

**SUBJECT: UNIVERSITY OF NORTHERN BRITISH COLUMBIA PENSION PLAN
STATEMENT OF INVESTMENT POLICIES****1. Purpose**

The Defined Contribution Pension Plan for the employees of the University of Northern British Columbia was established by the University effective January 1st, 1991. The sponsor and legal administrator of the plan is the University.

Under the terms of the Trust Agreement the Pension Board of Trustees is delegated the duty of administering the Plan. Among its duties, this Pension Board of Trustees is charged with providing "a selection of investment vehicles to Members for the investment of their Employee account and/or Employer account". To do this it may "employ such counsel and agents...it may deem necessary...". This statement of Investment Policies is to provide the guidelines by which investment vehicles and agents are chosen and monitored for the ongoing operation of the Pension Plan.

2. Definitions

The following terms shall have the following meanings unless the context otherwise requires:

"Actively Managed Fund" means an investment fund managed with the objective of the Investment Manager being to make specific investments with the goal of outperforming a benchmark index.

"Agent" means any individual or firm retained on behalf of the Pension Board of Trustees to perform services in support of the Pension Board of Trustees obligations under the Plan or this Statement of Investment Policies.

"Designated Officer" means an employee of the University appointed by the University to sit on the Pension Board of Trustees.

"Fiduciary" means a custodian or a corporation authorized to hold assets for another party.

"First Pensionable Earnings" means those earnings as defined in the UNBC Pension Plan.

"Investment Agent" means the agent appointed by the Board of Governors/University pursuant to a Service and Fee Agreement for the purposes of holding the Employee Accounts, Employer Accounts and Voluntary Contribution Accounts as defined in the UNBC Pension Plan.

"Investment Manager" means an individual or firm that provides investment management services in managing an investment fund.

"Investment Fund" means an investment vehicle managed by an Investment Management Firm and made available to Members through the Investment Agent as one of the available Investment Options.

"Investment Options" means the list of Investment Funds made available to Members as selected by the Pension Board of Trustees from the Investment Agents list of available Investment Funds.

“Member” means a person who is a “Member” as defined from time to time in the Plan

“Passively Managed Fund” means an investment fund managed with the objective of the Investment Manager being to hold investments that track broad market indices.

“Pension Board of Trustees” means the Trustees charged with the general administration and trusteeship of the UNBC Pension Plan, as identified in the UNBC Pension Trust Agreement.

“Pension Fund” means the “Fund” as defined in the UNBC Pension Trust Agreement.

“Pensionable Earnings” means those earnings as defined in the UNBC Pension Plan.

“Plan” means the University of British Columbia Pension Plan as amended from time to time.

“Staff” means those University Employees specifically assigned to the Pension Board of Trustees to provide secretarial and administrative support.

3. Type of Plan and Risk/Return Considerations

3.1 Plan Description

The Plan is a defined contribution pension arrangement and is intended to provide the Members with a vehicle for retirement savings. Neither the University nor the Pension Board of Trustees makes any investment decisions for individual Members beyond providing a selection of Investment Options from which the Members may choose where to invest their, and the employer's, contributions. The Pension Board of Trustees will also provide a selection of retirement options from which the Members may choose at the time of retirement.

Each Member of the Plan will have two accounts in their name; an Employee Account and an Employer Account. The University is required to contribute the following on behalf of each Member:

Employee Account:	3% of the first pensionable earnings and 5% of the balance.
Employer Account:	8% of the first pensionable earnings and 10% of the balance.

The Members may make voluntary contributions to the Plan up to the maximum amount permitted by the Income Tax Act, such contributions to be held in a separate Voluntary Contribution Account in the Member's name.

An Investment Agent will be appointed to receive the contributions and distribute them among the Investment Options according to the directions given by individual Members.

The Pension Board of Trustees will select the Investment Options that are offered to the Members from the list of Investment Funds available to the Pension Board of Trustees through the Investment Agent.

At retirement the assets (total of the Employee account and the Employer account) in a Member's account are converted into a prescribed retirement arrangement for the Member. Members may elect an alternate arrangement for any assets in their voluntary contribution account.

A legal description of the Plan and its operation can be found in the Trust Agreement, a copy of which is available on the UNBC Web Site or in hard-copy from the Human Resources Department.

3.2 Assumptions of Investment Risk and Risk/Return Considerations

It is inherent in the design of a defined contribution pension plan that each Member assumes all of the investment risk (and rewards) associated with the Investment Funds in which the Member chooses to invest. A Member's retirement benefit is thus dependent on the investment decisions the Member makes prior to retirement. Since Members determine how the funds in their accounts are invested the University and its Governors, Directors, Officers, Employees, and the Pension Board of Trustees and Agents are not responsible for the rates of return earned on Investment Funds with any Member's accounts.

Investment objectives differ for each Member depending on such things as Member's age, expected retirement age, tolerance for risk, financial situation and other characteristics specific to the Member. Members are encouraged to adopt an investment strategy appropriate to their personal objectives. Standard investment information on each of the Investment Funds offered will be made available to Members in order for them to make informed investment decisions that will meet their personal objectives. Individual Members have the responsibility to make their own investment decisions (and this includes making appropriate use of all materials and advice available) and undertake periodic reviews of these decisions.

3.3 Type of Investment Funds

The type of Investment Options made available for investment shall only be those permitted by the BC Pension Benefits Standards Act and Regulations and the Income Tax Act (Canada).

4. University Responsibility

4.1 Parties Involved with Plan Administration

The University has the ultimate responsibility for the Plan. The Board of Governors of the University has the sole power to amend or terminate the Plan and to appoint some members of the Pension Board of Trustees (the other members are representatives of the employee groups).

The Pension Board of Trustees acts on behalf of the Board of Governors in matters relating to the Pension Plan. Among other duties the Pension Board of Trustees oversee the management and administration of the Plan and the Pension Fund. The Pension Board of Trustees reports annually to the Board of Governors on the state of the Pension Fund and may at any time make recommendations for changes to the terms and conditions of the Plan. All Pension Committee minutes shall be made available to the Board of Governors at their request.

The Human Resources Director of the University (or other such officer(s) as the University may periodically designate) will make available and supervise such employees of the University as are necessary to operate the Plan and carry out the instructions of the Pension Board of Trustees. Designated Officer(s) shall sit as members of the Pension Board of Trustees, reporting to the Pension Board of Trustees and assisting the Pension Board of Trustees in making its annual report to the Board of Governors.

All Agents and other Fiduciaries will take instructions from Designated Officers, which instructions must be consistent with the terms of the UNBC Pension Trust Agreement, this statement of Investment Policies and all instructions given them by the Pension Board of Trustees.

4.2 Selection of Investment Options

The Pension Board of Trustees will decide which Investment Funds will be offered to Members and will approve the hiring and termination of the Investment Agent who administers the Investment Options. In making these determinations the Pension Board of Trustees may rely on information from Staff or other appropriate advisors.

4.3 Investment Education

The Pension Board of Trustees has a responsibility to the Members to create and maintain an environment that assists Members to make prudent investment choices. The Pension Board of Trustees is responsible for ensuring that appropriate investment education and information are provided to Members on an ongoing basis to facilitate informed investment decision-making relative to the personal characteristics and investment objective of the Members.

Staff shall, with the Investment Agent, support the Pension Board of Trustees in the coordination and development of educational and communication programs. Members shall receive a description of the Investment Options under the Plan and, with respect to each Investment Fund, a general description of the investment objectives and the risk and return characteristics. While investment counselling to the Members will not be provided, access to investment information will be made available.

4.4 Administration and Investment Expenses

The University will be responsible for the Pension Fund audit and Plan administration costs (eg. staff support for the administration of the Plan). Investment expenses, including investment management fees and transaction costs, will be deducted directly from individual Member accounts.

4.5 Insurance and Bonding

Staff shall review annually the bonding and insurance arrangements of each Fiduciary (including the Investment Agent) and determine what protection they provide to the Plan and the Members against losses incurred that are not associated with ordinary investment risk. Staff will report the results of this review to the Pension Board of Trustees who will take action if any is required.

4.6 Member Responsibility for Investment Direction

Each Member shall give instructions to the Investment Agent regarding the manner in which the Member's contributions are to be allocated among the Investment Options. A Member may transfer assets between all of the Investments Funds offered. These instructions will be carried out generally no later than the next business day following the date that the instructions were received by the Investment Agent.

5. Pension Board of Trustees Responsibilities

The Pension Board of Trustees responsibilities, all of which it shall carry out with the Staff's assistance, include:

- a) annually reviewing this Statement of Investment Policies and making changes where necessary;
- b) regularly monitoring and evaluating the performance of the Investment Agent;

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- c) annually evaluating each of the Investment Fund's continued appropriateness for the Members and making changes where necessary;
 - d) recommending to the Board of Governors the hiring and termination of the Investment Agent;
 - e) acting as liaison for the Members of the Plan;
 - f) recommending to the Board of Governors changes to the UNBC Pension Trust Agreement; and,
 - g) dealing with any other issues relevant to the Plan.

6. Investment Agent Responsibility

The Investment Policy defines the guidelines for the selection of the Investment Agent and the criteria for monitoring the performance of the Investment Agent. The Investment Agent must:

- a) offer a wide range of Investment Options from a diverse group of Investment Management Firms. These Investment Options must include the following asset classes; Balanced, Bonds, Short Term, Canadian Equity, International Equity and US Equity.
- b) provide investment management services to the Pension Fund and produce reports that conform to generally accepted principles of accounting and abide by the rules and regulations laid down in the BC Pension Benefits Standards Act and Amendments.
- c) give the Members access to a website where they can, on a daily basis, get current information about the number of shares they have in each Investment Fund and the current price per share as well as monthly and annual rates of return in table form. Through the website the Members must be able to transfer between Investment Options and change the designation of their contributions and the contributions of the employer.
- d) also offer a paper system that allows Members to transfer between Investment Options and change the designation of contributions.
- e) offer the possibility of daily transfers within the Investment Options offered for all assets in the Members portfolio.
- f) provide educational materials and seminars for Members with respect to the various Investment Options made available to the Members. Member education shall include, but not be limited to, such topics as 1) the impact of time horizons for investments, 2) risk and return expectations for various asset classes, 3) asset mix and asset volatility.

7. Evaluation of the Investment Agent

In reviewing the Investment Agent's performance, the Pension Board of Trustees will consider such factors as organizational changes and communication skills as well as the training and education provided to Members. A formal review of the Investment Agent will take place when there is an increase in management fees, when there is a change of ownership or at the discretion of the Pension Board of Trustees.

8. Selection of Investment Funds

The Pension Board of Trustees will choose the funds to be offered to the Members from the funds available through the Investment Agent. In choosing these funds, the Pension Board of Trustees will provide a selection of funds that will allow Members to construct efficient investment

portfolios. Fund options will include both Balanced and asset class specific funds as specified in Section 6. Where applicable, there should be funds that are passively and actively managed and following different investment styles.

9. Monitoring Fund Performance

On a quarterly basis the Pension Board of Trustees will receive a performance measurement report from an independent third party showing the performance of each Investment Fund. Measurement will give consideration to whether the fund is "actively managed" or "passively managed".

Actively Managed Funds are expected to place above the median for a representative asset class on a moving four-year basis.

Passively Managed Funds are expected to obtain a tracking error between +/- 0.2% and a positive value added on a moving four-year basis in relation to the representative benchmark.

If necessary, the Pension Board of Trustees may replace an underperforming fund.

The Pension Board will annually review each Investment Management Firm for material change in organizational structure and personnel. If the change in the firm is seen by the Board to be detrimental, the Pension Board of Trustees may replace the Investment Funds that are affected.

10. Conflicts of Interest and Disclosure Requirements

The policy guidelines below apply to:

- a) a member of the Pension Board of Trustees;
- b) the University;
- c) a custodian or other Fiduciary; and,
- d) any employee or agent retained by those listed in 1, 2 and 3 to provide services to the Plan.

A conflict of interest, whether actual or perceived, includes for the purposes of this policy any circumstances in which any person listed above:

- a) owes a duty to another person which may conflict with his or her duties to the Plan, the University or the Members, or
- b) may materially benefit from knowledge of, or participation in, or by virtue of, an investment decision or holding of the Pension Fund.

Any person listed above must disclose the nature and extent of the person's conflict of interest to the Pension Board of Trustees immediately in writing.