



**Statement of Investment Policies and Procedures
for the
Colleges of Applied Arts and Technology (CAAT) Pension Plan**

November 26, 2024

Table of Contents

Introduction

- Purpose of the Policy..... 1
- Allocation of Responsibilities 1

Investment Principles 2

Asset Mix 3

Rate of Return Expectations 4

Liquidity of Investments 4

Permitted Investments 5

Valuation of Investments not Regularly Traded 6

Securities Lending 7

Delegation of Voting Rights 7

Related Party Transactions 7

Conflicts of Interest 7

Policy Review 7

Introduction

Purpose of the Policy

The primary goal of the Colleges of Applied Arts and Technology Pension Plan (Plan) is to provide Plan members and their beneficiaries (Members) with the stipulated level of retirement income at an appropriate cost. The prudent and effective management of the Plan's assets (the Fund) has a direct impact on the achievement of this goal.

The Board of Trustees (Board) is the legal administrator of the Plan for the purposes of the Pension Benefits Act, with the ultimate responsibility for the management of the Fund. The Board has established this Statement of Investment Policies and Procedures (SIPP) to govern the management of the Fund.

The Plan is a defined benefit pension plan. The liabilities of the Plan are independent of the performance of the Fund, but Fund investment returns are needed to finance benefit payments under the Plan. The Fund is being managed on the assumption that the Plan will continue as a going concern indefinitely, and that the Plan's Funding Policy and other rules are those existing as of the date of the SIPP.

The Fund shall be invested in a prudent and effective manner and in accordance with relevant legislation.

Allocation of Responsibilities

The Board is the legal administrator of the Plan and has the ultimate responsibility for the management of the Fund. Key policy decisions for the Fund are made by the Governing Fiduciaries, which include the Board and the Investment Committee.

The Chief Investment Officer:

- provides recommendations for consideration and decision by the Governing Fiduciaries,
- is responsible for implementing those decisions; and
- has been delegated some decision-making authority by the Governing Fiduciaries.

Plan staff and external investment managers make day-to-day investment decisions within the policies established in this SIPP and the specific guidelines in their mandates.

The Governing Fiduciaries have established a monitoring system for the Fund's assets to ensure that investment holdings and activities are consistent with this SIPP, other Plan policies, and applicable legislation.

Investment Principles

The following are the principles that guide the investment of the Fund.

Asset Mismatch

To meet the goals of secure retirement income at an appropriate cost with low volatility in conditional benefits or DBprime contribution rates, the investment policies that govern the Fund should account for the behaviour and sensitivities of the Plan's liabilities.

Close matching of assets to the liabilities may cause DBprime contribution rates to go above an affordable level, or future DBplus benefit accrual rates to be reduced. A level of asset/liability mismatch risk is needed to generate long-term returns sufficient to ensure Plan sustainability and deliver value to Plan members. For example, the Fund will assume equity market risk and liquidity risk to generate sufficient long-term returns.

The Board's tolerance for asset mismatch risk will be influenced by the priorities defined in the Funding Policy.

Time Horizon

While the Plan's liabilities are long-term in nature, the requirement to file actuarial valuation results with the regulator at least every three years means the investment horizon of the Fund has to consider both the relatively short term and the long term. The Plan's Funding Policy (which prioritizes building sizable reserves against adverse events) and the ability to smooth actuarial asset values and work within a range of acceptable actuarial valuation assumptions help to extend the investment horizon of the Fund. As such, a material portion of the Fund can be invested in illiquid assets, where additional returns are available due to an illiquidity premium.

Diversification

Strategies that access different sources of return and/or increase portfolio diversification will be pursued in the expectation of enhanced long-term risk-adjusted returns. This includes the diversification of asset classes and risks, as well as the diversification of sources of added value.

Currency Hedging

Foreign currency movements relative to the Canadian dollar are not expected to have a significant effect on long-term Fund returns. Over shorter periods, however, currency movements may cause some volatility in returns. Hedging may be employed for certain non-Canadian currency exposures.

Active / Passive Management

Active management is employed for those strategies where there is an expectation of adding value relative to a benchmark over the long-term, net of expenses.

Passive investment management may be used in certain asset classes where the prospects for adding value are diminished, based on market efficiency or limited opportunity, or to manage the level of active risk exposures within asset classes.

Leverage

Leverage is defined as the use of non-cash backed derivative instruments or borrowed capital to increase the expected rate of return received from investment activities, to manage liquidity, or to manage risk. Leverage may be used in defined and controlled circumstances.

Responsible Investing

The Board believes that Responsible Investing is an extension of the Plan's fiduciary duty to members. Incorporating environmental, social, and governance (ESG) factors into investment decisions is critical to evaluating opportunities and addressing financial and other risks to the Plan over the long term. The Plan's Responsible Investing Policy describes the Plan's approach to integrating ESG considerations into investment decision-making and ongoing portfolio management.

Asset Mix

The Fund will be invested in a broad range of asset classes.

The target weights and allocation ranges for the Fund are indicated in the table below. Also shown are the performance benchmarks used to measure the performance of the Fund relative to the policy portfolio.

Asset Category/Class	Minimum	Policy Target	Maximum	Benchmark
<i>Interest Rate Sensitive:</i>				
Nominal Bonds		12%		FTSE Mid-Term Government Bond
Total Interest Rate Sensitive	8%	12%	20%	
<i>Inflation Sensitive:</i>				
Inflation-Linked Bonds		5%		Custom Benchmark ¹
Real Assets		25%		CPI + 4%
Commodities		3%		S&P GSCI
Total Inflation Sensitive	27%	33%	45%	
<i>Return Enhancing:</i>				
Public Equity		30%		MSCI ACWI
Private Equity		17%		MSCI ACWI + 3%
Credit		8%		1/3 Bloomberg Global High Yield Index, 1/3 Bloomberg Aggregate Corporate Index, 1/3 Morningstar LSTA Leveraged Loan Index
Total Return Enhancing	35%	55%	65%	
TOTAL		100%		

¹ The benchmark index for Inflation-Linked Bonds shall be a combination of the FTSE Real Return Bond Index (for Canadian bonds), and the Bloomberg U.S Treasury Inflation-Linked Bond Index (for U.S. bonds). The weights of each index in the benchmark shall reflect the actual weights of Canadian and U.S. bonds in the Fund.

Rate of Return Expectations

The Fund is expected to, at minimum, earn a long-term rate of return sufficient to maintain the Plan's long-term sustainability, based on current DBprime contribution rates and DBplus benefit rates. The Fund's asset mix is derived through detailed asset-liability modelling studies conducted at least every three years.

With respect to active management, the Fund's target value added above the policy benchmark portfolio is 70 basis points, net of costs, over rolling five-year periods.

Liquidity of Investments

Fund liquidity is prudently managed to ensure that the Plan meets its future obligations. A sufficient proportion of Fund investments will be comprised of assets that can be readily liquidated to meet obligations.

Permitted Investments

- Cash:** Cash, demand deposits, treasury bills, commercial paper and bankers' acceptances.
- Nominal Bonds:** Debt issued by governments or government agencies of a developed country, including derivatives that mimic such instruments.
- Inflation-linked Bonds:** Inflation linked securities where the underlying principal or return is indexed to inflation.
- Credit:** Debt that is not government/nominal bonds. Credit investments include corporate bonds (investment grade and high yield), emerging market debt, loans, structured credit (asset-backed securities, mortgage-backed securities, collateralized loan obligations), direct lending, asset-backed lending, investments with credit attributes (royalties, receivables, insurance, litigation finance) and credit derivatives.
- Public Equity:** Common shares, instalment receipts, GDRs, ADRs, rights, preferred shares, special warrants, warrants, securities convertible into common shares and private investments in public equities. Investments in income trusts including publicly traded limited partnerships are permitted only if the jurisdiction of domicile has implemented legislation limiting unit holders' liability. Instruments listed above that are not listed on a recognized stock exchange must become so within three months of purchase.
- Private Equity:** Investments in non-public equity securities held through co-investments and limited partnerships pursuing strategies including buyouts, venture capital, distressed opportunities and special situations.
- Infrastructure:** Direct or indirect investments in the debt or equity securities of infrastructure entities in sectors including transportation, energy, utilities, telecommunications and social infrastructure.
- Real Estate:** Direct or indirect investments in the debt or equity securities of real property assets including industrial, office, retail, multi-residential, agriculture and timberland properties.
- Commodities:** Investment in instruments whose underlying value is based on commodities or commodity indexes in energy, materials, or agricultural sectors.
- Derivatives:** Futures, forwards, options, swaps, and bond repurchase agreements. Underlying instruments can be stocks, bonds, commodities, and currencies.

Units of pooled funds, including exchange traded funds, whose holdings comprise the above permitted investments, are permitted.

Valuation of Investments not Regularly Traded

The valuation of physical and derivative securities held by the Fund that have an active market will be based on their quoted market values.

Holdings of over-the-counter derivatives are maintained at fair value using pricing models generally used by market participants. Valuation is provided by established pricing vendors; valuation is determined using models requiring the use of inputs and assumptions based on observable market data.

Investments in the public market asset classes that are not regularly traded will be valued at least annually as of December 31st in co-operation with each Investment Manager. In making such valuations, subject to materiality, considerations will be given to bid and ask prices, previous transaction prices, discounted cash flow, the valuations of other comparable publicly traded investments, and other valuation techniques that are judged relevant to the specific situation.

In certain cases, and with prior approval, the Custodian will be provided with a valuation for untraded investments by the Investment Manager.

For untraded investments for which the Custodian has not been provided with a valuation, the Investment Manager shall report such occurrence to the Plan within 30 days after such time as the investment became untraded.

Private Market Investments

The fair value of private equity, private credit, infrastructure, and real estate investments held through limited partnerships or other pooled fund structures is determined by the General Partner or pooled fund manager using accepted industry valuation techniques. Depending on the investment, these may include consideration of previous transaction prices, discounted cash flow, the valuations of other comparable publicly traded investments, and other valuation techniques that are judged relevant to the specific situation. The limited partnerships or pooled funds will be audited annually by an independent third party. In arriving at a December 31st valuation, to ensure a fair valuation at year-end, the Plan may adjust the last value officially provided by the General Partner or pooled fund manager based on consultation with the General Partner or pooled fund manager or based on other relevant information gathered and analyzed by the Plan.

The fair value of private equity, private credit, infrastructure, and real estate assets held as co-investments will be determined based on the value determined by the lead investor using accepted industry valuation techniques based on the same considerations and audit requirements that apply to investments held through limited partnerships or pooled fund structures. In arriving at a December 31st valuation, to ensure a fair valuation at year-end, the Plan may adjust the last value officially provided by the lead investor based on consultation with the lead investor or based on other relevant information gathered and analyzed by the Plan.

Securities Lending

To generate additional revenue for the Fund, the Board may enter into securities loan agreements providing the loaned investments are secured by cash or readily marketable investments. The amount of collateral taken for securities should reflect best practices in local markets. All collateral securities will be updated daily (marked to market daily). Collateral provided with respect to any such securities loan agreements must have free and clear title and may not be subject to any right or set-off.

Any securities lending program will be administered by the Plan's Custodian, with whom revenues from the program will be shared.

Delegation of Voting Rights

The Board has delegated the responsibility of exercising all voting rights acquired through the Fund's investments in separately managed accounts to a third-party professional proxy voting entity. This entity will exercise acquired voting rights based upon policy guidelines provided by the Plan. For fund investments, the fund manager retains responsibility for proxy voting.

Related Party Transactions

The Plan may enter into a related party transaction for the operation or administration of the Plan if:

- a) The terms and conditions of the transaction 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
- b) The value of the transaction is nominal or the transaction is immaterial to the Plan. Two or more transactions with the same related party shall be considered as a single transaction. The materiality threshold for related party investment transactions is 0.5% of total Fund assets.

Transactions between wholly owned subsidiaries of the Plan are excluded from these requirements.

Any related party transactions must be fully disclosed to the Investment Committee.

Conflicts of Interest

The Board of Trustees, including the Investment Committee will adhere to the terms of the Board of Trustees Code of Conduct. Investment managers hired to invest the Fund will comply with the CFA Institute Code of Ethics and Standards of Professional Conduct, or equivalent local regulation or firm-specific standards. Plan staff and service providers who are working for or on behalf of the Plan and who may be considered to represent or be associated with the Plan will adhere to the terms of the Plan Staff Code of Conduct.

Policy Review

The Board shall review the SIPP on an annual basis.