>
<tr>
<td><strong>Total Equity</strong>¹</td>
<td><strong>50%</strong></td>
<td><strong>45%</strong></td>
<td><strong>60%</strong></td>
</tr>
<tr>
<td>Global Fixed Income²</td>
<td>10%</td>
<td>0%</td>
<td>15%</td>
</tr>
<tr>
<td>Canadian Fixed Income</td>
<td>20%</td>
<td>15%</td>
<td>25%</td>
</tr>
<tr>
<td>Cash</td>
<td>0%</td>
<td>0%</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Total Debt</strong></td>
<td><strong>30%</strong></td>
<td><strong>25%</strong></td>
<td><strong>35%</strong></td>
</tr>
<tr>
<td>Real Estate</td>
<td>10%</td>
<td>0%</td>
<td>15%</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>10%</td>
<td>0%</td>
<td>15%</td>
</tr>
<tr>
<td><strong>Total Real Assets</strong>³</td>
<td><strong>20%</strong></td>
<td><strong>0%</strong></td>
<td><strong>30%</strong></td>
</tr>
</tbody>
</table>

¹ Equity may include Canadian, US, International, and/or Global mandates
² Global Fixed Income funds valued in foreign currency will be 100% hedged to Canadian dollars
³ Real Asset funds valued in foreign currency will be 50% hedged to Canadian dollars

6.2 Cash and Cash Equivalents may also be held from time to time on a short-term, temporary basis or as defensive reserves within the portfolios for each asset class at the discretion of each Manager within the constraints prescribed by that Manager’s mandate, and for the purposes of this section such Cash and Cash Equivalents shall be included in that respective asset class.

6.3 The Fund’s asset mix will be monitored on a frequent basis. Should the asset mix deviate outside the above ranges, corrective action will be taken to bring the asset mix back within the range as soon as practicable. Action may be taken to bring the asset mix closer to the Investment Policy Portfolio at any time. Real Assets are, by their nature, illiquid and may not be able to be rebalanced immediately; however, the objective remains to methodically move the allocations to within the investment policy ranges as soon as practicable.
Section VII – Portfolio Diversification and Constraints

7.1 The Committee shall ensure that the diversification requirements in each Manager’s Mandate or Investment Policy, in combination with the amount of assets allocated to each Manager or Pooled Fund, are consistent with the limits outlined in this Section.

(a) Unless otherwise indicated, all percentages used in this Section shall be calculated by
   (i) using market values at the time, and
   (ii) including any exposure gained through the use of Derivatives.

7.2 The Fund shall comply with all quantitative constraints documented in the Act, and all investments shall be made in accordance with the Code of Ethics and Standards of Practice of the CFA Institute.

7.3 In respect of the Equity portfolios of the Fund:

(a) All holdings shall be listed on a public exchange or convertible or exchangeable into such securities;
(b) Holdings shall be diversified by company, region, industry, currency and country; however, consideration may be given to the relative sizes of economic activity and stock market capitalization.

7.4 In respect of the Fixed Income portfolios of the Fund:

(a) The duration of the Fixed Income allocation shall be maintained between 10 years and 16 years.
(b) The government Fixed Income allocation will be invested in issues of the Government of Canada, one of the provinces of Canada, or a high quality foreign government rated paper.
(c) The corporate Fixed Income allocation will be diversified by company, regions, industry and country: however, consideration may be given to the relative size of the opportunity set in different countries. To ensure liquidity, the corporate Fixed Income allocation will maintain an overall average credit quality of at least “A” with the underlying issues rated by a recognized agency or agencies.

7.5 In respect of the Real Asset portfolios of the Fund:
(a) No direct holdings in real assets are permitted.
(b) The portfolio will be diversified by industry, company, region and country; however, due to the illiquid nature of these asset classes it may take time to build out this diversification.

7.6 In respect of Cash and Cash Equivalents of the Fund or any Pooled Fund, deposits with banks or trust companies must be rated “A” or better or be with institutions that have a long-term rating of “A” or better.

7.7 In respect of Derivatives:

(a) Any use of Derivatives must be in accordance with a policy that has been specifically considered and approved by the Trustees, whether done directly in a Segregated Fund or in a Pooled Fund.

(b) Derivatives may be used only to:
   (i) create an asset mix position within the ranges and among the asset classes set out in this Policy;
   (ii) adjust the duration and/or credit exposure of the Fixed Income portfolio within the ranges set out in this Policy;
   (iii) replicate the investment performance of a recognized capital market index or the impact of changes in interest rates;
   (iv) create an exposure to securities that are otherwise permitted under this Policy;
   (v) manage the currency exposure of foreign assets; or
   (vi) reduce risk as part of a hedging strategy.

(c) Derivatives may not be used to create exposures that would not otherwise be permitted under this Policy or which would be outside the limits under this Policy had the exposure been obtained in the cash markets.

(d) All collateral held in connection with any Derivative shall comply with the requirements of this Policy for Cash and Cash Equivalents.

(e) Any Manager investing in Derivatives must determine the market value of that Manager’s exposures on a daily basis.
Section VIII – Loans and Borrowing

8.1 No part of the Fund assets shall be loaned to any party, with the exception of Security Lending as implemented within a Pooled Fund held by the Fund.

8.2 Money shall not be borrowed on behalf of the Fund and the Fund assets shall not be pledged or otherwise encumbered in respect thereof.

8.3 The Fund’s Managers may use short-selling from time to time.
Section IX – Valuation of Investments

9.1 Investment in marketable securities shall be valued by the Custodian no less frequently than daily at their market value at that time.

9.2 The Fund’s investments in Pooled Funds holding publicly traded securities shall be valued according to the unit values published by the Managers. The Custodian shall be responsible for requesting and recording the unit values on a timely basis.

9.3 If a market valuation of an investment is not readily available, an estimate of fair value shall be supplied by the Manager to the Custodian no less frequently than quarterly. Such fair value may be determined by reference to the most recent expert appraisal or by other means such as discounted cash flow or comparison with similar assets which are publicly traded. In all cases the methodology should be applied consistently over time.
Section X – Conflicts of Interest & Related Parties

10.1 Conflicts of Interest

(a) If a member of the Board of Trustees, Committee, any agent of or advisor to the Fund, or any person employed in the investment of the Fund assets has or acquires any material interest, direct or indirect, in any matter in which the Fund is concerned or may benefit materially from knowledge of, participation in, or by virtue of an investment decision or holding of the Fund, the person involved shall, as soon as practicable, disclose this conflict of interest to the Chair of the Board of Trustees or, if the Chair is involved, disclosure should be made to the Vice-Chair of the Board of Trustees. The Chair or Vice-Chair, as the case may be, shall then immediately advise all members of the Board of Trustees, and the Board of Trustees shall decide upon a course of action. Any such person will thereafter abstain from any decision making with respect to the area of conflict, unless otherwise determined by unanimous decision of the remaining members of the Board of Trustees.

(b) Every disclosure of interest under this Section shall be recorded in the minutes of the relevant Board of Trustees meeting.

(c) 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.

(d) The Board of Trustees shall satisfy itself that an appropriate policy regarding conflicts of interest exists and is followed by any Manager.

10.2 Related Party Transactions

(a) Any transactions with a Related Party as defined by the Act, other than an investment in securities issued by the Related Party must be required for the operation or administration of the Fund and be on terms and conditions that are not less favourable to the Fund than market terms and conditions at the time of the transaction.

(b) Securities issued by Related Parties may only be held if

(i) such securities are acquired at a public exchange and selected by a Manager acting independently on behalf of all that Manager’s discretionary accounts or Pooled Funds having mandates similar to that of the Fund; and
(ii) in the case of Fixed Income or Cash Equivalent securities issued by Related Parties that otherwise meet the requirement of this Policy, for this purpose, such investments will be considered nominal or immaterial if they are held within a Pooled Fund, selected by a Manager acting independently, and constitute in the aggregate less than 5% of the market value of that Pooled Fund.

(c) Managers shall provide their internal policies and guidelines on Conflict of Interest and personal trading.
Section XI – Voting Rights

11.1 With the exception of the Canadian equity portfolios, the responsibility of exercising and directing voting rights acquired through the Fund’s investments shall normally be delegated to the Manager, who shall be required at all times act prudently and in the best interests of the beneficiaries. For the Canadian Equity portfolios, the responsibility to vote proxies is delegated to an independent professional proxy voting service provider (“Voting Agency”).

11.2 The Managers and the Voting Agency shall maintain a record of how the Fund’s voting rights have been exercised and provide a copy of such record annually.

11.3 The Managers shall be required to advise the Committee and provide details in advance of the vote when the Manager has acquired on behalf of himself and his clients securities to which are attached 10% or more of the voting rights of that class of securities.

11.4 The Committee reserves the right to direct, or override, the voting decisions of a Manager or the Voting Agency, if in its view such action is in the best interests of the Fund and its beneficiaries.

11.5 It is recognized, however, that the above constraints and policy on voting rights may not be enforceable to the extent that part of the Fund assets is invested in Pooled Funds. Nonetheless, the Manager of a Pooled Fund shall be required to act prudently and in the interests of such Pooled Fund and its investors, and shall be required to provide a copy of that Pooled Fund’s voting rights policy to the Committee.
Section XII – Monitoring

12.1 The Fund, Managers, and service providers shall be monitored on a regular basis, as defined in the Pension Reporting Policy and the Ongoing Monitoring Principles. These monitoring policies and principles are contained under separate cover.
Section XIII – Policy Review

13.1 This Policy will be reviewed and affirmed at least annually, and whenever a major change is apparent or necessary. Such review may be prompted by:

(a) A change in the benefit design of the Plan;
(b) A revision to the expected long-term trade-off between risk and reward on key asset classes;
(c) A change in the funded status of the Plan, or the demographics of the Plan membership;
(d) A shift in the financial risk tolerance of the University;
(e) Shortcomings of the Policy that emerge in its practical operation;
(f) Changes in liquidity requirements, investment beliefs, available investment products, or governance;
(g) Changes in applicable legislation; or
(h) Any other developments considered relevant by the Trustees or the University.

13.2 Any amendment of this Policy will be filed with the Fund actuary within 60 days of such amendment.