

THE CIVIL SERVICE SUPERANNUATION FUND

**STATEMENT OF INVESTMENT POLICIES
AND PROCEDURES**

JANUARY 1, 2025



Civil Service
Superannuation
Board

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SECTION 1 – PURPOSE

- 1.1 This statement of investment policies and procedures (the “Policy”) applies to The Civil Service Superannuation Fund (the “Fund”) as defined under *The Civil Service Superannuation Act* (the “Plan” or “Act”), which Fund has been established to finance pension benefits payable under the Act, including the Superannuation Adjustment Account established to finance indexing of pension benefits in accordance with the Act. This Policy also applies to money purchase accounts administered by the Civil Service Superannuation Board (the “Board” or the CSSB”) for account participants under section 64 of the Act and the Money Purchase Accounts Regulation, and to the Unfunded Pension Liability Trust Account held and invested by the CSSB for the Government of Manitoba. As such, these money purchase accounts, and the Unfunded Pension Liability Trust Account are subject to the same risk factors as outlined in this Policy for the Fund as a whole. References to the “Fund” or the “Plan” in this Policy shall therefore be deemed to include these money purchase accounts and the Unfunded Pension Liability Trust Account, as the context requires.
- 1.2 The Board has been established under the Act to administer the Act and is comprised of employee and employer representation plus a chairperson appointed by the Government of the Province of Manitoba. The Investment Committee is mandated under the Act to oversee the investment of the Fund’s assets.
- 1.3 This Policy establishes investment principles and guidelines giving particular consideration to the type of pension plan constituted by the Act, its characteristics and its financial obligations, and defines the management structure and monitoring procedures adopted for the ongoing operation of the Fund and investment of the assets of the Fund. The Fund shall be invested in accordance with all laws applicable to the Fund and the Plan, including the Act and *The Pension Benefits Act* (Manitoba) (the “Pension Benefits Act”) as well as the Regulations enacted thereunder (the “Manitoba Pension Regulations”) and incorporated therein by reference. In particular, the investment of the assets of the Fund shall comply in all respects with sections 6, 7 and 7.1 and Schedule III of the *Pension Benefits Standards Regulation, 1985* (Canada), as incorporated by reference in the regulations to the Pension Benefits Act (the “PBSR Investment Regulations”). Any references to applicable statutes or regulations in this Policy shall mean such statutes or regulations as they be amended, restated, or replaced from time to time.
- 1.4 This Policy replaces the statement of investment policies and procedures made effective as of January 1, 2024 and may be changed or modified at any time by the action of the Board. This Policy will be reviewed not less than annually by the Board in accordance with Article 13.
- 1.5 The Board, the Investment Committee, all staff of the investment division of the Board and all investment managers and other agents and advisors providing services in connection with the investment of the assets of the Fund shall accept

and adhere to this Policy. References to a “Manager” in this Policy means either an investment professional on staff with the Investment Division of the Board and/or an external manager appointed by the Board, as the context requires.

- 1.6 A copy of this Policy, and any amendments to it from time to time, shall be delivered within 60 days to the Actuary for the Plan, the custodian, any agent employed by the CSSB who has anything to do with the administration of the Plan or in the administration and investment of the assets of the Fund (including Managers) and any other person or entity entitled to it under the Manitoba Pension Regulations.

SECTION 2 – ADMINISTRATOR

- 2.1 The Board administers the Act and has ultimate responsibility as trustee of the Fund. The Board is responsible for all aspects of the investment of the Fund, including developing and maintaining an investment policy, establishing, and maintaining an investment manager structure, and monitoring investment results.
- 2.2 The authority for investment decisions has been delegated by the Act to the Investment Committee.
- 2.3 The Board may adopt regulations that establish the delegated responsibilities and powers and the corresponding delegates. In the case of delegation regarding any aspects of this Policy, the reference to the Board or Investment Committee herein shall be interpreted as a reference to the appropriate delegate.

SECTION 3 - PLAN OVERVIEW

- 3.1 The Act provides defined benefits to employees of the Manitoba government, crown corporations and government agencies on retirement, death and termination based on a formula related to service and final earnings. The Act also establishes a Superannuation Adjustment Account to fund indexing of benefits in accordance with the Act.
- 3.2 The Fund is financed by contributions required to be made by employees who participate in the Fund and by certain participating employers. Some of the participating employers match a portion of the contributions made by their employees (i.e., the “pre-funding employers”). The remaining employers finance their portion of benefits as the costs of such benefits are incurred (i.e., the “non-pre-funding employers”). Each member is required to contribute to the Fund at levels outlined in the Act. The non-pre-funding employers are required to pay their share of benefits in respect of members who they employed as they become payable. These non-pre-funding employers are not required under the Act to prefund their obligations. Employee contributions to the Fund are established from time to time based on the advice of the Fund’s Actuary. The Fund therefore

- represents the contributions of members, the contributions from pre-funding employers and accumulated investment returns thereon and is the primary mechanism for funding the share of the cost of benefits of employees and pre-funding employers under the Act. Due to the arrangements described in clause 1.1, the Government of Manitoba's Unfunded Pension Liability Trust Account and the money purchase accounts administered by the CSSB under the Act are also co-invested with the Fund in accordance with this Policy.
- 3.3 The long-term cost of providing the defined benefits is directly related to the investment return achieved by the Fund and the anticipated benefit level. Because the level of contributions is influenced by the Fund's investment return, the members have a direct interest in the Fund's investment performance. The Government of Manitoba also has a direct interest in the investment performance of the Unfunded Pension Liability Trust Account invested in accordance with this Policy and participants with money purchase accounts administered by the Board under the Act have a direct interest in the investment performance achieved by the money purchase accounts co-invested with the Fund.
- 3.4 The ongoing funded status of the Plan is affected adversely or favourably by numerous non-investment factors including wage growth, inflation, termination rates, mortality rates and benefit changes. The relationship between the Government of Manitoba and other participating employers (as represented by the Advisory Committee) and their employees (as represented by the Employee Liaison Committee) as it pertains to this Fund can be viewed as a partnership in which both parties have an interest in maximizing investment returns within appropriate risk parameters. This common interest results from participating employers wishing to have an up-to-date retirement plan for their employees and from the employees' natural desire to improve benefits and/or minimize their costs. In the discussions between the Liaison Committee and the Advisory Committee regarding benefit improvements to the Act and/or changes to contribution levels, the financial standing of the Fund as determined by the Actuary provides the objective determinant of any benefit improvements and/or any changes to contribution levels.
- 3.5 In recognition of the Plan's characteristics, an average degree of risk in terms of short-term variability of returns may be tolerated in the Fund's investment in pursuit of longer-term returns for the Plan.
- 3.6 The Board and the Investment Committee have a fiduciary responsibility to ensure the Fund's assets are invested to obtain the highest possible return commensurate with acceptable levels of risk. As such, non-financial considerations concerning investment opportunities cannot preclude this fiduciary obligation to seek the highest risk adjusted return. The CSSB is of the opinion that socially responsible corporate behaviour (encompassing environmental, social and governance policies and procedures) in their operations may reduce the risk to long-term corporate profitability and investment performance.

SECTION 4 – PERMITTED CATEGORIES OF INVESTMENTS

- 4.1 Subject to other provisions of this Policy, the Fund may be invested in any or all of the following asset categories and subcategories of investments. These investments may be obligations or securities of Canadian or non-Canadian entities.
- (a) common stocks, convertible debentures, share purchase warrants, depository receipts of Canadian or non-Canadian corporations or preferred securities and writing covered call options;
 - (b) bonds, debentures, mortgages, notes or other debt instruments (including asset-backed securities, mortgage-backed securities, and hybrid debt instruments) of governments, government agencies or corporations;
 - (c) private placements, whether debt or equity, of governments, government agencies or corporations;
 - (d) securities, whether debt or equity, of public or private companies;
 - (e) units in real estate investment trusts and income trusts;
 - (f) mortgage loans;
 - (g) investments or participation rights in venture capital;
 - (h) real estate;
 - (i) natural resource properties or participation rights;
 - (j) guaranteed investment contracts or equivalent of insurance companies, trust companies, banks or other eligible issuers, or funds which invest primarily in such instruments;
 - (k) annuities, deposit administration contracts or other similar instruments regulated by the Insurance Companies Act (Canada) or comparable provincial law, as amended from time to time;
 - (l) term deposits or similar instruments issued or unconditionally guaranteed by trust companies or banks;
 - (m) cash, or money securities issued by governments, government agencies or corporations;
 - (n) mutual, pooled or segregated funds or other investment funds or participating debentures or shares of corporations and limited partnerships which may invest in any or all of the above instruments or assets subject to

the pooled or investment funds maintaining their eligibility under the *Income Tax Act* (Canada), the Pension Benefits Act and the Manitoba Pension Regulations;

- (o) securities of a real estate corporation, resource corporation or investment corporation (all as defined in the PBSR Investment Regulations) subject to compliance with this Policy and applicable law;
 - (p) limited partnerships which invest in the debt or equity of private companies or private placements in the debt or equity of governments, government entities or corporations.
 - (q) collateralized loan obligations (“CLOs”) through Limited Partnerships or Separately Managed Account (“SMA”)
- 4.2 Derivative instruments (i.e. financial instruments that derive their value by contractual relationships to other specific investments) may be employed to bridge the Fund’s investment exposure, replicate the investment performance of a recognized market index on a non-leveraged basis or for other purposes deemed appropriate by the Investment Committee provided:
- (a) the underlying investments would be permissible under this Policy
 - (b) their use will not create a net leveraged position for the Fund
 - (c) the derivative strategy has been specifically approved by the Investment Committee.

Further, the portion of the Fund’s investment exposures that is related to, or affected in any way by, derivative instruments shall not exceed 20% of the Fund at current market value.

Notwithstanding the foregoing, the use of forward currency contracts (with financial institutions that satisfy the credit standards of this Policy with respect to cash equivalents or fixed income investments) or the purchase of futures or options contracts (that are regularly traded on a recognized public exchange where market prices are readily available) in order to manage the currency risk inherent in investing a portion of the Fund outside of Canada is explicitly permitted.

Further in conjunction with the use of foreign currency contracts, the use of Repurchase Agreements (“Repo”) is permitted. A Repo is a transaction whereby CSSB transfers the custody of a bond holding to a counterparty bank in exchange for cash with the explicit agreement to repurchase the bond at the same price from the counterparty at an agreed upon expiry date plus interest. Repos allow for a flexible, low-cost, and safe way to manage cash for short periods of time and for

cost minimization purposes. The cash raised from a Repo can only be invested in short-term investments as defined by Section 6.7.

Repurchase Agreements (Repos) and Reverse Repurchase Agreements (Reverse Repos) shall, in total, be limited to \$150 million, not have a term longer than 95 days per agreement and the maximum amount allowed per dealer is \$50 million.

- 4.3 The Fund may not invest in commodities or derivative instruments related thereto, or in collectibles.
- 4.4 No investment shall be made which is not permitted by the Act, the Pension Benefits Act, and the Manitoba Pension Regulations. In addition, all investments must comply with the PBSR 1985 Investment Regulations, as incorporated by reference in the Manitoba Pension Regulations.
- 4.5 The Fund shall not, directly or indirectly, be invested in securities of a listed person as defined by the United Nations Suppression of Terrorism Regulations or loaned to or used for the benefit of such a person.
- 4.6 Without limitation to clause 4.4, the Fund must comply with the “10% Rule” and the “30% Rule” under the PBSR Investment Regulations:
 - (a) not more than 10% of the market value of the Fund as a whole (measured at the time of investment) will be invested, directly or indirectly, in any one investee or in any two or more associated or affiliated investees (whether as equity and/or debt securities), except where expressly permitted by the PBSR Investment Regulations (the “10% Rule”); and
 - (b) the Board will not invest in or hold in the Fund securities of an investee to which are attached more than 30% of the votes that may be cast to elect directors of that investee, with the exception of securities in real estate corporations, resource corporations or investment corporations the ownership of which by the Board complies with the PBSR Investment Regulations (the “30% Rule”).

SECTION 5 – ASSET ALLOCATION & EXPECTED RISK AND RETURN

- 5.1 Based upon the characteristics of the Plan described in Section 3, the Board has determined, on the recommendation of the Investment Committee, that the policy allocation and ranges as set out below best achieve the objective of the Fund to secure the pension benefits and to earn a reasonable return on investments. Over the long-term, the allocation should approximate the “normal” percentages (the Policy Mix). The actual asset mix shall be maintained within the ranges set out in clause 5.6.
- 5.2 The Policy Mix was adopted by the Board on the recommendation of the Investment Committee after evaluating alternative mixes relative to the primary

objective of the Fund, other financial criteria and practicality of implementation given prevailing market conditions. Factors taken into account included the expected range of capital market returns in the future and the risk tolerance of the Board.

- 5.3 The investment policy requires a long-term focus to ensure future pension liabilities can be met.

The Plan's investment policy has the following objectives:

- A. To ensure the Plan has sufficient assets to meet future pension obligations.
- B. To optimise the risk/return relationship among Plan investments.
- C. To generate sufficient cash flow to meet pension payments.

- 5.4 The primary objective is to achieve a return over and above the following asset mix benchmark:

Asset Class	Representative Index	Weight
Cash & Cash Equivalents	FTSE/TMX 91 Day Cdn T-Bill Index	1%
Fixed Income	FTSE/TMX Universe Bond Index	12.7%
	FTSE/TMX Long Term Bond Index	6.3%
Canadian Equities	90% S&P/TSX Composite/ 10% BML Low Volatility Canadian Equity ETF	9.5%
U.S. Equities	55% S&P 500 Total Return/ 25% iShares Core US S&P 500 ETF (IVV)/ 10% Russell Mid-Cap Index/ 10% S&P 500 Low Volatility High Dividend	17.5%
International Equities	MSCI EAFE +EM Net	23%
Real Estate	IPD Canadian Universe: Excluding Super Regional Malls & Grade A Offices	11.5%
Private Equity	MSI All World Net +2%	3%
Private Credit	S&P Morningstar/LSTA US Leveraged Loan Index 100 + 0.50%	7.5%
Infrastructure	5 Year Break Even Inflation Rate US +4%	8%
		----- 100%

A secondary objective for the Fund is to achieve a long-term rate of return of the increase in the Consumer Price Index for Canada plus 4% per annum. These objectives should be viewed as an average annual compound rate to be sought over one or more complete capital market cycles i.e., over a 4-to-10-year period.

- 5.5 The risk inherent in the investment strategy over a market cycle is three-fold. There is a risk that the market returns will not be in line with expectations. Another risk is that the expected added value of active management over passive management will not be realized over the time period prescribed in each Manager’s mandate. There is also the risk of annual volatility in returns which means that in any one year the actual return may be very different from the expected return or even negative.

5.6 **Policy Allocation and ranges:**

Component Asset Classes	Percentage of Fund at Market Value Normal Allocation	Range	
		Minimum	Maximum
Fixed Income			
Bonds (1)	19%	15%	30%
Cash & Cash Equivalents (2)	<u>1%</u>	<u>0%</u>	<u>5%</u>
Total Fixed Income	20%	15%	35%
Equities - Public			
Canadian Equities (3)	9.5%	5%	15%
U.S. Equities (4)	17.5%	12%	22%
International Equities (4)	<u>23%</u>	<u>18%</u>	<u>28%</u>
Total Equities – Public	50%	35%	65%
Alternatives			
Real Estate (5)	11.5%	7%	17%
Private Equity (6)	3%	0%	8%
Private Credit (7)	7.5%	0%	10%
Infrastructure (8)	<u>8%</u>	<u>0%</u>	<u>12%</u>
Total Alternatives	30%	10%	35%

- (1) Debt securities of Canadian or non-Canadian issuers including mortgages and Real Return bonds with over one-year term to maturity eligible for investment by pension funds as Canadian content.
 - (2) Cash or liquid fixed-income investments with term to maturity of one year or less and variable rate securities.
 - (3) Common shares, convertible debentures, preferred shares, income trusts, miscellaneous equities or similar instruments issued by Canadian corporations.
 - (4) Common shares, convertible debentures, preferred shares, or similar instruments of non-Canadian corporations.
 - (5) Primarily income-producing real estate properties in Canada.
 - (6), other resource properties and non-listed equity investments
 - (7) Non-listed issues of debt such as corporates, real estate financing, infrastructure financing, lease financing
 - (8) Diversified portfolio of infrastructure assets that provide essential services, as such, these assets also generally exhibit relatively inelastic demand and are able to generate sustainable, long-term cash flows with high operating margins
- 5.7 Cash and money market instruments may be held from time to time as short-term investment decisions or as defensive reserves within the portfolios for each asset class at the discretion of the Managers within the constraints prescribed by their mandates.

SECTION 6 – DIVERSIFICATION

- 6.1 In addition to ensuring the Fund's compliance with applicable law, including the 10% Rule and 30% Rule referenced in clause 4.6 of this Policy, as well as its adherence to the permitted categories of investments in Section 4, the risk of price fluctuations within asset classes, and the uncertainty of future economic and investment scenarios, dictate that prudent diversification be undertaken through investment in asset classes whose expected return correlations provide overall risk reduction for the Fund.
- 6.2 Within each asset class, the Chief Investment Officer shall ensure that a prudent level of diversification is maintained, subject to the following limits based on market value.
- 6.3 Investment opportunities in Manitoba, Canada will be given preference over those in other Provinces or countries, all other factors being equal.
- 6.4 **Conventional Bonds**

In respect of the conventional bond content of the Fund:

- (a) All bond investments will be investment grade (BBB- or higher) at the time of purchase.
- (b) Purchase of non-investment grade (less than BBB-) requires Investment Committee approval.
- (c) Quality standards for bond investments shall be as follows:

Quality Standards for Conventional Bond Investments (Total All Issuers)	
Debt Rating	Maximum %
A- or higher	No Limit
Less than A-	20%

All debt ratings refer to the ratings of Standard & Poor’s, Dominion Bond Rating Service or Moody’s unless otherwise indicated, however, equivalent ratings by another major credit rating agency can be used. In the case of split rated securities, the average credit rating will be used as defined under rule 4.4 in the FTSE TMX Canada Universe Rating Methodology. Investments shall be diversified appropriately among industry groups.

If a bond holding is downgraded to below investment grade (lower than BBB-), it will be reported to the Investment Committee and reported as out of compliance. If the bond holding is not sold once it is downgraded to below investment grade, the Investment Committee must be presented with a plan for its continued holding or eventual disposition.

- (d) Not more than 10% of the Bond Portfolio shall be invested in any single issuer that is rated A- or higher.
- (e) Not more than 5% of the Bond Portfolio shall be invested in any single issuer that is rated below A-.
- (f) Securities in the Bond Portfolio denominated in currencies other than the Canadian dollar, whether swapped or unswapped, shall be limited to 10% of the Bond Portfolio.
- (g) The maximum investment in Mortgage-Backed/Asset-Backed (MBS/ABS) securities or those secured by real estate shall be 20% of the Bond Portfolio. MBS securities shall be classified as Government of

Canada exposure if the mortgages underlying the security are insured by an agency of the Government of Canada or if the security is guaranteed by the Government of Canada or one of its agencies. ABS securities shall be classified as corporates.

- (h) All securities in the Bond Portfolio shall be readily marketable.
- (i) The allowable modified duration range of the Bond Portfolio is the benchmark modified duration plus or minus 3.5 years. As of December 31, 2024, the benchmark modified duration was 9.73 years.

6.5 **Mortgages**

In respect of the mortgage content of the Fund:

- (a) Investment through a broadly diversified pool of mortgages in a limited partnership or fund.
- (b) Index linked mortgages.

6.6 **Real Return Bonds**

Real return bonds are debt instruments whose coupon interest and/or principal are adjusted for inflation. Given the limited range of coupons and current small float in Canada that restricts their liquidity; real return bonds shall not comprise more than 20% of the market value of the fixed income portion of the Fund.

6.7 **Short-Term Investments**

- (a) Any short-term portion of the Fund or of an equity, real estate or debt portfolio shall be invested in readily marketable securities with a term to maturity of no more than one-year, variable rate securities or held in cash.
- (b) All short-term investments shall be rated at least A-2 or better by S&P and shall be selected from a list of borrowers approved by the Investment Committee up to the maximum amounts approved for each borrower.

6.8 **Equities**

In respect of the total equity content of the Fund (being comprised of Canadian equities, U.S. equities and international equities) and including any cash reserves:

- (a) Not more than 10% of the outstanding shares (i.e., total capitalization) shall be invested in the common shares, preferred shares, or other equity issues of any one corporation.

- (b) Canadian equity investments shall be diversified appropriately among industry groups.
- (c) Non-Canadian holdings shall be broadly diversified by region, country and industry and shall exclude non-traded investments.
- (d) No single holding shall represent more than 10% of any single Manager's portfolio of holdings managed on behalf of the Fund.

6.9 Private Equity

In respect of the Private Equity content of the Fund:

- (a) Investments in private equity assets can be made in a diversified fund, limited partnership or by investing directly in assets by co-investing with partners.
- (b) Excluding an investment in a fund or limited partnership, no single investment in a private equity asset will represent more than 1% of the market value of the Fund measured at the time of the investment in such private equity asset unless approved by the Investment Committee.
- (c) Equity Investments in a single fund or limited partnership shall be limited to no more than 25% of Private Equity assets once the program has reached a mature state.
- (d) Co-investments outside of developed market countries require Investment Committee approval

6.10 Private Credit

In respect of the Private Credit content of the Fund:

- (a) Well diversified portfolio mainly constituted by managers of limited partnerships with potential for co-investment in direct loans. Credit investments in non-listed private corporations (most typically mid-market), real estate financing, lease financing.
- (b) Typically, shorter term investments with the tenor of loans typically at 3 years and fund life of 7 years.
- (c) Excluding an investment in a Fund or Limited Partnership, no single investment in a private credit loan will represent more than 1% of the total

fund measured at the time of the investment unless approved by the Investment Committee.

- (d) Collateralized loan obligations (“CLOs”) portfolio not to exceed 10% of private credit target allocation.
- (e) All funds and direct co-investments, which are priced in US Dollars, Pound Sterling, Euros and Australian Dollars, will be hedged back to Canadian dollars, following the quarter with which the investment was made.
- (f) Co-investments are restricted to those denominated in CAD, USD, AUD, EUR, GBP.
- (g) Co-investments outside of developed market countries require Investment Committee approval.

6.11 **Real Estate**

In respect of the Real Estate content of the Fund, excluding mortgage investments:

- (a) Properties shall be broadly diversified by property type and location with preference given to larger urban centres.
- (b) A development project means a real estate investment that comprises the acquisition of land for the purpose of constructing one or more building(s) and improvements on the land or re-developing or re-purposing the land through substantial renovation of existing building(s) and improvements and/or new construction. The construction and/or renovations of the building(s) and improvements are intended to create further value to the real estate investment. An investment is no longer deemed to be a development project when it has been certified by the project architect as being substantially complete and 75% leased and or sold.
- (c) For development projects where the fund owns a controlling interest then a fixed price general contract or fixed price subcontracts with a fixed project management contract for no less than 70% of project hard and soft costs with a reputable general contractor project manager and sub-contractors shall be utilized. All hard and soft construction costs shall be reviewed by a quantity surveyor (QS) prior to construction commencement for budget adequacy and construction draws. To the extent that a project exceeds a pre-approved budget and contingency prior to 50 % completion then an information item will be presented to the CIO. In the event that a contractor invokes a force majeure clause then the portfolio manager will inform the Investment Committee of the changes.

- (d) In the event that the fund acquires lands to be held for future development or redevelopment which results in the successful repurposing, rezoning or densification of the property, an independent third-party appraisal shall be performed to determine market value.
- (e) For development projects where the fund owns a controlling interest, assets shall remain at cost until such time as they have achieved substantial completion and occupancy (75% leased or sold). Following substantial completion and substantial occupancy an independent third-party appraisal shall be conducted.
- (f) In the event that a development project has not achieved substantial occupancy (75% leased or sold) within one year of the project achieving substantial completion as determined by the Fund's QS, then a third-party appraisal shall be secured to determine its market value and the development project shall no longer be included in the calculation of development projects within the real estate portfolio.

For properties within funds, corporations, limited partnerships, or indirectly held wherein the fund holds a minority interest, the portfolio manager shall be permitted to use internally prepared values by the fund's Asset Manager for the properties on an annual basis.

- (g) Cross collateralization of existing property held within the portfolio, guarantees, or subscription agreements for follow on equity of the legal entities that hold title to the properties within the portfolio, may be permitted as required by lenders for property financings for the purchase of property, redevelopment of new or existing property or development of property within the real estate portfolio.
- (h) Investments in a single property shall be limited to 1% of the market value of total plan assets. In the event that a property exceeds this limit then it shall be regularized by way of information item presented to the Investment Committee.
- (i) Investments shall be limited to holdings that are held through limited liability corporations or bare trustees and wherever possible shall be non-recourse to the Plan's real estate holding company.
- (j) Financings or loans for properties held within the real estate portfolio may be utilized and at all times will be non-recourse to the Plan. The principal amount of all such financings within the portfolio shall not exceed 55% loan to value. Any requirements for collateral charges with lenders doing business with the fund shall not exceed 100% of the loan. The principal amount of any financings required and to be secured by a single property

shall not exceed the lesser of 75% of the cost or appraised value of such property at the time that the mortgage is granted.

- (k) Best efforts will be made to secure loan guarantees on a several basis. In the event that several guarantees are not permitted then the portfolio manager shall be entitled to enter into joint and several guarantees with joint venture partners who have similar financial strength to the fund. If the joint venture partner is deemed to be of a lesser financial strength, then the portfolio manager shall be permitted to enter into a joint and several guarantees provided that the joint venture agreement allows the fund to dilute the joint venture partner(s) in the event of default.
- (l) Development projects shall not exceed 25% of the market value of the real estate portfolio as a whole.
- (m) Non-Canadian holdings shall not exceed 50% of the market value of the real estate portfolio as a whole.
- (n) A qualified independent appraiser shall appraise each income producing property at least every 3 years.
- (o) Whenever possible best efforts shall be made to undertake a replacement reserve study once every ten years for all properties that are greater than ten years of age.
- (p) The Investment Manager shall engage in third party management services for the economic and efficient operation of the Assets and use all reasonable commercial efforts to obtain a high standard of operating performance.
- (q) The Investment Manager shall, have regard to prevailing real estate market conditions, dispose of real estate suitable for sale or other disposition.
- (r) All funds and direct co-investments, which are priced in US dollars will be hedged back to Canadian dollars, following the quarter with which the investment was made.

6.12 **Infrastructure**

In respect of the total infrastructure content of the Fund:

- (a) Infrastructure assets are illiquid and long-term in nature and generate stable and significant cash flows (6%-12% estimated yields).
- (b) Infrastructure investing generally involves direct investments in inflation-sensitive assets that are monopolistic or have significant barriers to entry,

have inelastic demand for services and usually have pricing and/or service levels that may be regulated by a government regulatory body.

- (c) Infrastructure will not comprise more than 12% of the market value of the Fund measured at the time of any investment in an Infrastructure asset,
 - (d) Investments in infrastructure assets can be made in a diversified fund or by investing directly in assets by co-investing with partners.
 - (e) Excluding an investment in a fund or limited partnership, no single investment in an infrastructure asset will represent more than 1% of the market value of the Fund measured at the time of the investment in such infrastructure asset unless approved by the Investment Committee.
 - (f) All funds and direct co-investments, which are priced in US Dollars, Pound Sterling, Euros and Australian Dollars will be hedged back to Canadian dollars, following the quarter with which the investment was made.
 - (g) Co-investments are restricted to those denominated in CAD, USD, AUD, EUR, GBP
 - (h) Co-investments outside of developed market countries require Investment Committee approval
- 6.13 Investments may be made in the above asset classes either directly, or by holding units of pooled, segregated, or mutual funds, or other investment funds, investing in one or more of the asset classes. The Board shall monitor, or cause to be monitored, the contents of such pooled or other investment funds in which the Fund holds an investment for their degree of compliance with the policies and principles in this Policy and may make or cause to be made such changes in their choice of pooled or other investment funds as are deemed appropriate to meet the objectives of this Policy.

SECTION 7 – VALUATION OF INVESTMENTS

All investments are valued as per the Civil Service Superannuation Fund Investment Asset Valuation Policy dated December 13, 2024. The following is an excerpt from that Policy:

I. Fixed Income Investments

- a. Short-term investments are valued at cost, which approximates market and short-term equivalents are valued at market by independent sources.
- b. Bonds and debentures shall be valued at market by independent sources.
- c. Index-linked mortgages are valued at amortized cost, which approximates fair value.

II. Equity Investments

- a. Publicly traded equities shall be recorded at market prices as listed on the appropriate recognized stock exchange.
- b. Pooled equity funds are valued at market by the external manager based on the fair value of the underlying assets.
- c. Stock splits shall be regarded as a purchase (or sale in the case of a reverse split) of additional shares at no cost.
- d. Stock dividends shall be regarded as a purchase of additional shares at a cost as reported by the custodian and shall increase the number of shares held in the investment.
- e. Investments in convertible securities, stock warrants, stock options and rights shall be classified as the underlying type of security.

III. Other Investments

- a. Real estate investments are valued at the most recent appraisals or external manager's valuations of the underlying properties.
- b. Private Equity, Infrastructure, and Private Credit investments through Funds and Limited Partnerships are based on values established by the external managers or at cost where no valuation has been prepared. All Funds and Limited Partnerships and the corresponding valuations are audited annually. All co-investment valuations follow the valuations of the Fund or Limited Partnership that the co-investment resides with.

IV. Foreign Currency Translation

- a. The fair value of investments denominated in foreign currencies shall be translated into Canadian dollars at the exchange rate in effect at year end and the resulting change shall be included in the change in fair value of investments (unrealized gains or losses).

- b. Revenue and expense transactions shall be translated into Canadian dollars at the exchange rate prevailing on the dates of the transactions (except for any foreign currency translation related to the acquisition of investments) and are included in investment income or change in fair value of investments (realized gains or losses) or administrative expenses at the translated amounts.

SECTION 8 – INVESTMENT MANAGER STRUCTURE

- 8.1 Competent professional internal or external investment Manager(s) shall be appointed by the Board, on the recommendation of the Investment Committee, when satisfied as to their suitability and competence to act as agents for the Fund. The Investment Committee, with the concurrence of the Board, shall also make any Manager changes from time to time as are deemed in the best interest of the Fund and its beneficiaries. To be considered for appointment, an external investment Manager should have a suitable investment approach, demonstrated financial stability, low turnover of personnel, capacity to undertake the account, performance record of at least two years and relevant experience and expertise.
- 8.2 Assets of the Fund shall be allocated by the Investment Committee among the Managers in a structure considered appropriate to implement the overall Fund asset allocation in accordance with this Policy. With each Manager (including any internal manager on staff with the Board), the Investment Committee shall approve a set of guidelines (the “Mandate”) within which the Manager is expected to operate, including discretion limits, diversification and quality standards, and performance expectations, and the Manager will be required to agree to such Mandate. The Investment Committee shall ensure that the diversification requirements in each Manager’s Mandate, in combination with the amount of assets allocated to each Manager, are consistent with the Policy in respect of the Fund as a whole. As such, to the extent that there is a conflict between a Manager’s Mandate and this Policy, the Manager shall be expected to adhere to the Mandate.

SECTION 9 – CONFLICTS OF INTEREST AND RELATED PARTY TRANSACTIONS

- 9.1 A conflict of interest, whether actual or perceived, is defined for the purposes of this Policy as any event in which a participating employer, the Board, an employee of the participating employer, any Manager or delegate, the custodian, or any other related party of the Board may benefit materially from knowledge of, participation in, or by virtue of, an investment decision or holding of the Fund or in respect of any aspect of the administration of the Plan by the Board. The Board adopts the definition of “related party” in the PBSR Investment Regulations.

- 9.2 Should a conflict of interest arise, the party in the actual or perceived conflict, or any person who becomes aware of a conflict-of-interest situation, shall immediately disclose the conflict to the Board, as the administrator of the Plan. Any such party will thereafter abstain from decision-making with respect to the area of conflict, and a written record of the conflict shall be maintained by the Board.
- 9.3 No part of the Fund shall be loaned to or invested in the securities of: (a) any employee of the Board or of a participating employer; (b) any Board member; (c), any legal person owned or controlled by any of the aforementioned; (d) any other related party of the Board; or (e) any person that ceased to be a related party of the Board less than 12 months prior to the proposed loan or investment. This prohibition does not apply to an investment: (i) in an investment fund or segregated fund subject to compliance with the PBSR Investment Regulations in regard to such investment; (ii) in an unallocated general fund of a person authorized to carry on a life insurance business in Canada; (iii) in securities issued or fully guaranteed by the Government of Canada, the government of any province of Canada, or an agency of either one of them; (iv) in a fund composed of mortgage-backed securities that are fully guaranteed by the Government of Canada, the government of any province of Canada, or an agency of either one of them; (v) in a fund that replicates the composition of a widely recognized index of a broad class of securities traded at a marketplace; or (vi) that involves the purchase of a contract or agreement in respect of which the return is based on the performance of a widely recognized index of a broad class of securities traded at a marketplace.
- 9.4 The Board will also not enter into any transaction related to the administration of the Plan or the Fund with any related party unless: (i) it is under terms and conditions that are not less favourable to the Plan than market terms and conditions, and it does not involve the making of loans to, or investments in, the related party; or (ii) the value of the transaction (or of all transactions if there is more than one) with such related party is immaterial to the Plan.
- 9.5 The Board has adopted a Professional Conduct Policy dated January 2004 regarding conflicts of interest and related party transactions. The Professional Conduct Policy, as well as this Policy, shall be applicable to all of the Board's staff (including in the Investment Division) as well as all external Managers appointed by the Investment Committee. In addition, the Code of Ethics and Standards of Professional Conduct adopted by the CFA Institute shall be expected to apply to all professional staff of the Investment Division and all such external Managers.
- 9.6 The Board has adopted a 2004 Conflict of Interest and Standard of Conduct Guidelines for Members of the Investment Committee ("Guidelines"). Each member of the Investment Committee is bound by the Guidelines.

SECTION 10 – MONITORING

- 10.1 The Investment Committee shall meet at least quarterly to:
- (a) review the assets and transactions and new cash flow of the Fund, including a review of: (i) exposures to any single corporation, investee or investment; (ii) exposures to groups of associated corporations, investees or investments; (iii) equity holdings; (iv) bond holdings by rating; and (iv) investments in default;
 - (b) review the current economic outlook and investment plans of the Managers, including to review for compliance with Mandates;
 - (c) review the current asset mix of the Fund and take any action necessary to ensure compliance with this Policy; and
 - (d) receive and consider statistics on the investment performance of the Fund.
- 10.2 The Investment Committee shall monitor the performance of each Manager (both on staff and external to the Board). Such monitoring shall include, but not be limited to, meetings approximately once every two years and ongoing evaluation of performance relative to standards appropriate to the Manager's Mandate. The Chief Investment Officer shall meet with each Manager on a more frequent basis and provide an evaluation to the Investment Committee. The Investment Committee shall also monitor the stability of each Manager, turnover of personnel, consistency of style, discipline in portfolio construction, and record of service.
- 10.3 Items requiring specific Investment Committee approvals are as follows:
- (a) money market list
 - (b) all new mortgages, renewals, and repayments greater than 10% of the value of the property
 - (c) Private (non-public) investments, except when the size of the investment is less than \$50 million (USD), in which case, prior approval will not be required. To clarify, the CIO can approve investments, at cost, up to a cumulative \$50 million USD per Limited Partnership or co-investment. A summary of all these additional capital funding's, however, is required to be submitted to the Investment Committee as information.

SECTION 11 – LOANS AND BORROWING

- 11.1 No part of the Fund shall be loaned to any individual or related party unless the loan complies with Section 9 of this Policy.
- 11.2 The Chief Investment Officer and external Managers responsible for investment decisions shall assess the solvency of borrowers and adequacy of collateral for loans by reference to published credit ratings and by their own analysis. The analysis should include all material factors relevant to assess the ability of the borrower to repay the loan, to discharge interest obligations on the specified payment dates and to survive periods of financial adversity. New investments may not be made in debt obligations of an issuer in default of such obligations, or in arrears of principal or interest.
- 11.3 The Board shall not borrow money, and the Board shall not pledge or otherwise encumber any of the Fund's assets, except: (i) to the extent that temporary overdrafts occur in the normal course of day-to-day portfolio management, (ii) mortgages placed on real estate investments (see clause 6.10(f)), (iii) the CIO and Internal Managers may use Repurchase Agreements, as it directly relates to cash management decisions related to a currency risk program, subject to constraints outlined and defined in Clause 4.2 and (iv) in the context of an approved securities lending program (see clause 11.4).
- 11.4 The Fund's custodian can loan Plan securities in accordance with a securities lending program and agreements with the custodian approved by the Board and with relevant legislation. The Board will periodically assess the securities lending program and the revenues received by the Plan to determine if the securities lending program should continue.

SECTION 12 – VOTING RIGHTS

- 12.1 The responsibility for exercising and directing voting rights acquired through the Fund's investments shall normally be delegated to the Chief Investment Officer and external Managers, who shall at all-time act prudently and in the best interest of the Fund and its beneficiaries. The Board adopted a Proxy Voting Policy and Guidelines in December/2013 to provide direction as to how it approaches voting and proxies for companies in which it is invested. These Guidelines are reviewed periodically by the Investment Committee. Each external Manager shall provide a copy of its proxy voting policy to the Board.
- 12.2 The Chief Investment Officer shall advise the Investment Committee and the Board and provide details when:
- (a) the vote will be exercised contrary to the recommendation of the management of the company that issued the stock

- (b) the vote is related to anti-takeover charter and bylaw amendments or shareholder rights
 - (c) the vote is related to a contentious and/or controversial issue
 - (d) the voting rights have been sub-delegated by the Chief Investment Officer or external Manager.
- 12.3 The Board reserves the right, on the recommendation of the Investment Committee, to direct, or override, the voting decisions if in its view such action is in the best interests of the Fund.
- 12.4 It is recognized, however, that the above constraints and policy on voting rights are not enforceable to the extent that the Fund is invested in pooled funds. Nevertheless, a pooled fund manager is expected to advise the Board if a breach of policy is likely to occur or has occurred.

SECTION 13 – POLICY AND MANAGER STRUCTURE REVIEW

- 13.1 This Policy shall be reviewed by the Board at least annually, but otherwise whenever a change is deemed by the Board to be necessary or advisable. Such review and reasons for a review shall take into account:
- (a) a material change in the benefits provided by the Fund
 - (b) significant revisions to the expected long-term trade-off between risk and reward on key asset classes, normally dependent upon basic economic/political/social factors
 - (c) a major change in the actuarial calculation basis, the liability distributions, or the cash flows
 - (d) a significant shift in the financial risk tolerance of participating employers
 - (e) shortcomings of the Policy that emerge in its practical application
 - (f) changes in applicable legislation.
- 13.2 The structure of the Investment Division and of the Board’s external Managers shall be reviewed by the Board at least annually, but otherwise whenever a major change is necessary. Such review and reasons for a review shall take into account:
- (a) changes to this Policy, in particular the Policy Mix
 - (b) changes to key personnel within the Investment Division or amongst external Managers, or other material changes that impact the group of

internal and external investment professionals providing services to or for the Fund

- (c) a significant shift in the risk tolerance of particular employers
- (d) changes to the cost-benefit trade-off of the structure
- (e) new opportunities in the marketplace
- (f) shortcomings of the structure that emerge in its practical application, including due to changing mandates of external Managers or failure to adhere to approved Mandates
- (g) changes in applicable legislation.

This Policy has been approved by the Civil Service Superannuation Board on the recommendation of the Investment Committee.