



Governance and Priorities Committee Report

For the Meeting of September 3, 2015

To: Governance and Priorities Committee **Date:** August 28, 2015

From: Susanne Thompson, Director of Finance

Subject: Socially Responsible Investments and Pension Funds

RECOMMENDATION

That Council receive this report for information.

EXECUTIVE SUMMARY

This report responds to Council's request for information regarding options to align City of Victoria investment portfolio with the socially responsible investing objective of the City's investment policy, particularly with regard to fossil fuel divestment.

The City is legislated by the Community Charter regarding types of allowable investments, which is incorporated into the City's Investment Policy along with other financial criteria such as preservation of capital (diversification and credit rating), liquidity, rate of return, and social responsibility. The City does not directly invest in fossil fuels. The majority of City of Victoria investments are held in BC Credit Unions and MFA Money Market investments. In both of these situations the City's funds are pooled and it is therefore not possible to determine where City funds are used. MFA investment policy is governed by their Board of Directors which consists of Regional District Directors selected from local government elected officials.

Through discussions with BC credit unions and brokers, staff have determined that currently in Canada options for fossil fuel free investments are limited to mutual funds and other equities, which the City is prohibited from investing in under the Community Charter.

City employees participate in the Municipal Pension Plan (MPP), however the City has no oversight over the investments of this organization. These investments are managed by BC Investment Management Corporation (BCIMC), which is legislated to use a strategy which results in the best financial interests of the plan members.

Due to restrictions imposed by legislated guidelines for investments, opportunities to divest from fossil fuels are currently limited. Options for Council's consideration include requesting that the MFA Board amend its investment policy; seeking amendments to the Community Charter to increase the options for municipal investments; seeking legislative change for pension plan investing; amending the City's policy to reduce diversification requirements; and directing staff to continue working with financial institutions

and brokers to identify investment opportunities that align with the City's policy objective of socially responsible investment.

PURPOSE

The purpose of this report is to respond to Council's request to provide information regarding the option to align City of Victoria investment portfolio with objective number 5 of the City's investment policy (Socially Responsible Investing) particularly with regard to fossil fuel divestment.

BACKGROUND

Council Direction

At the July 16, 2015 Governance and Priorities Committee meeting, the following motion was passed:
Refer this item to the next Strategic Plan Quarterly Update on August 20, 2015 and at that time request a report from staff on the implications of adding this Action Item to the strategic Plan:

Report on the current distribution of the City of Victoria's investment portfolio and pension funds, and consistency with objective 5 of the Investment Policy (Socially Responsible Investing), and in particular, to report on the percentage and dollar amount of investments currently held in fossil fuel-related companies, and provide advice on options for increasing Socially Responsible Investing.

Legislation

Municipalities are bound by the Community Charter regulations for investing municipal funds:

Section 183 Investment of Municipal Funds

183 Money held by a municipality that is not immediately required may only be invested or reinvested in one or more of the following: (a) securities of the Municipal Finance Authority;
(b) pooled investment funds under section 16 of the Municipal Finance Authority Act;
(c) securities of Canada or of a province;
(d) securities guaranteed for principal and interest by Canada or by a province;
(e) securities of a municipality, regional district or greater board;
(f) investments guaranteed by a chartered bank;
(g) deposits in a savings institution, or non-equity or membership shares of a credit union; (h) other investments specifically authorized under this or another Act.

Policy

The City's investment policy (Appendix A) follows the Community Charter regulations and also addresses the following additional financial criteria: ○ Preservation of Capital (diversification and credit rating) ○ Liquidity ○ Rate of Return
○ Socially Responsible Investing

A competitive process is used for each investment purchase which requires obtaining rates from a minimum of three sources. The City does not restrict who is able to submit rates in this process.

The City's policy restricts the amount of investments held with each issuer to meet the diversification criteria intended to safeguard the City assets by limiting the City's exposure to risk should any one issuer be exposed to increased risk.

Item 5 of the policy describes Socially Responsible Investing as selecting investments in a portfolio based on social and/or environmental criteria with the objective of excluding companies that have a negative social and/or environmental impact, and selecting companies that make positive contributions to society and/or the environment.

Summary of Investments

In recent years the greatest yields have been found in BC Credit Unions, which by their nature being owned by their members, have social and community values incorporated in their business model.

Of the City's total investment portfolio at August 28, 2015 (Appendix B) 46% of investments were held in Credit Unions; 40% of funds were invested in MFA Money Market Fund; with the remaining 14% of investments held by Canadian Schedule I or II banks. Investments held in Credit Unions are near the maximum limit of total investment portfolio share as identified in the policy.

With the short-term investments (GIC and bond) at various financial institutions and MFA Money Market Fund, the City's funds are pooled and it is not possible to determine where the City's funds are used. From staff discussions with BC Credit Unions, there is not yet a short term investment instrument available that meets the allowable investment criteria as legislated by the Community Charter that would allow the City to direct where the investment funds are to be used.

ISSUES & ANALYSIS

1. Limited Availability of Fossil Fuel Free Investments

The issue of Socially Responsible Investments has been developing for some time now resulting in a number of financial institutions and investment organizations that have developed mission statements and mandates in this area. Fossil Fuel divestment is however an emerging issue and the investment market has not yet developed instruments in this area that are compliant with legislation governing municipal investments.

2. MFA Investments

The investment policy and strategy for MFA is governed by the Board of Trustees who are Directors of Regional Districts of BC.

Table 1 displays the fossil fuel investments included in the MFA Money Market, as per the MFA Investment Funds Report at December 31, 2014 (Appendix C), which represents 13% of the total MFA Money Market Investment Portfolio.

Table 1. MFA Money Market Fossil Fuel Investments

MFA Money Market Fossil Fuel Investments		Market Value at
From Schedule 1 of 2014 Pooled Investments Report (Appendix C)		December 31, 2014
Oil and Gas:	Husky	36,490,655
Pipelines:	Enbridge Group	36,179,751
	GAZ Metro	6,993,903
	Interpipeline	32,085,922
	TransCanada Pipeline	8,922,122
Power Generation:	Nova Scotia Power	35,901,711
		156,574,064
Total Money Market Investment Portfolio		1,236,105,448
% of Money Market invested in Fossil Fuel		13%

Staff at MFA have advised that there will be a meeting in September 2015 of the Advisory Committee for pooled funds to discuss the pros and cons of fossil fuel divestment.

3. Municipal Pension Plan

Municipal employee pension is held by the Municipal Pension Plan (MPP), whose investments are managed by the BC Investment Management Corp (BCIMC). The Board of Trustees for the MPP set the investment policy (Appendix D) and framework within which BCIMC operates. The Pension Benefits Standards Act sets out the responsibility of the MPP and BCIMC to use an investment strategy which results in the best financial interests of plan members.

OPTIONS & IMPACTS

1. Work with Investment Service Providers Under Existing Legislation

Continue to work with brokers and financial institutions to identify opportunities for socially responsible investment. The interest in this area is growing and although no current opportunities exist, providers are looking at ways for developing options.

2. Legislative Change

- a. Seek Community Charter legislation change to allow for investments in equities and mutual funds as there are currently SRI options available in these financial instruments. These instruments have a greater risk exposure, therefore this option has the potential to negatively impact the municipalities' ability to safeguard assets.
- b. Request that the MFA Board amend its investment policy. This may impact the rate of return on the pooled investment funds.
- c. Request that the Province amend BCIMC legislation for pension plan investing. This may impact the rate of return on the pooled investment funds.

3. City Policy Change

Change the policy to focus on investments in credit unions as they generally have social and community values incorporated in their business models.

- a. Invest only in credit unions. The policy would require the removal of both the per-issuer restriction and the limit of total portfolio share held in credit unions. The impact would be an increase in risk resulting from the reduction of diversification controls in place to safeguard the City's assets.
- b. Increase the portfolio proportion for credit unions, but leave the per issuer limit. This puts more of the portfolio in one sector of investment service provider, reducing the diversification controls and resulting in increased risk, however it would retain the diversification among individual issuers in that sector and therefore is less risky than option

2015 – 2018 Strategic Plan

The request for information by Council is aligned with the City's Strategic Plan (Objective #12) to Plan for Emergencies Including Climate Change Short and Long-Term.

Impacts to 2015 – 2018 Financial Plan

A policy change may impact the City's investment income earned, and if diversification is reduced, the risk exposure to the City is increased.

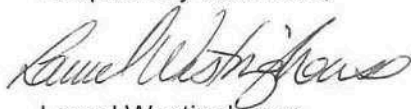
Official Community Plan Consistency Statement

No impact to Official Community Plan.

CONCLUSIONS

Under current legislation there are limited options for the City to divest from fossil fuels since the City does not directly control the pooled investment opportunities available. The brokers and financial institutions that the City deals with are aware of the City's policy and continue to look for opportunities that fit within current legislation and policy.


Respectfully submitted,


Laurel Westinghouse
Manager – Accounting


Susanne Thompson
Director of Finance

Report accepted and recommended by the City Manager: _____

Date: _____


August 27, 2015

List of Attachments (if relevant)

Appendix A - City of Victoria Investment Policy
Appendix B - City of Victoria Investment Summary at August 28, 2015
Appendix C - MFA Investment Funds Report 2014
Appendix D - MPP Statement of Investment Policies and Procedures

Appendix A

City of Victoria Investment Policy	
Prepared by: Department of Finance	Date of issue: June 2006 Reissued: April 2014

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POLICY

It is the policy of the City of Victoria to invest public funds in a prudent manner within prescribed limits which will provide the highest investment returns while meeting cash flow demands and conforming to all statutory requirements.

SCOPE

The City of Victoria investment policy applies to all investment activities involving the financial assets of the City. These funds are accounted for in the City's Annual Report and include:

- i. General Operating Funds
- ii. Capital Funds
- iii. Reserve Funds
- iv. Trust Funds

STANDARDS

Investments shall be made with judgment and care, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

Investment officers exercising due diligence and acting in accordance with this investment policy shall be relieved of personal responsibility for credit risk or market price changes of a certain investment, provided that appropriate action is taken to control adverse developments and that such developments are reported in a timely manner.

OBJECTIVES

1. Adherence to Statutory Requirements

Investment guidelines for municipal funds are provided in Section 183 of the Community Charter. This section states that "a municipality may invest money that is not immediately required in one or more of the following:

- a. Securities of the Municipal Finance Authority
- b. Pooled investment funds under section 16 of the Municipal Finance Authority Act;
- c. Securities of Canada or of a province
- d. Securities guaranteed for principal and interest by Canada or by a province;
- e. Securities of a municipality, regional district or greater board;
- f. Investments guaranteed by a chartered bank;
- g. Deposits in a savings institution, or non-equity or membership shares of a credit union
- h. Other investments specifically authorized under this or another act."

2. Preservation of Capital

The prime investment objective of the investment program is to ensure the safety of principal. Therefore, investments shall be selected in a manner that seeks to ensure the preservation of capital. To attain this objective, the City will mitigate credit risk and interest rate risk as follows:

- a. **Credit Risk:** The city will minimize credit risk, the risk of loss due to the failure of the security issue or backer, by:
 - Limiting investments to securities of high credit worthiness
 - Diversifying the investment portfolio to minimize potential losses
- b. **Interest Rate Risk:** The city will minimize interest rate risk, the risk that market values or yields will fall, by:
 - Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities prior to maturity
 - Investing operating funds primarily in shorter-term investments

3. Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating and reasonably anticipated cash flow requirements. This will be accomplished by selecting maturity dates that correspond to cash flow requirements and by choosing investments where the principal amount is easily redeemable and that have an active secondary market.

4. Rate of Return

The rate of return of the investment portfolio shall be maximized without compromising any of the other objectives.

5. Socially Responsible Investing

Where possible, socially responsible investing (SRI) criteria will be applied to the selection of investments. SRI strategies and criteria are established by the Social Investment Organization (SIO), a national non-profit association for the socially responsible investment industry in Canada. SRI screening involves selecting investments in a portfolio based on social and/or environmental criteria with the objective of excluding companies that have a negative social and/or environmental impact, and selecting companies that make positive contributions to society and/or the environment. The City's investment program shall invest in SRI products in consideration of the adherence to statutory requirements.

GUARDIANSHIP

1. Ethics and Conflicts of Interest

Employees involved in the investment process shall refrain from personal business activity that could impair their decisions or affect the performance of the investment portfolio. Any material interest or position in a financial institution or investment that could affect the performance of the investment portfolio shall be disclosed.

2. Responsibility & Delegation of Authority

The Accounting Manager is responsible for the control, administration and management of the City's investment program in accordance with this investment policy. The Accounting Manager has the authority to delegate authority to manage and implement the City's investment program. The designate shall act in accordance within the established procedures and internal controls of this policy. No person engaging investment transactions are exempt from the terms of this policy.

3. Custody

All investments shall be held in the name of the City by approved institutions. Confirmation of investments will be maintained in the appropriate investment file at City Hall, 1 Centennial Square, Victoria, BC.

INVESTMENT PARAMETERS

1. Approved Investments

Only investments that are issued or guaranteed by a financial institution that belongs to a classification of securities detailed in Section 183 of the Community Charter will be approved. In Appendix B, column one sets out these approved classifications.

2. Credit Ratings

To avoid investing in securities that have higher credit risks, each investment must achieve a credit quality rating in its respective security class that is considered high grade prime credit. Columns two and three in Appendix B set out the minimum acceptable credit rating of each class as determined by the major ratings agencies.

3. Diversification

Each approved classification of security will be limited to ensure diversification by avoiding over-concentration in a specific classification. Column 4 sets out the maximum allowable exposure for each classification of security as a percentage of the total portfolio. The portfolio share of each class of investment will vary depending on the prevailing and forecasted interest rates. At specific times, the portfolio parameters may be exceeded as a result of timing issues. Column 5 sets out the maximum allowable exposure for each specific issuer or guarantor in a security class. Where a specific limit per issuer is not specified, the City shall diversify its investments to the best of its ability.

4. Competitive Selection

The purchase and sale of securities shall be transacted through a competitive process with financial institutions.

5. Maturities

To the extent possible, the City will attempt to match its investments with anticipated cash flow needs. Unless matched to a specific cash flow need, the City shall limit its short-term investments to securities maturing within 1 year from the date of purchase.

6. Investing Limits

Long-term investments should not exceed 75% of prior year's total reserves. As well, investments should not be made in securities maturing more than ten years from the date of purchase.

PERFORMANCE STANDARDS

The investment portfolio will be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and cash flow requirements. The investment portfolio will be managed in accordance with the parameters specified within this policy. The rate given by the City's bank for cash balances will be used as the measure of performance.

INVESTMENT PROCEDURES

The following procedures have been established to ensure that the implementation of the investment program is consistent with this policy.

1. Authorization

The authorization process is accomplished by completing an "Investment Purchase Authorization" form (Appendix C). All transactions to purchase investments require an authorizing signature from the Accounting Manager, Assistant Director, or Director of Finance. In their absence, authorization can be obtained by any Finance departmental manager. In addition to the appropriate signature, the form requires the following documentation:

- A minimum of three quotations obtained for each short-term transaction
- A reasonable number of quotations obtained for each long-term transaction, considering the existing market conditions, prior to placement
- If the lowest priced security (highest yield) was not selected for purchase, an explanation describing the rationale shall be included.

2. Reporting

The investment portfolio is to be reported monthly to the Director of Finance or their delegate to provide a clear picture of the status of the current investment portfolio and recent investment activities.

The short-term investment report will include the following:

- A listing of current holdings by investment type held at the end of the reporting period by cost & market value;
- The investment term in days and rate of returns of matured investments;
- Description, date and amount of each security transaction during the month;
- Percentage of the total portfolio which each type of investment class represents;
- Institutional holdings of all investments

The long-term investment report will include the following:

- A listing of current holdings by investment type held at the end of the reporting period by cost & market value;
- A detailed listing of bonds held, including investment cost, market value, interest realized YTD and maturity date
- Description, date and amount of each security transaction during the month

Appendix A - Definitions

City: The City of Victoria

Banker's Acceptance: this instrument is essentially a commercial draft drawn by a borrower for payment on a specified date and accepted, or guaranteed by the borrower's bank. These instruments are actively and openly traded in the money markets and as a result are extremely liquid.

Commercial Paper: an unsecured short-term promissory note issued by corporations, with maturities ranging from 2 to 270 days.

Credit Quality: the measurement of the financial strength of a debt issuer. Credit quality ratings are provided by nationally recognized ratings agencies such as the Dominion Bond Rating Service (DBRS), Moody's Investors Service (Moody's) and Standard and Poor's (S&P).

Diversification: a process of investing assets among a variety of security types by sector, maturity and quality.

Guaranteed Investment Certificates (GIC's): A term deposit with a specific term to maturity issued by a bank. They are often negotiable and issued at face value and pay interest at maturity.

Liquidity: an asset that can be converted easily and quickly into cash.

Long Term Investments: investments with a maturity greater than one year. These include bonds, bond funds, intermediate funds, and guaranteed investment certificates (GICs) over 12 months.

Market Risk: the risk that the value of a security will rise or fall as a result of changes in market conditions.

Market Value: the current market price of a security.

Safekeeping: a service to customers rendered by banks for a fee whereby securities and valuables are held in the bank's vaults for protection.

Schedule I Bank: a domestic bank authorized under the *Bank Act* to accept deposits.

Schedule II Bank: a foreign bank subsidiary authorized under the *Bank Act* to accept deposits. These subsidiaries are controlled by eligible foreign institutions and may be wholly owned by non-residents.

Short Term Investments: investments that mature within 12 months and whose principal amount may be redeemed immediately. These include money market funds, banker's acceptances, GICs, etc. Investments with a maturity of greater than one year, but that are expected to be called by the issuer within one year may also be included in this category.

Yield: the rate of annual income return on an investment, expressed as a percentage.

Appendix B – Approved Investments, Diversifications & Ratings

Approved Classifications of Security:	Minimum Rating: Short-term debt & Commercial paper	Minimum Rating: Long-term debt & Bonds	Maximum Portfolio share (%)	Institutional Limit per Issuer (% of total portfolio)
Pooled investments or securities of the Municipal Finance Authority	None required	None required	100%	N/A
The Government of Canada	None required	None required	50%	N/A
Provincial governments of Canada	R-1 (mid) or equiv.	AA or equiv.	50%	10% per province
Securities of a municipality, regional district or greater board	R-1 (mid) or equiv.	AA or equiv.	25%	10%
Schedule I Banks (Appendix D)	R-1 (mid) or equiv.	AA or equiv.	50%	10%
Fully-insured Canadian Credit Unions ^{2,3}	None required	None required	50%	10%

¹ Registered under federal or provincial legislation such as the Trust and Loan Companies Act (federal) or the Financial Institutions Act (BC).

² Registered under the Credit Unions and Caisses Populaires Act


³ 100% Guaranteed by provincial deposit insurance programs such as The Credit Union Deposit Insurance Corporation <http://www.cudicbc.ca/> or The Credit Union Deposit Guarantee Corporation <http://www.cudgc.ab.ca/>. As of January 2014, deposits held in BC, AB, SK and MB credit unions are 100% guaranteed.

Rating Agencies (DBRS, Moody's, S&P) provide ratings on institutional credit quality as follows:

Commercial Paper & Short-Term Debt ¹ :	Bond & Long-Term Debt:	Credit Quality
Symbol:	Symbol:	
R-1(high), P-1, A-1+	AAA, Aaa, AAA	Prime
R-1(mid), P-1, A-1+	AA, Aa2, AA	High Grade
R-1(low), P-1, A-1	A, A2, A	Upper Medium Grade
R-2(high), P-2, A-2	BBB, Baa2, BBB	Lower Medium Grade

¹ Caution must be exercised when using Moody's short-term rating (P-1) as this rating covers the top 3 rating levels (Prime, High Grade, and Upper Medium Grade). If relying upon this short-term rating, and other agency ratings are not available, then the long-term equivalent rating for that issuer should also be assessed.

Appendix C – Investment Purchase Authorization

 CITY OF VICTORIA		Investment purchase authorization Form		
QUOTES	#1	#2	#3	
Brokerage House				
Investment Type				
Institution Issuer / Guarantor				
Current Institution Holdings				
Rating and Rating Agency				
Quantity (\$)				
Term in Days				
Annual Yield (%)				
Date: _____				
Investment Officer Signature: _____				
Authorization Signature: _____				

Appendix D – Chartered Banks by Schedule

Schedule I Banks:

Refer to the Canadian Bankers Association (CBA) current listing of Schedule I Banks:

<http://www.cba.ca/en/banks-in-canada/61-banks-operating-in-canada/110-schedule-i-banks>

Or <http://www.cba.ca/en>

Appendix B

Appendix B

City of Victoria Investment Summary August 28, 2015

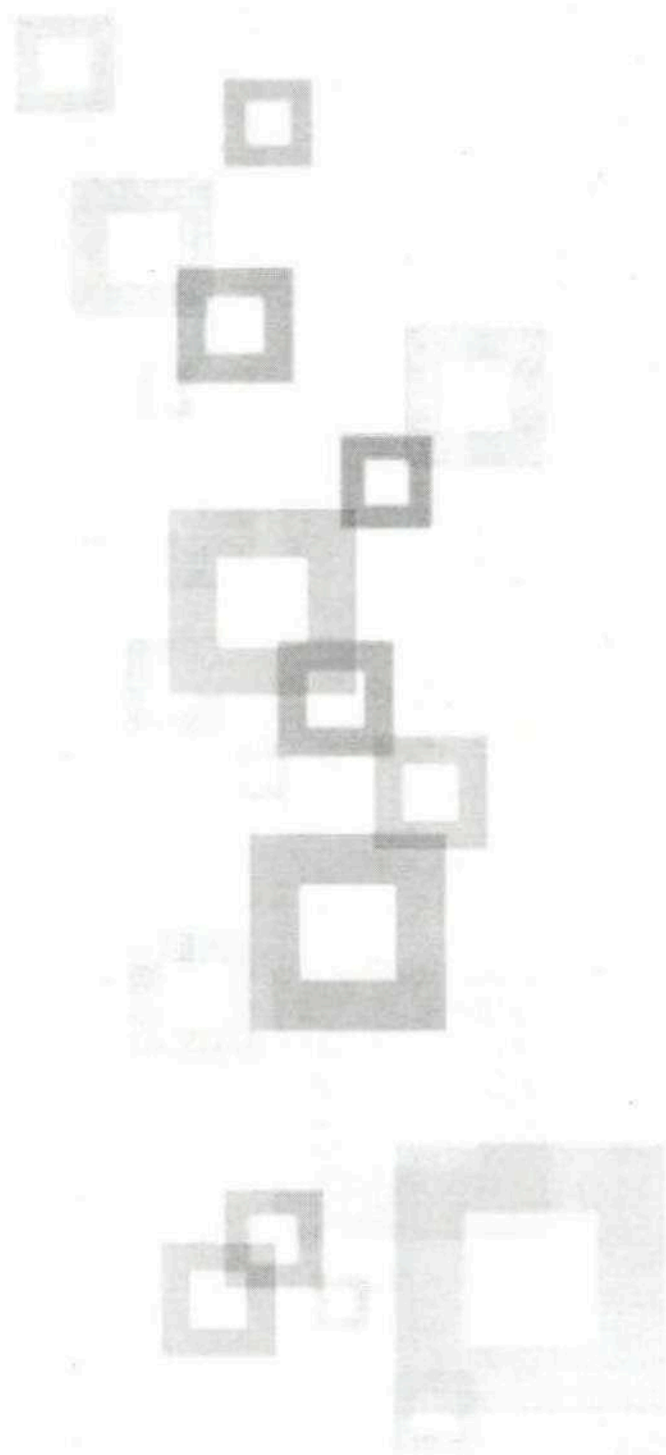
	Maturity	Rate %	Cost \$
Short-Term Investments			
Bank of Montreal - GIC	1/22/2016	1.76%	5,900,000
Bank of Montreal - Bond	7/17/2016	1.80%	6,000,000
Blue Shore Financial Credit Union - GIC	12/24/2015	2.05%	3,000,000
Blue Shore Financial Credit Union - GIC	2/5/2016	1.90%	3,000,000
Blue Shore Financial Credit Union - GIC	2/25/2016	1.85%	3,000,000
Blue Shore Financial Credit Union - GIC	4/21/2016	1.85%	3,000,000
Coast Capital Savings Credit Union - GIC	12/8/2015	1.94%	3,000,000
Coast Capital Savings Credit Union - GIC	3/30/2016	1.85%	6,000,000
Coast Capital Savings Credit Union - GIC	4/25/2016	1.85%	3,000,000
First Calgary Credit Union - GIC	2/4/2016	1.70%	2,000,000
First Calgary Credit Union - GIC	6/29/2016	1.80%	3,000,000
First West Credit Union - GIC	9/8/2015	2.00%	3,000,000
First West Credit Union - GIC	12/8/2015	1.90%	3,000,000
First West Credit Union - GIC	7/13/2016	1.75%	3,000,000
Island Savings Credit Union - GIC	11/5/2015	2.00%	3,000,000
Manulife Bank - GIC	7/22/2016	1.45%	3,000,000
Prospera Credit Union - GIC	9/14/2015	1.90%	3,000,000
Prospera Credit Union - GIC	10/21/2015	1.90%	3,000,000
Prospera Credit Union - GIC	4/28/2016	1.63%	3,000,000
Prospera Credit Union - GIC	7/15/2016	1.65%	3,000,000
Royal Bank of Canada - GIC	7/13/2016	1.63%	2,000,000
Tangerine Bank - GIC	1/21/2016	1.86%	6,000,000
Van City Credit Union - GIC	5/25/2016	1.73%	5,800,000
Van City Credit Union - GIC	6/16/2016	1.63%	3,000,000
Van City Credit Union - GIC	11/11/2015	1.25%	3,000,000
Westminster Savings Credit Union - GIC	11/24/2015	1.94%	3,000,000
Westminster Savings Credit Union - GIC	12/24/2015	1.98%	6,000,000
Westminster Savings Credit Union - GIC	3/7/2016	1.79%	3,000,000
MFA BC Money Market Fund		1.07%	66,846,512
	Subtotal		166,546,512
Long-Term Investments			
No long-term investments			-
	Subtotal		-
	Total		<u>166,546,512</u>
Portfolio Breakdown			
Credit Unions	76,800,000		46%
MFA Money Market Fund	66,846,512		40%
Schedule I Banks	22,900,000		14%
	<u>166,546,512</u>		<u>100%</u>

**2014
POOLED
INVESTMENT
FUNDS**



MFABC

Municipal Finance Authority of BC



Financial Statements

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Statements of Net Assets

DECEMBER 31, 2014 AND 2013

THOUSANDS OF DOLLARS								
	Money Market		Intermediate		Bond		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Assets								
Cash	\$ 27	17	11	12	-	3	38	32
Unitholder receivable	200	-	95	178	2,582	-	2,877	178
Receivable for investments sold	-	-	-	-	-	577	-	577
Investments (Schedules 1, 2 & 3)	1,236,105	1,188,964	328,253	341,002	617,435	615,688	2,181,793	2,145,654
	1,236,332	1,188,981	328,359	341,192	620,017	616,268	2,184,708	2,146,441
Liabilities								
Accrued management fees	173	160	61	60	110	112	344	332
Unitholder payable	2,311	2,400	-	-	-	-	2,311	2,400
	2,484	2,560	60	60	110	112	2,655	2,732
Net Assets and Unitholders' Equity	\$ 1,233,848	1,186,421	328,298	341,132	619,907	616,156	2,182,053	2,143,709

See Accompanying Notes to Financial Statements

Statements of Operations and Unitholders' Equity

YEARS ENDING DECEMBER 31, 2014 AND 2013

THOUSANDS OF DOLLARS								
	Money Market		Intermediate		Bond		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Investment Income								
Interest income	\$ 15,274	13,502	10,842	10,573	16,873	17,772	42,989	41,847
Less management fees	1,918	1,688	726	678	1,299	1,365	3,943	3,731
	13,356	11,814	10,116	9,895	15,574	16,407	39,046	38,116
Gain (Loss) on Investments								
Net realized gain (loss)	-	-	(5,489)	(6,674)	2,745	(3,167)	(2,744)	(9,841)
Net unrealized gain (loss)	-	-	(153)	1,530	1,041	(2,371)	888	(841)
Net gain (loss) on investments	-	-	(5,642)	(5,144)	3,786	(5,538)	(1,856)	(10,682)
Net Earnings Distributed	\$ 13,356	11,814	4,474	4,751	19,360	10,869	37,190	27,434
Unitholders' Equity								
Units outstanding, beginning of the year	\$1,186,421	1,145,064	341,132	309,031	616,156	624,072	2,143,709	2,078,167
Units subscribed	1,812,088	2,033,828	180,467	188,083	100,755	121,907	2,093,310	2,343,818
Distributions reinvested	13,356	11,814	4,474	4,751	19,360	10,869	37,190	27,434
Units redeemed	(1,778,017)	(2,004,285)	(197,775)	(160,733)	(116,364)	(140,692)	(2,092,156)	(2,305,710)
Units Outstanding, end of the year	\$1,233,848	1,186,421	328,298	341,132	619,907	616,156	2,182,053	2,143,709

See Accompanying Notes to Financial Statements

Statements of Changes in Net Assets

YEARS ENDING DECEMBER 31, 2014 AND 2013

THOUSANDS OF DOLLARS								
	Money Market		Intermediate		Bond		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Net Assets, beginning of the year	\$1,186,421	1,145,064	341,132	309,031	616,156	624,072	2,143,709	2,078,167
Changes during the year due to:								
Operations:								
Net investment income	13,356	11,814	10,116	9,895	15,574	16,407	39,046	38,116
Net gain (loss) on investments	-	-	(5,642)	(5,144)	3,786	(5,538)	(1,856)	(10,682)
	13,356	11,814	4,474	4,751	19,360	10,869	37,190	27,434
Unit transaction:								
Subscriptions	1,812,088	2,033,828	180,467	188,083	100,755	121,907	2,093,310	2,343,818
Redemptions	(1,778,017)	(2,004,285)	(197,775)	(160,733)	(116,364)	(140,692)	(2,092,156)	(2,305,710)
	34,071	29,543	(17,308)	27,350	(15,609)	(18,785)	1,154	38,108
Distributions to unitholders:								
Investment income	(13,356)	(11,814)	(10,116)	(9,895)	(15,574)	(16,407)	(39,046)	(38,116)
(Gain) loss on investments	-	-	5,642	5,144	(3,786)	5,538	1,856	10,682
Distributions reinvested	13,356	11,814	4,474	4,751	19,360	10,869	37,190	27,434
Net Assets, end of the year	\$1,233,848	1,186,421	328,298	341,132	619,907	616,156	2,182,053	2,143,709

See Accompanying Notes to Financial Statements

Notes to Financial Statements

YEARS ENDING DECEMBER 31, 2014 AND 2013

1. Significant accounting policies

Basis of presentation

The Pooled Investment Funds are established by and operate under Section 16 of the *Municipal Finance Authority Act*.

Three funds are maintained:

- (a) Money Market Fund which commenced operations on May 1, 1989;
- (b) Intermediate Fund which commenced operations on March 25, 1994;
- (c) Bond Fund which commenced operations on May 10, 1989.

These funds are authorized to issue an unlimited number of units, each of which represents an equal undivided interest in the net assets of the respective funds *pro rata* with all other units from time to time issued and outstanding. Units are issued or redeemed at \$10 per unit.

Under Section 149 (1) (c) of the *Income Tax Act* the funds are exempt from income taxes.

MONEY MARKET FUND

- (a) Investments are carried at market value.
- (b) Interest income is recognized as earned.
- (c) Management fees are accrued daily at the rate of 0.15 percent per annum of the net assets of the fund and are paid monthly.
- (d) Net earnings from operations are distributed to unitholders daily as additional units of the fund.

INTERMEDIATE FUND & BOND FUND

- (a) Investments are carried at market value.
- (b) Investment transactions are accounted for on the trade date and gains/losses from such transactions are calculated on an average cost basis.
- (c) Interest income is recognized as earned.
- (d) Management fees are accrued daily at the rate of 0.20 percent per annum of the net assets of the fund and are paid monthly.
- (e) Net earnings from operations are distributed to unitholders daily as additional units of the fund.
- (f) Accretion of discounts and premiums are amortized on a straightline basis over the term of the investment.

2. Financial instruments

All unitholder receivables, receivables for investments sold, accrued management fees, and unitholder payables have been classified as loans and receivables or other liabilities and are recorded at amortized cost using the effective-yield basis.

Transaction costs are expensed and included in the Statements of Operations and Unitholders' Equity in the period incurred.

Investments are designated as held for trading and recorded at market value measured at mid-market prices which approximate bid values.

Notes to Financial Statements continued

YEARS ENDING DECEMBER 31, 2014 AND 2013

3. Financial instruments risk

a. Risk management

Risk management is achieved through segregation of duties whereby the investment management decisions are undertaken by a professional fund manager (Phillips, Hager & North Investment Management Ltd.), custody of the assets and accounting functions undertaken by a professional custodian (CIBC Mellon Trust Company), and overall governance of the funds monitored by the Investment Advisory Committee comprised of Trustees of the Municipal Finance Authority of BC. The Investment Advisory Committee establishes the investing guidelines, reviews the fund manager's compliance, and assesses performance in comparison to the DEX 91-Day Treasury Bill Index, the DEX 365-Day Treasury Bill Index, and the DEX Short Term Index.

b. Liquidity risk

Liquidity risk is the risk that a portfolio may not be able to settle or meet its obligation on time or at a reasonable price.

Each portfolio is exposed to daily cash redemptions of units at the current Net Assets Value per unit at the option of the unitholder. The funds invest the majority of their assets in securities that are traded in an active market and can be readily disposed of. In addition each Fund retains sufficient cash and cash-equivalent positions to maintain liquidity.

As of December 31, 2014 the duration of each of the funds was as follows: 65 days for Money Market Fund, 365 days for the Intermediate Fund, and 2.7 years for the Bond Fund.

c. Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments.

The funds invest primarily in interest-bearing securities and are therefore susceptible to market rate fluctuations. The short duration of the investments lessens the effect of changes in interest rates.

d. Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge its obligation or commitment.

The fund manager moderates risk through a conservative selection of securities and diversification within the parameters of the investment policy. The investment portfolio is carried at fair value and represents the maximum credit risk exposure as at December 31, 2014.

e. Currency risk

The funds are not subject to currency risk. The functional currency is the Canadian dollar and all transactions are denominated in Canadian dollars.

(Schedule 1)

Money Market - Schedule of Investments

DECEMBER 31, 2014

	MATURITY DATE	PAR	MARKET	% OF TOTAL
Short-term Investments				
Bankers Acceptance				
Canadian Imperial Bank of Commerce	March 23, 2015	30,000,000	29,917,249	
HSBC Bank Canada	January 5, 2015	22,800,000	22,796,940	
HSBC Bank Canada	January 13, 2015	23,000,000	22,990,746	
HSBC Bank Canada	January 28, 2015	10,000,000	9,990,876	
National Bank of Canada	February 19, 2015	23,640,000	23,602,289	
		109,440,000	109,298,100	8.84%
Discount Commercial Paper				
AltaLink L.P.	January 29, 2015	15,165,000	15,150,413	
Bank of Nova Scotia Bearer	February 24, 2015	1,500,000	1,497,242	
Bank of Nova Scotia Bearer	February 25, 2015	31,000,000	30,941,955	
Bank of Nova Scotia Bearer	February 26, 2015	46,150,000	46,062,017	
Bank of Nova Scotia Bearer	March 5, 2015	22,000,000	21,952,815	
Banner Trust	February 4, 2015	4,000,000	3,995,462	
Banner Trust	June 3, 2015	15,000,000	14,919,361	
Banner Trust	June 5, 2015	22,000,000	21,880,184	
Banner Trust	June 10, 2015	11,000,000	10,938,160	
Bay Street Funding Trust	January 5, 2015	5,200,000	5,199,318	
Bay Street Funding Trust	February 5, 2015	13,250,000	13,233,961	
Bay Street Funding Trust	March 5, 2015	23,445,000	23,393,916	
Bay Street Funding Trust	March 23, 2015	14,000,000	13,961,245	
Bell Canada	January 26, 2015	13,500,000	13,488,632	
Bell Canada	January 27, 2015	12,200,000	12,189,294	
Bell Canada	February 26, 2015	7,000,000	6,986,827	
Brookfield Asset Management Inc.	January 16, 2015	14,000,000	13,991,720	
Brookfield Asset Management Inc.	March 3, 2015	2,500,000	2,494,002	
Canadian Master Trust	January 5, 2015	8,800,000	8,798,783	
Canadian Master Trust	February 2, 2015	20,000,000	19,978,719	
Canadian Master Trust	March 25, 2015	21,315,000	21,254,259	
Central 1 Credit Union	March 5, 2015	2,500,000	2,494,638	
Central 1 Credit Union	March 10, 2015	8,500,000	8,480,323	
Central 1 Credit Union	March 13, 2015	5,500,000	5,486,706	
Central 1 Credit Union	March 18, 2015	7,000,000	6,981,889	
Central 1 Credit Union	March 19, 2015	16,000,000	15,958,058	
Central 1 Credit Union	April 8, 2015	5,000,000	4,983,212	
Central 1 Credit Union	April 22, 2015	10,000,000	9,961,908	
Central 1 Credit Union	May 11, 2015	4,000,000	3,982,147	
Central 1 Credit Union	May 26, 2015	3,000,000	2,985,072	
Clarity Trust Class 'A'	March 30, 2015	20,000,000	19,939,573	
Clarity Trust Class 'A'	June 17, 2015	10,000,000	9,941,319	
Darwin Receivables Trust Senior	January 8, 2015	10,000,000	9,997,706	
Darwin Receivables Trust Senior	June 4, 2015	13,715,000	13,640,788	
Darwin Receivables Trust Senior	June 5, 2015	18,650,000	18,548,429	
Enbridge Gas Distribution Inc.	January 6, 2015	4,000,000	3,999,297	
Enbridge Gas Distribution Inc.	January 7, 2015	16,000,000	15,996,497	
Enbridge Gas Distribution Inc.	January 9, 2015	4,000,000	3,998,837	
Enbridge Gas Distribution Inc.	January 14, 2015	4,000,000	3,998,113	
Enbridge Inc.	February 11, 2015	5,750,000	5,741,630	
Enbridge Inc.	February 24, 2015	2,450,000	2,445,377	

[Schedule 1]

Money Market - Schedule of Investments

DECEMBER 31, 2014

	MATURITY DATE	PAR	MARKET	% OF TOTAL
Fusion Trust Class 'A'	January 23, 2015	14,000,000	13,989,722	
Fusion Trust Class 'A'	June 12, 2015	21,000,000	20,880,465	
Gaz Métro Inc.	January 27, 2015	7,000,000	6,993,903	
Husky Energy Inc.	January 14, 2015	19,000,000	18,991,757	
Husky Energy Inc.	January 20, 2015	17,510,000	17,498,898	
Inter Pipeline (Corridor) Inc.	January 8, 2015	13,500,000	13,496,902	
Inter Pipeline (Corridor) Inc.	January 14, 2015	10,000,000	9,995,365	
Inter Pipeline (Corridor) Inc.	January 15, 2015	2,600,000	2,598,796	
Inter Pipeline (Corridor) Inc.	January 22, 2015	2,000,000	1,998,598	
Inter Pipeline (Corridor) Inc.	January 29, 2015	4,000,000	3,996,261	
King Street Funding Trust	January 29, 2015	5,000,000	4,995,158	
King Street Funding Trust	February 26, 2015	14,745,000	14,716,438	
King Street Funding Trust	March 6, 2015	9,740,000	9,718,438	
King Street Funding Trust	March 11, 2015	3,380,000	3,371,933	
King Street Funding Trust	March 12, 2015	12,000,000	11,970,944	
King Street Funding Trust	March 13, 2015	6,400,000	6,384,282	
King Street Funding Trust	March 23, 2015	5,000,000	4,986,159	
King Street Funding Trust	April 1, 2015	2,570,000	2,562,000	
Merit Trust Senior	January 16, 2015	18,200,000	18,191,038	
Merit Trust Senior	January 30, 2015	10,500,000	10,489,839	
Merit Trust Senior	June 10, 2015	12,000,000	11,932,538	
Nissan Canada Financial Services Inc.	January 5, 2015	8,000,000	7,998,928	
Nissan Canada Financial Services Inc.	January 7, 2015	8,000,000	7,998,407	
Nissan Canada Financial Services Inc.	January 9, 2015	20,000,000	19,994,688	
Nova Scotia Power Corp.	January 13, 2015	8,000,000	7,996,760	
Nova Scotia Power Corp.	January 20, 2015	7,600,000	7,595,116	
Nova Scotia Power Corp.	January 21, 2015	3,325,000	3,322,751	
Nova Scotia Power Corp.	January 23, 2015	10,000,000	9,992,520	
Nova Scotia Power Corp.	January 28, 2015	7,000,000	6,993,564	
Plaza Trust	March 30, 2015	13,600,000	13,555,831	
Prime Trust Senior	January 16, 2015	14,000,000	13,993,107	
Prime Trust Senior	January 22, 2015	7,500,000	7,494,768	
Prime Trust Senior	June 8, 2015	3,215,000	3,197,152	
Prime Trust Senior	July 2, 2015	20,000,000	19,872,108	
Ridge Trust	January 5, 2015	52,990,000	52,982,675	
Safe Trust	January 16, 2015	5,000,000	4,997,387	
Safe Trust	February 23, 2015	6,660,000	6,647,693	
Safe Trust	May 8, 2015	2,540,000	2,528,754	
Safe Trust	May 12, 2015	4,500,000	4,479,448	
Safe Trust	May 22, 2015	30,000,000	29,852,647	
Safe Trust	June 12, 2015	10,000,000	9,943,079	
SOUND Trust	January 16, 2015	10,000,000	9,994,775	
SOUND Trust	January 20, 2015	3,900,000	3,897,417	
SOUND Trust	February 19, 2015	21,000,000	20,964,126	
SOUND Trust	March 5, 2015	7,750,000	7,732,978	
SOUND Trust	May 19, 2015	2,525,000	2,512,862	
SOUND Trust	May 21, 2015	10,000,000	9,951,231	
Storm King Funding	February 5, 2015	3,000,000	2,996,340	
TMX Group Ltd.	January 22, 2015	10,000,000	9,992,787	
TMX Group Ltd.	January 28, 2015	7,500,000	7,493,121	
Toronto Hydro Corporation	January 6, 2015	2,500,000	2,499,589	

[Schedule 1]

Money Market - Schedule of Investments

DECEMBER 31, 2014

	MATURITY DATE	PAR	MARKET	% OF TOTAL
TransCanada PipeLines Ltd.	January 6, 2015	6,925,000	6,923,820	
TransCanada PipeLines Ltd.	January 26, 2015	2,000,000	1,998,302	
Zeus Receivables Trust Senior	January 20, 2015	10,000,000	9,993,660	
Zeus Receivables Trust Senior	June 9, 2015	12,500,000	12,430,166	
		1,054,765,000	1,052,447,795	85.14%
<hr/>				
Total Short-term Investments		1,164,205,000	1,161,745,895	93.98%
<hr/>				
Canadian Bonds				
Corporate Bonds				
Bank of Montreal	April 27, 2015	26,875,000	27,281,907	
Bank of Nova Scotia	May 8, 2015	13,500,000	13,584,702	
Bank of Nova Scotia	January 9, 2015	8,000,000	8,006,944	
Canadian Imperial Bank of Commerce	March 2, 2015	18,200,000	18,438,064	
National Bank of Canada	October 15, 2015	7,000,000	7,047,936	
		73,575,000	74,359,553	6.02%
<hr/>				
Total Investment Portfolio		\$ 1,237,780,000	1,236,105,448	100.00%

[Schedule 2]

Intermediate - Schedule of Investments

DECEMBER 31, 2014

	MATURITY DATE	PAR	MARKET	% OF TOTAL
Short-term Investments				
Treasury Bills				
Province of Ontario	January 14, 2015	12,260,000	12,255,463	
Province of Ontario	February 18, 2015	5,106,000	5,099,106	
Province of Ontario	April 15, 2015	10,000,000	9,969,528	
Province of Ontario	April 29, 2015	19,550,000	19,482,150	
Total Short-term Investments		49,916,000	46,806,247	14.26%
Canadian Bonds				
Provincial Bonds				
Province of Ontario	March 8, 2015	17,695,000	18,049,098	
Province of Ontario	September 8, 2015	6,315,000	6,465,355	
Province of Quebec	December 1, 2015	26,440,000	27,472,265	
		50,450,000	51,986,718	15.84%
Corporate Bonds				
407 International Inc.	June 16, 2015	9,745,000	9,868,236	
Bank of Montreal	June 10, 2016	5,250,000	5,396,971	
Bank of Montreal	August 2, 2016	9,700,000	10,012,514	
Bank of Nova Scotia	November 8, 2016	15,325,000	15,478,215	
Brookfield Asset Management Inc.	September 8, 2016	2,100,000	2,239,647	
Canadian Credit Card Trust	September 24, 2015	1,500,000	1,507,420	
Canadian Imperial Bank of Commerce	November 8, 2016	15,100,000	15,417,825	
Cards II Trust	January 15, 2016	16,900,000	17,128,652	
Eagle Credit Card Trust	December 17, 2015	16,525,000	16,837,072	
Golden Credit Card Trust	May 15, 2016	16,605,000	17,108,682	
Hollis Receivables Term Trust II	September 26, 2016	16,875,000	17,132,316	
HSBC Bank Canada	November 23, 2015	16,930,000	17,122,557	
John Deere Credit Inc.	September 16, 2015	15,315,000	15,978,005	
Master Credit Card Trust	May 21, 2016	16,630,000	17,113,745	
National Bank of Canada	January 11, 2016	15,185,000	15,404,634	
Rogers Communications Inc.	May 26, 2016	2,110,000	2,234,812	
Royal Bank of Canada	January 11, 2016	14,930,000	15,437,593	
TELUS Corp.	May 25, 2016	2,125,000	2,186,611	
Wells Fargo Financial Canada Corp.	March 30, 2016	15,320,000	15,854,851	
		224,170,000	229,460,358	69.90%
Total Canadian Bonds		274,620,000	281,447,076	85.74%
Total Investment Portfolio		\$ 321,536,000	328,253,323	100.00%

[Schedule 3]

Bond - Schedule of Investments

DECEMBER 31, 2014

	MATURITY DATE	PAR	MARKET	% OF TOTAL
Short-term Investments				
Pooled Funds				
Phillips, Hager & North Institutional S.T.I.F.		37,464,503	37,464,503	
Total Short-term Investments		37,464,503	37,464,503	6.07%
Canadian Bonds				
Federal Bonds				
Canada Housing Trust No. 1	June 15, 2016	54,532,000	55,878,236	
Canada Housing Trust No. 1	June 15, 2017	34,938,000	35,646,675	
Canada Housing Trust No. 1	December 15, 2018	6,569,000	7,234,550	
Canada Housing Trust No. 1	December 15, 2018	14,421,000	14,907,293	
Canada Housing Trust No. 1	June 15, 2019	12,542,000	12,753,735	
Canada Housing Trust No. 1	December 15, 2019	6,073,000	6,174,277	
Canada Housing Trust No. 1	December 15, 2019	13,990,000	14,221,676	
Government of Canada	December 1, 2015	2,060,000	2,102,022	
Government of Canada	February 1, 2017	7,219,000	7,336,329	
Government of Canada	September 1, 2017	1,109,000	1,126,874	
Government of Canada	March 1, 2018	901,000	907,844	
Government of Canada	June 1, 2018	2,263,000	2,505,414	
Government of Canada	September 1, 2018	367,000	369,410	
Government of Canada	March 1, 2019	453,000	464,864	
Government of Canada	September 1, 2019	23,521,000	24,091,416	
Government of Canada	June 1, 2020	1,779,000	1,979,692	
		182,737,000	187,700,307	30.40%
Provincial Bonds				
Province of Ontario	September 8, 2018	13,204,000	13,552,371	
Province of Ontario	June 2, 2019	17,707,000	19,796,970	
Province of Ontario	September 8, 2019	10,138,000	10,359,210	
		41,049,000	43,708,551	7.08%
Corporate Bonds				
407 International Inc. (callable)	November 24, 2017	2,341,000	2,476,219	
AltaLink Investments L.P. (callable)	June 5, 2019	981,000	1,037,240	
AltaLink Investments L.P. (callable)	June 5, 2020	695,000	719,186	
AltaLink L.P.	September 17, 2020	765,000	825,799	
Anheuser-Busch InBev Finance Inc. (callable)	January 25, 2018	1,545,000	1,573,991	
AT&T Inc.	November 25, 2020	3,095,000	3,249,361	
Bank of America Corp. (callable)	June 1, 2016	3,414,000	3,408,694	
Bank of Montreal	December 11, 2017	1,308,000	1,322,243	
Bank of Montreal	September 19, 2024	3,681,000	3,769,898	
Bank of Montreal (callable)	June 10, 2016	4,216,000	4,334,025	
Bank of Montreal (callable)	August 2, 2016	8,998,000	9,287,898	
Bank of Montreal (callable)	April 22, 2020	2,580,000	2,628,046	
Bank of Montreal (callable)	April 21, 2021	1,020,000	1,071,876	
Bank of Nova Scotia	November 8, 2016	7,363,000	7,436,613	
Bank of Nova Scotia	December 1, 2016	7,111,000	7,260,945	
Bank of Nova Scotia	June 8, 2017	5,017,000	5,304,637	
Bank of Nova Scotia	October 28, 2019	849,000	858,287	
Bank of Nova Scotia	January 11, 2021	1,520,000	1,613,744	

[Schedule 3]

Bond - Schedule of Investments

DECEMBER 31, 2014

	MATURITY DATE	PAR	MARKET	% OF TOTAL
BC Gas Utility Ltd.	September 30, 2015	1,161,000	1,280,192	
bclMC Realty Corp. [callable]	June 29, 2017	1,861,000	1,902,841	
Bell Canada	February 15, 2017	80,000	86,596	
Bell Canada	September 10, 2018	2,160,000	2,278,936	
Bell Canada	June 12, 2020	265,000	277,822	
Bell Canada [callable]	April 22, 2016	415,000	417,055	
Brookfield Asset Management Inc. [callable]	April 9, 2019	1,030,000	1,090,202	
Brookfield Asset Management Inc. [callable]	March 1, 2021	2,510,000	2,839,130	
Canadian Credit Card Trust	April 24, 2015	8,000,000	8,056,309	
Canadian Credit Card Trust	September 24, 2015	2,020,000	2,029,992	
Canadian Imperial Bank of Commerce	June 1, 2016	5,855,000	5,873,761	
Canadian Imperial Bank of Commerce	November 8, 2016	3,347,000	3,417,448	
Canadian Imperial Bank of Commerce	July 14, 2017	2,342,000	2,507,679	
Canadian Imperial Bank of Commerce	October 18, 2017	1,458,000	1,483,449	
Canadian Imperial Bank of Commerce	April 30, 2020	9,554,000	9,693,311	
Canadian Imperial Bank of Commerce	October 28, 2024	3,105,000	3,153,556	
Cards II Trust	September 15, 2015	1,656,000	1,688,969	
Cards II Trust	January 15, 2016	6,394,000	6,480,509	
Caterpillar Financial Services Ltd.	November 25, 2016	775,000	782,262	
Caterpillar Financial Services Ltd.	June 1, 2018	1,754,000	1,773,562	
Choice Properties L.P. [callable]	April 20, 2016	1,501,000	1,525,770	
Choice Properties L.P.	April 20, 2020	2,805,000	2,924,406	
Choice Properties REIT	February 8, 2021	1,490,000	1,550,098	
Crombie REIT	October 31, 2018	930,000	972,962	
Cominar REIT	June 21, 2019	675,000	684,692	
Cominar REIT [callable]	July 27, 2020	783,000	849,379	
Crombie REIT	June 1, 2021	41,000	42,351	
Cominar REIT	December 8, 2021	535,000	541,525	
Eagle Credit Card Trust	October 17, 2018	2,740,000	2,836,154	
Emera Inc. [callable]	December 13, 2016	4,500,000	4,593,706	
Enbridge Gas Distribution Inc.	April 24, 2017	1,750,000	1,762,217	
Enbridge Gas Distribution Inc. [callable]	December 4, 2017	1,530,000	1,680,029	
Enbridge Inc. [callable]	May 19, 2016	3,155,000	3,314,370	
Enbridge Inc. [callable]	September 2, 2019	1,035,000	1,150,777	
Enbridge Inc. [callable]	February 1, 2021	415,000	454,722	
Enbridge Inc.	March 13, 2017	875,000	874,231	
Enbridge Income Fund Holdings Inc.	December 14, 2017	1,210,000	1,233,104	
Enbridge Pipelines Inc. [callable]	November 19, 2018	1,055,000	1,239,801	
Enmax Corp. [callable]	June 19, 2018	1,600,000	1,791,429	
Epcor Utilities Inc. [callable]	March 22, 2016	40,000	43,153	
First Capital Realty Inc. [callable]	April 30, 2020	235,000	267,521	
First Capital Realty Inc.	March 1, 2021	306,000	334,499	
Genesis Trust II	February 15, 2017	3,253,000	3,321,283	
Genesis Trust II	May 15, 2026	1,474,000	1,499,215	
Golden Credit Card Trust	May 16, 2016	1,586,000	1,634,109	
Granite REIT Holdings L.P. [callable]	July 5, 2021	750,000	780,952	
Heathrow Funding Ltd.	June 17, 2023	885,000	902,283	
Hollis Receivables Term Trust II	September 26, 2016	3,069,000	3,115,798	
Hollis Receivables Term Trust II	June 26, 2019	1,970,000	1,993,213	
HSBC Bank Canada	November 23, 2015	2,756,000	2,787,346	
HSBC Bank Canada	January 13, 2017	7,308,000	7,568,388	

(Schedule 3)

Bond - Schedule of Investments

DECEMBER 31, 2014

	MATURITY DATE	PAR	MARKET	% OF TOTAL
HSBC Bank Canada	January 14, 2020	100,000	104,208	
HSBC Bank Canada	September 29, 2021	2,525,000	2,589,715	
Hydro One Inc. (callable)	October 18, 2017	1,175,000	1,297,539	
Hydro One Inc. (callable)	October 9, 2018	1,547,000	1,607,687	
Inter Pipeline Ltd. (callable)	May 30, 2017	1,695,000	1,694,463	
Inter Pipeline Ltd. (callable)	July 20, 2020	1,151,000	1,207,828	
John Deere Canada Funding Inc.	January 14, 2016	704,000	713,024	
John Deere Canada Funding Inc.	April 12, 2017	5,000	5,044	
John Deere Canada Funding Inc.	January 17, 2018	1,195,000	1,220,283	
John Deere Canada Funding Inc.	July 16, 2018	1,060,000	1,096,091	
John Deere Canada Funding Inc.	June 24, 2019	655,000	660,526	
Loblaw Cos. Ltd. (callable)	March 12, 2019	2,790,000	2,972,440	
Lower Mattagami Energy L.P.	October 23, 2017	755,000	766,735	
Manitoba Telecom Services Inc.	October 1, 2018	789,000	856,640	
National Bank of Canada	January 11, 2016	982,000	996,204	
National Bank of Canada	April 26, 2016	721,000	743,731	
National Bank of Canada	April 13, 2017	1,617,000	1,632,011	
National Bank of Canada	October 28, 2019	2,320,000	2,342,636	
National Bank of Canada (callable)	November 2, 2020	3,128,000	3,225,463	
National Grid Electricity Transmission PLC	November 26, 2019	4,500,000	4,636,428	
NOVA Gas Transmission Ltd.	February 28, 2016	1,031,000	1,191,532	
Omers Realty Corp.	June 5, 2018	1,649,000	1,682,431	
Omers Realty Corp.	November 12, 2019	915,000	925,746	
Omers Realty Corp.	July 24, 2020	840,000	888,590	
Omers Realty Corp. (callable)	April 5, 2021	990,000	1,026,974	
Rogers Communications Inc. (callable)	May 26, 2016	1,830,000	1,938,250	
Rogers Communications Inc. (callable)	June 6, 2017	883,000	905,938	
Rogers Communications Inc.	March 13, 2019	2,680,000	2,748,345	
Rogers Communications Inc. (callable)	September 29, 2020	285,000	317,693	
Royal Bank of Canada	December 8, 2016	11,065,000	11,281,099	
Royal Bank of Canada	January 25, 2017	380,000	400,457	
Royal Bank of Canada	April 13, 2017	7,503,000	7,676,822	
Royal Bank of Canada	March 12, 2018	3,403,000	3,455,685	
Royal Bank of Canada	July 12, 2018	890,000	926,299	
Royal Bank of Canada	December 11, 2018	1,261,000	1,294,594	
Royal Bank of Canada	December 9, 2019	2,540,000	2,551,853	
Royal Bank of Canada (callable)	September 29, 2026	875,000	901,640	
Shaw Communications Inc.	February 1, 2016	865,000	869,473	
Shaw Communications Inc. (callable)	March 2, 2017	1,213,000	1,329,366	
Shaw Communications Inc. (callable)	October 1, 2019	2,708,000	3,105,591	
Sobeys Inc.	August 8, 2018	1,871,000	1,960,391	
TELUS Communications Inc.	November 22, 2015	1,695,000	1,864,165	
TELUS Corp.	May 25, 2016	838,000	862,297	
TELUS Corp. (callable)	July 23, 2020	846,000	969,026	
Teranet Holdings L.P.	December 16, 2015	4,595,000	4,668,446	
Terasen Gas Inc. (callable)	September 30, 2016	869,000	1,014,785	
Thomson Reuters Corp.	May 23, 2019	4,090,000	4,245,335	
Thomson Reuters Corp. (callable)	November 12, 2021	1,140,000	1,159,393	
Tim Hortons Inc. (callable)	June 1, 2017	2,090,000	2,116,924	
Tim Hortons Inc. (callable)	April 1, 2019	525,000	533,268	
TMX Group Ltd.	October 3, 2016	490,000	493,969	

(Schedule 3)

Bond - Schedule of Investments

DECEMBER 31, 2014

	MATURITY DATE	PAR	MARKET	% OF TOTAL
TMX Group Ltd.	October 3, 2018	2,680,000	2,801,837	
Toronto-Dominion Bank	August 2, 2016	2,779,000	2,868,781	
Toronto-Dominion Bank	April 3, 2017	11,373,000	11,443,860	
Toronto-Dominion Bank	August 15, 2017	1,686,000	1,727,006	
Toronto-Dominion Bank (callable)	April 2, 2020	3,976,000	4,065,610	
Toronto-Dominion Bank	December 22, 2021	1,100,000	1,102,476	
TransCanada PipeLines Ltd.	October 3, 2016	500,000	530,496	
TransCanada PipeLines Ltd.	March 20, 2018	1,620,000	2,008,665	
Union Gas Ltd.	August 28, 2015	1,930,000	2,124,836	
Union Gas Ltd.	November 6, 2017	1,152,000	1,406,960	
Union Gas Ltd. (callable)	June 2, 2021	705,000	718,872	
Westcoast Energy Inc.	November 23, 2015	647,000	689,766	
Westcoast Energy Inc.	January 16, 2019	2,123,000	2,437,378	
Westcoast Energy Inc. (callable)	July 2, 2020	502,000	562,478	
		289,540,000	299,725,860	48.54%
<hr/>				
Total Canadian Bonds		513,326,000	531,134,718	86.02%
<hr/>				
Mortgages				
NHA Insured Mortgages				
Bank of Nova Scotia	August 1, 2016	308,144	307,711	
Bank of Nova Scotia	September 1, 2017	2,174,878	2,178,468	
Equitable Bank	November 1, 2019	1,773,956	1,784,196	
First National Financial Corp.	November 1, 2019	2,040,000	2,044,976	
First National Financial Corp.	August 1, 2019	3,656,928	3,667,768	
Home Trust Co.	December 1, 2019	1,350,000	1,351,821	
Home Trust Co.	September 1, 2019	2,764,866	2,792,968	
Merrill Lynch Canada Inc.	March 1, 2016	714	714	
Penmor Loan #3881-1V	September 1, 2019	918,817	946,075	
Penmor Loan #4184-0J	January 1, 2017	1,459,685	1,541,246	
Penmor Loan #4357-0F	June 5, 2015	256,435	257,202	
Penmor Loan #4437-0C	June 1, 2017	838,040	890,534	
Royal Bank of Canada	November 1, 2015	1,054,888	1,068,040	
Toronto-Dominion Bank	January 1, 2015	4,088,443	4,094,443	
Toronto-Dominion Bank	June 1, 2015	2,688,361	2,702,117	
Toronto-Dominion Bank	September 1, 2015	2,249,190	2,258,705	
Toronto-Dominion Bank	June 1, 2016	1,876,831	1,863,493	
Toronto-Dominion Bank	September 1, 2016	1,295,568	1,298,973	
Toronto-Dominion Bank	December 1, 2016	1,936,298	1,942,544	
Toronto-Dominion Bank	August 1, 2017	3,347,207	3,368,534	
Toronto-Dominion Bank	December 1, 2017	1,533,202	1,536,194	
Toronto-Dominion Bank	December 1, 2017	3,293,133	3,310,769	
Toronto-Dominion Bank	December 1, 2017	2,031,909	2,020,652	
Toronto-Dominion Bank	April 1, 2018	3,341,263	3,354,565	
Toronto-Dominion Bank	March 1, 2019	2,252,480	2,253,485	
<hr/>				
Total Mortgage Investments		48,531,237	48,836,193	7.91%
<hr/>				
Total Investment Portfolio		\$ 565,599,236	617,435,414	100.00%

Participants in Pooled Investment Funds

MUNICIPALITIES

100 Mile House	Gold River	North Vancouver District	Spallumcheen
Abbotsford	Golden	Oak Bay	Sparwood
Alert Bay	Granisle	Oliver	Squamish
Anmore	Hazelton	Peachland	Stewart
Armstrong	Highlands	Pemberton	Summerland
Ashcroft	Hope	Penticton	Sun Peaks
Barriere	Houston	Pitt Meadows	Surrey
Belcarra	Kamloops	Port Alberni	Tahsis
Bowen Island	Kaslo	Port Alice	Taylor
Burnaby	Kelowna	Port Clements	Telkwa
Burns Lake	Kent	Port Coquitlam	Terrace
Cache Creek	Keremeos	Port Edward	Tofino
Campbell River	Kimberley	Port Hardy	Trail
Canal Flats	Kitimat	Port McNeill	Tumbler Ridge
Castlegar	Ladysmith	Pouce Coupe	Ucluelet
Central Saanich	Lake Country	Powell River	Valemount
Chase	Lake Cowichan	Prince George	Vernon
Chetwynd	Lantzville	Prince Rupert	Victoria
Chilliwack	Lillooet	Princeton	View Royal
Clearwater	Logan Lake	Qualicum Beach	Warfield
Clinton	Mackenzie	Queen Charlotte	West Kelowna
Coldstream	Masset	Quesnel	West Vancouver
Colwood	McBride	Radium Hot Springs	Whistler
Comox	Merritt	Revelstoke	White Rock
Coquitlam	Metchosin	Richmond	Williams Lake
Courtenay	Midway	Rossland	Zeballos
Creston	Mission	Saanich	
Cumberland	Montrose	Salmo	
Dawson Creek	Nakusp	Salmon Arm	
Duncan	Nanaimo	Sayward	
Enderby	Nelson	Sechelt	
Esquimalt	New Denver	Sidney	
Fernie	New Hazelton	Silverton	
Fort St. James	New Westminster	Slocan	
Fraser Lake	North Cowichan	Smithers	
Gibsons	North Saanich	Sooke	

REGIONAL DISTRICTS

Bulkley-Nechako	Comox Valley	Mount Waddington	Squamish-Lillooet
Capital	Cowichan Valley	Nanaimo	Strathcona
Cariboo	East Kootenay	North Okanagan	Sunshine Coast
Central Coast	Fraser Valley	Okanagan-Similkameen	Thompson-Nicola
Central Kootenay	Fraser-Fort George	Peace River	
Central Okanagan	Kitimat-Stikine	Powell River	
Columbia Shuswap	Kootenay-Boundary	Skeena-Queen Charlotte	

Participants in Pooled Investment Funds continued

REGIONAL HOSPITAL DISTRICTS

Alberni-Clayoquot	Fraser Valley	Peace River	Thompson-Nicola
Capital	Fraser-Fort George	Sea to Sky	West Kootenay-Boundary
Cariboo	Kootenay East	Squamish-Lillooet	
Central Coast	Mount Waddington	Stuart-Nechako	
Central Okanagan	Nanaimo	Sunshine Coast	
Comox-Strathcona	Okanagan-Similkameen	Thompson	

FIRST NATIONS

Adams Lake	Kamloops	Seabird Island	T'it'q'et
Bonaparte	Kwaw-kwaw-Apilt	Shxwha	Tsawwassen
Chawathil	Kwikwetlem	Sliammon	Tzeachten
Chemainus	Lower Kootenay	Songhees	Uchucklesaht
Chi-ihl-kway-uhk	Matsqui	St. Mary's	Westbank
Cowichan	Millbrook	Stó:lō	Waabnoong Bemjiwang
First Nations Finance Authority	Namgis	Tale'awtxw	Association

OTHER ORGANIZATIONS

Association of Kootenay Boundary Local Governments	Municipal Insurance Association of BC
Association of Yukon Communities	Nootka Sound Economic Development Corporation
Barriere Improvement District	North Central Local Government Association
Board of Cemetery Trustees of Greater Victoria	North Island-Coast Development Initiative Trust
Capital Region Emergency Services Telecommunications	North Peace Airport Society
Capital Region Housing Corporation	Okanagan-Kootenay Sterile Insect Release Board
Carmacks, Yukon	Old Massett Village Council
CivicInfo BC	Oliver Parks and Recreation
College of the Rockies	Port Alberni Harbour Commission
Comox Fire Protection Improvement District	Prince George Public Library
Cultus Lake Park	Queen Charlotte School District
Fraser Basin Council	Razor Point Improvement District
Fraser Valley Library	Seven Generations Environmental Services
Government Finance Officers Association of BC	Shawnigan Improvement District
Government Finance Officers Association of Western Canada	South Coast British Columbia Transportation Authority
Integrated Cadastral Information Society	South East Kelowna Irrigation District
Islands Trust	Southern Interior Local Government Association
Kaleden Recreation	Union of BC Municipalities
Kelowna General Hospital Foundation	University of Northern BC
Local Government Management Association of BC	Valemount Community Forest
Lower Mainland Municipal Government Association	Vancouver Island Library
Mission School District	Vancouver Island Local Government Management Association
Mount Parke Estates Improvement District	Victoria Public Library
Municipal Finance Authority of BC	



Municipal Pension Plan

STATEMENT OF
INVESTMENT
POLICIES AND
PROCEDURES

As Amended: June 24, 2015

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Section 1: Overview / Purpose

- 1.1 The purposes of this Statement of Investment Policies and Procedures (the "Statement" or "SIPP") are:
- (i) To ensure compliance with the British Columbia *Pension Benefits Standards Act*, as amended from time to time or replaced ("PBSA"), the *Pension Benefits Standards Regulation* ("PBSR"), which requires a written statement of investment policies and procedures, as well as the *Income Tax Act*.
 - (ii) To set investment guidelines and direction for the British Columbia Investment Management Corporation ("bcIMC") that are consistent with the investment policies and objectives established by the Municipal Pension Board of Trustees (the "Board") for the Municipal Pension Plan (the "Plan").
 - (iii) To provide objectives, policies and principles for the management of the assets of the Municipal Pension Fund (the "Fund").
 - (iv) To set forth investment performance objectives and other criteria to be used by the Board to review and evaluate the investment results of the Fund.
- 1.2 The Plan is continued and maintained under the Municipal Pension Plan Joint Trust Agreement ("JTA") and the Municipal Pension Plan Rules (the "Rules"). The purpose of the Plan is to provide pension benefits to eligible employees of a local government, hospital or other health employer, school district, college, social service agency or other employer in British Columbia.
- 1.3 The Board is responsible for the administration of the Plan and of this Statement. The members of the Board are the trustees of the Fund.
- 1.4 The Board is responsible for ensuring that all investments of the Fund are managed prudently and in accordance with the PBSA, the PBSR, the *Income Tax Act* and this Statement.
- 1.5 The Board has adopted this Statement after considering the benefits obligations of the Plan and a risk profile that the Board believes to be appropriate.
- 1.6 The Board shall review and confirm or amend this Statement at least annually, as required by the PBSA or PBSR, but it can be amended at any time by a Board resolution.

- 1.7 bcIMC is required to have more detailed investment policies and procedures that detail their specific mandate, and they shall acknowledge that these policies and procedures conform to this Statement.

Section 2: Plan Structure and Funding / Plan Description

- 2.1 The Plan is a hybrid of a contributory defined benefit final average earnings pension plan and negotiated cost arrangements for providing contingent inflation adjustments. It is funded by Plan member and employer contributions. Benefit entitlement is based on the provisions of the JTA and the Rules.

Normal retirement age is 65 for all members except police officers, firefighters and a closed group of female members (last contribution prior to April 1, 1971) who have a normal retirement age of 60.

The unreduced lifetime monthly pension payable to a member who terminated employment after April 1, 2000, in the form of a single life annuity with no guarantee, is calculated as the sum of:

- a) 2% of the member's highest average salary (five-year average) multiplied by the number of years of pensionable service accrued before January 1, 1966,
 - b) 1.3% of the lesser of:
 - i) the member's highest average salary, and
 - ii) 1/12 of the Year's Maximum Pensionable Earnings ("YMPE") for the calendar year immediately before the effective date of the pension,

multiplied by the number of years of pensionable service accrued on and after January 1, 1966 not exceeding 35 years, and
 - c) 2% of the excess of the member's highest average salary over the amount determined under paragraph (b) (ii), multiplied by the number of year's of pensionable service accrued on and after January 1, 1966 not exceeding 35 years.
- 2.2 For the purposes of the calculation referred to in section 2.1, in respect of any period of pensionable service for which contributions have been made at the rate applicable for group 5, the percentage referred to in subsection b) shall be 1.63% and the percentage referred to in subsection c) shall be 2.33%.

- 2.3 The Plan is not subject to solvency tests but is required to meet the going concern funding requirements of the PBSA or PBSR.
- 2.4 The Rules establish three accounts for the Plan: a Basic Account, an Inflation Adjustment Account, and a Supplemental Benefits Account.
 - 2.4.1 The "Basic Account" provides the non-indexed portion of the pension and any cost of living increases that have been granted, based on the provisions in the JTA and the Rules.
 - 2.4.2 The "Inflation Adjustment Account" was established in 1982 and provides cost of living increases for retired members. The Inflation Adjustment Account is funded through a portion of ongoing contributions from employers and members, from investment income earned on its own assets, and from excess interest earnings in the Basic Account. Since its inception, the Inflation Adjustment Account has provided full indexing of members' pensions. However, this is not a guaranteed benefit. The increases may not exceed the annual increase in the Consumer Price Index ("CPI") as at the previous September 30, and are subject to availability of funds in the Inflation Adjustment Account.
 - 2.4.3 The "Supplemental Benefits Account" does not hold any investment funds.
 - 2.4.4 Effective January 1, 2010, the Basic Account and Inflation Adjustment Account are managed as a single account for investment purposes. However, separate accounting records will continue to record the balances and transactions in each account.

Section 3: Plan Governance

- 3.1 In accordance with the JTA, the Board has 16 members with equal representation from Plan members and the employers. The parties required by section 4.1 of the JTA to appoint Trustees may also appoint an alternate Trustee for each member of the Board.
- 3.2 The Board is responsible for the management of the Fund and the establishment of the investment policies. The Board has a legal obligation to act in the best financial interest of the beneficiaries of the trust and exercise a high standard of care in protecting the Fund and its assets. This must override all other considerations.
- 3.3 bcIMC and the Plan Administrative Agent (British Columbia Pension Corporation) are agents of the Board. They must act in accordance with the

direction and policies of the Board, subject to their fiduciary duty to the Plan beneficiaries and in the case of bclMC, other pooled funds participants.

- 3.4 The Fund is managed by bclMC and other investment management firms contracted through bclMC. In all cases, bclMC and other investment managers shall comply with this Statement, their internal policies, as well as the relevant laws and regulations governing pension fund management in the respective jurisdiction.

- 3.5 The following outlines the roles and responsibilities of parties involved with the Plan:

bclMC:

- is an agent of the Board, and is responsible for day-to-day investment management of the Fund;
- ensures that the Fund is managed in accordance with this Statement and the directions of the Board;
- hires and manages contract arrangements with the Custodian and other external providers of related services (e.g., external managers, data service providers, etc.) on behalf of the Board;
- is responsible for fulfilling all reporting requirements outlined in section 8 of the Statement; and
- has a role that goes beyond that of a typical fund manager, effectively functioning as the Board's internal investment staff. This is set out in greater detail in the Board's Funds Investment and Management Agreement with bclMC.

Custodian:

- is responsible for fulfilling all their duties as outlined in their service agreement with bclMC;
- fulfills the regular duties of a Custodian as required by law.

Auditor:

- audits the Plan's assets to produce audited financial statements reporting on the Plan's finances.

Actuary:

- is responsible for assessing the financial status of the Plan, including the adequacy of contribution rates;
- fulfills the regular duties of an Actuary as required by law.

British Columbia Pension Corporation ("Pension Corporation"):

- is an agent of the Board and is responsible for ensuring that contributions and payments are made in accordance with the Plan rules;
- prepares financial statements, annual reports and other Plan documents;

- maintains accounting records for the Basic Account and the Inflation Adjustment Account;
- establishes and manages contracts with external administrative service providers on behalf of the Board; and
- has a role that goes beyond that of a typical administrative agent, effectively functioning as the Board's internal staff. This is set out in greater detail in the Board's Service Agreement with Pension Corporation.

Section 4: Investment Beliefs

- 4.1 The purpose of investing the Fund is to grow the asset base and to generate a cash flow to help satisfy the Plan's current and future payment obligations. In setting asset mix, risk management relative to the Plan liabilities is a key consideration. As such, understanding the nature and variability of the Plan's liabilities is critical to devising an appropriate investment strategy. In doing so, the asset mix decision is viewed through a different lens; it will be influenced by the nature of the obligations being funded, the time horizon, and the current funded status of the Plan.
- 4.2 The Plan has a long-term investment time horizon and the Fund is managed accordingly. It is extremely difficult to forecast short-term investment returns. However, over the long-term, capital markets are more predictable and investors should receive additional compensation for taking investment risks. Therefore, it is expected that, over the long term, equities (including public equities, real estate, private placements and infrastructure as referred to in 6.3) will outperform debt instruments.
- 4.3 Diversification within and across asset classes, both domestically and internationally, can reduce risk over the long term without compromising expected returns and is a prerequisite to prudent fund management.
- 4.4 Investing in active strategies can provide downside protection and can potentially add value.
- 4.5 Exposure to foreign currencies as a result of foreign investments in public equity markets can provide diversification benefits and should not generally be hedged. Exceptions to this general approach may occur when considering the potential impact that adverse foreign currency fluctuations may have on the risk/return profile of specific investments. Under such circumstances defensive hedging may be appropriate.

Foreign currency denominated investments, other than public equities, may present a unique and complex set of considerations. Given these considerations vary from investment to investment, hedging foreign currency exposure may be appropriate on a case-by-case basis.

- 4.6 The Board recognizes the Fund's strategic asset mix as the primary determinant of the risk and return of its investments.
- 4.7 In addition to Section 4.6, the Board believes that tactical asset allocation, which focuses on short term market conditions, can increase risk-adjusted investment returns through opportunistic shifts in the portfolio's asset class weighting within the Board's approved policy ranges.
- 4.8 The Board believes that companies that take environmental, social and governance (ESG) matters into account have less risk and generate long-term value for investors compared to companies with less robust practices. By applying these principles, the Board recognizes that effective research, analysis and evaluation of ESG issues are fundamental to assessing the value and performance of an investment over the long-term..
- 4.9 In general, higher risk-adjusted returns can be achieved by holding less liquid investments. For a Fund with low liquidity requirements, some exposure to less liquid investments is appropriate.
- 4.10 Costs matter and need to be effectively managed so that a greater proportion of investment returns passes through to the Plan and enhances its long term sustainability.

Section 5: Asset Allocation

- 5.1 Meeting the pension benefits promise is the primary objective of the Board. Managing the volatility of contribution rates and providing non-guaranteed benefits are additional objectives of the Board. To achieve these objectives, the Board has adopted the following long-term asset mix and allowable ranges shown in Section 5.3.
 - 5.1.1 Policy asset allocation is set by the Board and establishes the general framework for managing the Fund. This includes determining ranges for the debt and equity portions of the portfolio, as well as general ranges for individual asset classes (e.g., bonds). Policy asset allocation also establishes the amount of discretion provided to bclMC and establishes the total fund market benchmark
 - 5.1.2 Tactical asset allocation focuses on short-term conditions and attempts to increase investment return through opportunistic shifts in the portfolio's asset class weighting. Tactical asset allocation decisions depend on shorter term market conditions, and, as such, are delegated to bclMC. However, these asset allocation shifts must be within the policy ranges specified by the Board in this Statement.

- 5.2 The Board believes that bcIMC is in the best position to make the decision on the weightings between active and passive strategies and has delegated this decision to bcIMC.
- 5.3 Policy asset mix and policy ranges for the Fund, effective June 25, 2014, are:

Asset Class ¹	Policy Range		Policy Asset Mix
	Minimum	Maximum	
Short Term	0	10	2
Mortgages	0	11	6
Nominal Bonds	5	20	12
Real Return Bonds	0	10	5
Fixed Income Sub-total	15	35	25
Canadian Equities	6	20	13
Global Equities ²	10	35	17
Emerging Markets Equities ³	3	15	10
Public Equity Sub-total	30	60	40
Real Estate ⁴	10	25	18
Real Estate Sub-total	10	25	18
Private Placements ^{4, 5}	1	13	7
Infrastructure and Renewable Resources ⁴	2	16	10
Sub-total	5	24	17
Other ⁶	0	5	0

1 Refer to Eligible Pooled Funds table (Appendix A) for asset classification by pool.

2 Global equities may include some exposure to Canada and emerging markets

3 Emerging Market Equities may include some exposure to developed markets.

4 Due to the illiquid nature of these assets, the upper limit may be exceeded on a temporary basis. bcIMC shall use cashflow to rebalance as soon as is practical and shall continue to report any breach of the policy ranges in the quarterly compliance report.

5 Private Placements may be either debt or equity.

6 Other" includes strategies or investments specifically approved by the Board that do not correspond to the listed asset classes. Refer to Appendix A.

- 5.4 The Board recognizes that an appropriate implementation period is required to transition to the new policy asset mix identified in section 5.3. This implementation timeframe is reflected in section 6.3 for the purpose of the performance measurement framework.
- 5.5 The Fund may be invested in the pooled funds listed in Appendix A, segregated funds, mutual funds, unit trusts, limited partnerships and similar vehicles, provided that they conform to this Statement. Despite any other provision of this SIPP, the Board agrees to participate in the All Weather Fund.
- 5.6 The Fund may loan its securities, or participate in pooled funds that lend securities provided that:
- as a minimum, the market value of collateral must be equal to 105 percent of the market value of the lent securities;

- the loan and collateral are valued daily on a “mark-to-market” basis;
- the collateral consists of highly liquid and marketable securities; and both the collateral and borrowers have been approved by bclMC.

Section 6: Performance Objectives

- 6.1 The long-term (10 years) investment objective of the total fund is to meet or exceed, net of all expenses incurred in the investment process:
- (i) the annual rates of return used in the actuarial report (CPI + 3.5 percent and 6.5 percent nominal); and
 - (ii) the rate of return that would have been achieved if the Fund had held its policy asset mix and each asset class had earned the return of their respective market index as outlined in Table 1 below.
- 6.2 The short-term investment objective (5 years) is to earn the rate of return, net of all expenses incurred in the investment process, for the liquid assets (i.e., excluding real estate, private placements, infrastructure, and renewable resources), assuming that each liquid asset class had earned the return of its respective market index as outlined in Table 1 below.
- 6.3 The primary investment return objective of individual asset classes is for the rate of return, net of all expenses incurred in the investment process, to meet or exceed the respective market indices over 5-year periods. However, certain asset classes such as real estate, private placements, infrastructure and renewable resources do not lend themselves to good market indices, and it is more appropriate to evaluate their performance over longer periods such as 10 years. The benchmarks (indices) used for each asset class are listed in Table 1 that follows.

Table 1

Asset Classes	October 1, 2012		October 1, 2013		October 1, 2014 ²		October 1, 2016		October 1, 2017		October 1, 2018		Benchmarks
	Total Fund	Liquid Asset Classes	Total Fund	Liquid Asset Classes	Total Fund	Liquid Asset Classes	Total Fund	Liquid Asset Classes	Total Fund	Liquid Asset Classes	Total Fund	Liquid Asset Classes	
Short Term	2	2.7	2	2.8	2	2.9	2	3.0	2	3.0	2	3.1	FTSE TMX Canada 91 Day T-Bill Index
Mortgages Fixed Term	4	5.3	5	6.9	5	7.2	5	7.5	5	7.6	5	7.7	FTSE TMX Canada Short Term Overall Bond Index + 100 bps
Mortgages Construction	1	1.3	1	1.4	1	1.4	1	1.5	1	1.5	1	1.5	FTSE TMX Canada 365 Day T-Bill Index + 100 bps
Nominal Bonds	16	21.3	14	19.5	12	17.1	12	17.9	12	18.2	12	18.5	FTSE TMX Canada Universe Bond Index
Real Return Bonds	5	6.7	5	6.9	5	7.1	5	7.5	5	7.6	5	7.7	FTSE TMX Canada Real Return Bond Index
Canadian Equities	15	20.0	13	18.1	13	18.6	13	19.4	13	19.7	13	20.0	S&P / TSX Composite Index
Global Equities	26	34.7	24	33.3	22	31.4	19	28.3	18	27.3	17	26.1	Morgan Stanley Capital International (MSCI) World ex-Canada Net Index
Emerging Markets	6	8.0	8	11.1	10	14.3	10	14.9	10	15.1	10	15.4	MSCI Emerging Markets Net Index
Real Estate	15	0	16	0	17	0	18	0	18	0	18	0	CPI plus 4%
Private Placements	5	0	6	0	6	0	7	0	7	0	7	0	MSCI All Country World Net Index plus 2%
Infrastructure and Renewable Resources	5	0	6	0	7	0	8	0	9	0	10	0	8% nominal return
Other ¹	0	0	0	0	0	0	0	0	0	0	0	0	Not Applicable

1. "Other" includes strategies or investments specifically approved by the Board that do not correspond to the listed asset classes. Refer to Appendix A.
 2. Benchmark weighting for October 1, 2015 will remain the same as for October 1, 2014.

Section 7: Asset Class Policies

The following asset classes are permitted to be held in the Fund, subject to the investment policies established below for each asset class and any applicable legal constraints, including the constraints imposed by the PBSA, the PBSR and the *Income Tax Act*, as outlined in Appendix B.

7.1 Money Market Short-Term Policies

- 7.1.1. Short-term holdings include money market instruments and bonds with a term to maturity of 15 months or less.
- 7.1.2. Corporate money market securities should be rated A-1(Low) or better by Standard & Poor's ("S&P") or have an equivalent rating from another credit rating agency.
- 7.1.3. Short term corporate bonds should be rated A- or higher by S&P or have an equivalent rating from another credit rating agency.
- 7.1.4. Not more than 10 percent of the total short term holdings shall be in the money market instruments and bonds of any one corporation unless the corporation is a Schedule One bank.
- 7.1.5. Up to 1 percent of short-term holdings can be in non-rated debt issued by financial institutions (e.g., credit unions).

7.2 Mortgage Policies

- 7.2.1. The portfolio shall consist of a broad range of mortgage products, diversified by geographic location, type of mortgage, size of mortgage, and type of real estate. It may include direct mortgage loans and mortgage instruments (e.g., mortgage bonds). All mortgage loans must be eligible investments under the PBSA and PBSR.

7.3 Fixed Income/Bond Policies

- 7.3.1. Fixed income portfolios shall consist of international and domestic corporate bonds, convertible bonds, preferred shares, asset-backed commercial paper and securities, government debt securities, exchange traded funds, and fixed income derivatives (e.g., futures, options, swaps). Equity securities derived from the conversion of fixed income securities or related derivatives are permissible investments and will immediately be reviewed to determine whether to sell the security immediately or hold to sell at a more appropriate time.

- 7.3.2. Publicly traded fixed income securities from issuers, other than securities issued by governments within Canada and securities held within the High Yield Bond Fund when purchased must be rated BBB- or higher by S&P or have an equivalent credit rating from another credit rating agency. If any holdings are downgraded to below a BBB- rating, bclMC shall immediately review the downgraded security and determine whether to sell this security immediately or hold to sell at a more appropriate time.
- 7.3.3. Not more than 10 percent of the total fixed income holdings shall be in the debt securities of any one corporation.
- 7.3.4. Other than real return bonds and bonds within the High Yield Bond Fund, individual bond portfolios, must be managed within \pm 20 percent of the duration of their respective performance benchmark.
- 7.3.5. Investments in private placements (as part of the bond allocation) are permitted provided they meet the same credit quality standards imposed on other bond investments, and are expected to be readily marketable within six months.
- 7.3.6. Illiquid private placements, in addition to 7.3.5, are permitted within the limits of the policy set out in 5.3.

7.4 Equity Policies

- 7.4.1. Equity investments consist of common and preferred shares, common stock equivalents (such as, convertible debentures, convertible preferred shares, installment receipts, equity warrants, and share rights), income trusts, exchange traded funds, depository receipts, and equity derivatives (e.g., futures, options, equity swaps).
- 7.4.2. Not more than 10 percent of the total equity holdings shall be in the shares of any one corporation or its related companies.
- 7.4.3. Equity private placements are permitted within the limits set out in the policy as specified in 6.3.

7.5 Real Estate Policies

- 7.5.1. Real estate investments consist of direct real estate holdings, units in real estate pooled funds, and real estate securities including trust units, shares in real estate companies, and debt.

- 7.5.2. Not more than 20 percent of the real estate portfolio by appraised value shall be invested outside of Canada.
- 7.5.3. Real estate investments shall be well diversified by property type, property location, and property risk.
- 7.5.4. No debt shall be assumed or created if, as a result, it causes the debt to market value of the overall real estate portfolio to exceed 25 percent. However, another 5 percent is allowed for the assumption or renewal of existing debt.
- 7.5.5. No direct investment in real estate shall be made without the benefit of a professional opinion regarding known or possible environmental contamination of the property.

7.6 *Private Placement Policies*

- 7.6.1. Private placement investments are long-term debt or equity investments that are made primarily outside of the public market. Investments may be made directly by bclMC or indirectly through external managers. These are long-term commitments made on behalf of the Fund.

7.7 *Infrastructure and Renewable Resources Policies*

- 7.7.1. Infrastructure and Renewable Resource investments are tangible long-life assets with potential for strong cash flows and favourable risk-return characteristics that provide an attractive match with pension liabilities. Infrastructure investments typically include physical assets that provide essential services such as utilities and transportation systems. Renewable Resource investments typically include timberland, farmland, and energy production assets such as wind and solar.

Section 8: Use of Derivative Instruments

- 8.1 The use of derivatives is only permitted for the following purposes:
 - (i) Synthetic Indexing - Passively investing in an attempt to replicate the returns of an index.
 - (ii) Risk Control - Managing interest rate, equity, credit, currency, legal or tax risk through the use of hedging strategies.

- (iii) Lower Transaction Costs and Liquidity Management- Reducing the transaction costs on trading, custody and brokerage costs through use of index futures. Substituting one combination of securities for another with the same net exposure to market variables for the purposes of exploiting pricing inefficiencies.
 - (iv) Asset Mix Shifts - Reduce market movement and transaction costs of shifting asset weights or rebalancing by allowing instantaneous implementation of the shift through derivatives.
 - (v) Their use through participation in the All Weather Fund.
- 8.2 All derivative uses are to be structured to ensure that the aggregate amount of market exposure of the Fund does not increase as a result of derivative transactions.
- 8.3 Derivatives include: forward contracts, futures, options, and swaps. The above derivatives can have equities, fixed income, interest rates, and currencies as underlying instruments.
- 8.4 When a swap or an option contract is entered into with an external counterparty (e.g. a financial institution), the counterparty shall have at least an A- credit rating by S&P or an equivalent credit rating from another credit rating agency, unless otherwise approved by the Board. Forward contracts are restricted to financial institutions having a credit rating of A- or higher by S&P or an equivalent credit rating from another credit rating agency.
- 8.5 bclMC may use derivatives to hedge the Plan's exposure to a specific foreign currency for defensive purposes.
- 8.6 The use of any additional derivative products other than that stated above shall require the prior written consent of the Board.

Section 9: Performance Reporting

9.1 bclMC shall provide the Board with periodic¹ reports on the performance of the Fund. These periodic reports shall include the following information:

- net cash flows;
- Fund values;
- investment returns for the total Fund and individual pooled funds as well as all stated benchmarks;

¹ For the purpose of section 9.1, "periodic" means not less than twice each year.

- signed compliance certificate confirming compliance with this Statement;
- key changes in investment personnel;
- investment strategy for the next quarter; and
- investment management fees (including external manager fees, custodial, legal, and audit fees).

The compliance certificate shall report any breaches of this Statement as well as any material breaches of bclMC's internal pooled fund policies.

- 9.2 The returns of the Fund are calculated using market values derived from independent pricing sources. Returns are time-weighted so that cash flows have a minimal effect on return numbers. All income is included on an accrued basis. Return calculations are in accordance with industry standards. This includes using internal rates of return for private placements and similar type investments.
- 9.3 The return from foreign indices or benchmarks applicable to asset classes shall be calculated in Canadian dollar terms on an unhedged basis.
- 9.4 The Board shall compare the pooled fund's investment performance relative to the appropriate index return, and where appropriate shall compare actively managed asset classes to a universe of managers with similar mandates, at least once a year. It is recognized that manager universe comparisons must be interpreted with caution as there can be key differences in the nature of the portfolios (e.g., size) included in the universe. bclMC shall advise the Board periodically² of the portion of total public equities and of each equity asset class that are managed under active, indexed, and enhanced indexed strategies. bclMC shall advise the Board periodically of the return of each equity asset class relative to its policy benchmark.
- 9.5 Once a year, bclMC shall provide the Board with a more comprehensive report outlining the performance of the Fund. This annual review shall include an attribution analysis. Attribution analysis quantifies the impact of specific active management decisions (including security selection and tactical asset allocation) for the liquid assets relative to the liquid asset benchmark.
- 9.6 bclMC shall advise the Board periodically of the diversification of the mortgage, real estate and private placement pools in which the Fund participates.

² For the purpose of section 9.4, "periodically" means not less than twice each year.

- 9.7 Real Estate is valued less frequently than liquid assets due to cost and complexity of valuation. At least once a year, bcIMC shall provide the Board with a report on the domestic and international real estate programs in which the Fund participates.
- 9.8 Private Placements, Infrastructure, and Renewable Resources investment programs are valued less frequently than liquid assets due to cost and complexity of valuation. At least once a year, bcIMC shall provide the Board with a report examining the performance of the pools in which the Fund participates.
- 9.9 bcIMC shall inform the Board of any substantial change in the investment policy underlying any pooled fund in which the Plan is invested.
- 9.10 bcIMC shall report to the Board annually on whether its securities lending policies adhere to the Office of the Superintendent of Financial Institutions guidelines and whether it has made any changes to its securities lending policies.

Section 10: Risk Management

- 10.1 Managing investment risks is just as important as generating returns. Maintaining a well-diversified portfolio is the cornerstone of the Fund's risk management program.
- 10.2 The Fund may not sell short or borrow securities or purchase securities on margin.
- 10.3 The Board, or Pension Corporation, shall inform bcIMC at least annually of anticipated liquidity requirements. The Fund shall maintain sufficient liquidity to meet its financial obligations as they come due. In the event of unanticipated withdrawals or cashflows, bcIMC may run a temporary overdraft, rather than liquidate investments, if it is considered to be in the best financial interest of the Fund.

Section 11: Valuation of Assets

- 11.1 As a general rule, all investments should be priced based on external sources on an ongoing basis. However, in some cases, obtaining ongoing market pricing may be prohibitively expensive (e.g., certain illiquid investments such as real estate and private placements). These assets shall be valued less frequently, but at a minimum, at least once a year.
- 11.2 Any assets that cannot be marked-to-market on a regular basis (e.g., real estate and private placements) shall have their value determined in accordance with the valuation policies established by the external

managers, in accordance with standard industry practices. These values shall be reviewed by bcIMC.

Section 12: Responsible Investing and Voting Rights

- 12.1 At all times, this policy shall be conducted within the framework of fiduciary responsibility. It shall therefore be implemented in a manner which does not interfere with the efficient investment of the Fund's assets to achieve investment return objectives, which are in the best financial interests of the Plan's current and future beneficiaries.
- 12.2 Pursuant to Section 4.8 and subject to Section 12.1, favourable consideration is to be given by bcIMC and its investment managers to investment opportunities in corporations that meet or exceed all environmental regulations and aspire to reduce the impact of their operations on the environment, apply best practices for corporate governance, adopt good standards of safety and employee welfare, and be responsible in their operations by effectively managing relationships with suppliers, customers and communities.
- 12.3 In keeping with the Board's fiduciary responsibilities and framework, the Board believes that environmental, social, and corporate governance ("ESG") issues can affect investment performance to varying degrees across companies, sectors, regions, asset classes and through time. In this regard, the Board supports the UN-supported Principles for Responsible Investment, introduced in April 2006 (<http://www.unpri.org/principles/>). By applying these principles, the Board recognizes that effective research, analysis and evaluation of ESG issues is a fundamental part of assessing the value and performance of an investment over the long-term.
- 12.4 The Board delegates its voting rights to bcIMC and instructs bcIMC to act in the best financial interests of the Fund. In addition to proxy voting, bcIMC uses shareholder engagement to encourage companies to focus on long-term value creation by effectively managing ESG risks that may emerge over time and materially affect the valuation of the company and/or asset. The Board believes that engagement is a more effective tool for seeking to initiate change to and influence corporate practices than divesting. As an active and engaged investor, bcIMC expects and encourages the companies within its portfolio to apply good corporate governance practices, effectively manage their business relationships, and be responsible in their operations. bcIMC's engagement activities are based on strategic ESG priorities and, as a result, ESG matters are addressed to the extent that they influence risk and return of the Fund.

- 12.5 bclMC shall provide the Board with copies of its corporate governance guidelines and at least once a year the Board shall review bclMC's voting record.

Section 13: Conflict of Interest and Code of Ethics

- 13.1 Members of the Board (whether appointed as a Trustee or as an Alternate Trustee) are subject to the Municipal Pension Plan Trustee Code of Conduct, including the conflict of interest provisions contained in part V of the Code.

- 13.2 Because bclMC and its investment managers are involved in the ongoing management of the Fund, they are required to have a more comprehensive and thorough conflict of interest policy, which shall meet or exceed the standards established for the investment industry by the CFA Institute. bclMC shall make disclosure in accordance with section 12.3 if any of its employees or agents materially breach their internal conflict of interest guidelines.

- 13.3 Procedure on Disclosure of Conflict of Interest

Members of the Board shall disclose the nature and extent of their actual or perceived conflict of interest in accordance with part V of the Municipal Pension Plan Trustee Code of Conduct.

bclMC shall disclose any conflict of interest in accordance with the provisions of its service agreement with the Board and its own conflict of interest policy referred to in section 13.2.

Section 14: Implementation

The Board has decided to implement the investment policy through investments managed by bclMC, in accordance with section 5. The pooled funds in which the Board has agreed to participate are listed in the attached Appendix A. By participating in a particular pooled fund, the Board acknowledges that it has reviewed the pooled fund's internal investment policy and finds it acceptable. If bclMC makes any material change to the investment policy of a particular internal pooled fund listed in Appendix A, they shall disclose the change to the Board and, subject to the pooled portfolio rules, the Board shall decide whether it wishes to remain invested in that pooled fund.

Appendix A Eligible Pooled Funds – Effective June 24, 2015

Asset Class Categories Under Section 5.2	Eligible Pooled Funds	Benchmarks
Short Term	<i>Canadian Money Market Fund (ST1)</i>	<i>FTSE TMX Canada 30 Day T-Bill Index</i>
	<i>Canadian Money Market Fund (ST2)</i>	<i>FTSE TMX Canada 91 Day T-Bill Index</i>
	<i>US Dollar Money Market Fund (ST3)</i>	<i>Citigroup 30 Day Treasury Bill Index</i>
	<i>Short Term Bond Fund</i>	<i>FTSE TMX Canada Short Term Government Bond Index</i>
Mortgages	<i>Fixed Term Mortgage Fund</i>	<i>FTSE TMX Canada Short Term Overall Bond Index + 100 bps</i>
	<i>Construction Mortgage Fund</i>	<i>FTSE TMX Canada 365 Day T-Bill Index + 100 bps</i>
	<i>Mezzanine Mortgage Fund</i>	<i>FTSE TMX Canada 365 Day T-Bill Index + 250 bps</i>
Nominal Bonds	<i>Indexed Government Bond Fund</i>	<i>FTSE TMX Canada All Government Bond Index</i>
	<i>Long Term Bond Fund</i>	<i>FTSE TMX Canada Long Term Government Bond Index</i>
	<i>Canadian Universe Bond Fund</i>	<i>FTSE TMX Canada Universe Bond Index</i>
	<i>Global Government Bond Fund</i>	<i>JP Morgan Global Investment Grade Government Bond Index (GBI) (Hedged CAD)</i>
	<i>High Yield Bond Fund</i>	<i>Bank of America Merrill Lynch BB-B US Cash Pay High Yield Constrained Index</i>
Real Return Bonds	<i>Canadian Real Return Bond Fund</i>	<i>FTSE TMX Canada Real Return Bond Index</i>
Canadian Equities	<i>Indexed Canadian Equity Fund</i>	<i>S&P / TSX Composite Index</i>
	<i>TSX Ex Equity Fund</i>	<i>S&P/TSX Composite Index less the return of any excluded companies</i>
	<i>Enhanced Indexed Canadian Equity Fund</i>	<i>S&P / TSX Capped Composite Index</i>
	<i>Active Canadian Equity Fund</i>	<i>S&P / TSX Capped Composite Index</i>
	<i>Active Canadian Small Cap Equity Fund</i>	<i>S&P / TSX Small Cap Index</i>
Global Equities	<i>Indexed US Equity Fund</i>	<i>S&P 500 Total Return Index</i>
	<i>Enhanced Indexed US Equity Fund</i>	<i>S&P 500 Total Return Index</i>
	<i>Active US Equity Fund</i>	<i>Russell 1000 Total Return Index</i>
	<i>Active US Small Cap Equity Fund</i>	<i>Russell 2000 Total Return Index</i>
	<i>Indexed European Equity Fund</i>	<i>MSCI Europe Net Index</i>
	<i>Active European Equity Fund</i>	<i>MSCI Europe Net Index</i>
	<i>Indexed Asian Equity Fund</i>	<i>MSCI Pacific Net Index</i>
	<i>Active Asian Equity Fund</i>	<i>MSCI All Country Asia Pacific ex-Japan Net Index</i>
	<i>Indexed Global Equity Fund</i>	<i>MSCI World ex-Canada Net Index</i>
	<i>Indexed Global ESG Equity Fund</i>	<i>MSCI World ESG Net Index</i>
	<i>Enhanced Indexed Global Equity Fund</i>	<i>MSCI World ex-Canada Net Index</i>
	<i>Active Global Equity Fund</i>	<i>MSCI World ex-Canada Net Index</i>
Emerging Markets Equities	<i>Thematic Public Equity Fund</i>	<i>MSCI World ex-Canada Net Index</i>
	<i>Indexed Emerging Markets Equity Fund</i>	<i>MSCI Emerging Markets Net Index</i>
Real Estate	<i>Active Emerging Markets Equity Fund</i>	<i>MSCI Emerging Markets Net Index</i>
	<i>Realpool Investment Fund</i>	<i>CPI plus 4 %</i>
Private Placements	<i>Realpool Global</i>	<i>7% nominal return (primary), CPI plus 4 % (secondary)</i>
	<i>Private Placement Vintage Funds</i>	<i>MSCI All Country World Net Index plus 2%</i>
Infrastructure and Renewable Resources	<i>Infrastructure Funds</i>	<i>8% nominal return</i>
	<i>Renewable Resource Investment Funds</i>	<i>7% nominal return</i>
Other	<i>Currency Hedging Funds</i>	<i>Not applicable</i>
	<i>All Weather Fund</i>	<i>Nominal 6.5% return in US Dollar Terms</i>

Product Descriptions for each of the eligible pooled funds above are available upon request.

APPENDIX B**Asset Class Policies – Legislative Constraints****Federal Pension Benefits Standards Act, 1985 Constraints**

The PBSR requires investments to be made in accordance with the federal *Pension Benefits Standards Regulations, 1985*, which include the following quantitative rules:

- | | | |
|----|--|-----------------------------------|
| 1. | Maximum investment in one company's securities | 10% of the book value of the Fund |
| 2. | Maximum proportion of the voting shares of any company | 30% |

Income Tax Act and Canada Revenue Agency Constraints

1. No money is to be borrowed by the Fund, except for the purpose of acquiring real property or occasionally for 90 days or less as provided in *Income Tax Regulation* 8502(i).
2. No prohibited investment (see *Income Tax Regulation* 8514) may be purchased, such as the securities of a participating employer, if the shares of that employer are not listed on one of the stock exchanges prescribed in *Income Tax Regulations* 3200 or 3201.