

Selecting, Reviewing and Replacing Managers

Manager Review Frequency

This Statement shall be reviewed by the Academic Pension Board and Administrative Pension Board, hereafter referred to as the Joint Pension Board, no less frequently than annually, and shall be confirmed or amended at that time.

Quarterly Performance Reviews

A summary of the short and long term performance of each investment fund and each manager is reviewed by the Joint Pension Board at the end of each quarter of the calendar year. The investment consultant provides details on relative performance and, where possible, an attribution analysis for the deviation from the benchmark for each manager and investment fund. Quarterly reports received from the investment managers are also provided to the Joint Pension Board for this review. The Director, Investments, or the Associate Director, Investments, will be asked to research certain issues based on this review. In assessing performance, in all cases the primary emphasis is performance relative to a market benchmark and not relative to a universe of competing managers.

Annual meeting with the Joint Pension Board and Internal Investment Staff/External Consultant

Each year, the Joint Pension Board ensures that the portfolio managed by each manager is reviewed. The Director, Investments, or the Associate Director, Investments, meet with each manager periodically and an external investment consultant meets with each manager every year and reports to the Joint Pension Board. Where practicable, Joint Pension Board members are invited to attend the meetings that take place at the manager's office, while meetings that take place at the University are held in conjunction with the regular meetings of the Joint Pension Board. Based on recommendations made by the investment consultant and the Director, Investments, or the Associate Director, Investments, the Joint Pension Board will discuss changes or issues with the manager.

The Director, Investments, or the Associate Director, Investments, consider the latest manager performance, the most recent review from the investment consultant, the current investment objectives and the current fee schedule. If there has been an organizational change with the manager, a deviation from the mandate or if there is a concern about recent performance or any other concern, a meeting with the manager is arranged and they are informed of the specific concerns of the Joint Pension Board. The results of the meeting may include a change in mandate, a change in fee structure or a change in manager which is then recommended to the Joint Pension Board.

The Director, Investments, or the Associate Director, Investments, also monitor passive investments on behalf of the Joint Pension Board. As part of this review, performance of the funds versus the underlying indexes is reported back to the Joint Pension Board. Should a passive investment provider experience a significant administrative error or deviate from the target return, the Director, Investments, or the Associate Director, Investments, shall follow the same formal review process for active management and report the results back to the Joint Pension Board.

The appropriateness of the benchmark used for each mandate will be re-assessed annually.

Research and Opinions provided by Consultants

Investment consultants are retained to provide the Director, Investments, or the Associate Director,

Investments, with their latest research regarding the investment management organization and their products. The external investment consultant provides periodic reports on the products offered by most investment management organizations. These reports include commentary on the investment staff, organizational stability, portfolio construction, security selection, investment implementation and research by the firm with respect to the specific product being reviewed.

The external investment consultant generally provides an overall recommendation for the product which can assume one of four values: HIRE, RETAIN, REVIEW, TERMINATE. For actively managed products, the recommendation is based on the degree of confidence the consultant has with respect to a manager's ability to perform relative to a benchmark. The Joint Pension Board generally holds these opinions in high regard, since it is difficult to argue that the Joint Pension Board can have any better information than the consultant may have with respect to the internal operations of a manager. The rankings are used by the Joint Pension Board as one of several factors assisting them in their decisions.

Actions taken when under performance are observed.

The Joint Pension Board's response to underperformance recognizes that all active managers will have such episodes and the response will depend on the nature of the asset class and the manager's style. The Joint Pension Board may choose to meet with the manager regarding the underperformance.

If the under performance continues, the Joint Pension Board will review the appropriateness of the benchmark, the nature of the manager's style and re-evaluate their investment objectives. The period of evaluation of results, as agreed upon in the manager mandate, generally is observed before making any recommendations on the future of the manager's mandate. The Director, Investments, or the Associate Director, Investments, may recommend holding the manager because they believe the manager is still the best choice for meeting the objectives. Alternatively, the Director, Investments, or the Associate Director, Investments, may recommend that the Joint Pension Board consider replacing the manager.

Where returns from passive investments significantly deviate from the benchmark return, the Joint Pension Board will review reasons for the tracking error. The Joint Pension Board along with the Director, Investments, or the Associate Director, Investments will determine whether action is required to remedy any excessive tracking error or to replace a passive manager.

Actions taken when Consultant opinion changes

When the investment consultant has downgraded their recommendation on a manager, the Director, Investments, or the Associate Director, Investments, first review the report prepared by the consultant to identify the source for their concern. Generally only downgrades to REVIEW or TERMINATE merit additional investigation. When a manager's product is recommended for REVIEW, the Director, Investments, or the Associate Director, Investments, will meet with the manager to discuss the concerns presented by Russell Investments. The Director, Investments, or the Associate Director, Investments, will then determine if he believes the manager has a well thought out plan to address the concerns raised. Changes in ranking will be reported to the Joint Pension Board who will decide if further action is required by the Director, Investments or the Associate Director, Investments. Some actions that may be considered include:

- a) withhold all future cash flows to the manager, if a multi-manager fund
- b) rebalance the portfolio, allocating less weight to the manager in question
- c) identify the administrative issues with discontinuing the portfolio (e.g. Notification period, termination clauses)

When the external investment consultant issues a TERMINATE recommendation, then the Director, Investments, or the Associate Director, Investments, will go through the same process as for a downgrade to a REVIEW, however, the Joint Pension Board will strongly consider alternative managers for the portfolio. Some actions that may be considered include:

- a) withhold all future cash flows to the manager, if a multi-manager fund
- b) terminate the manager and invoke the backup manager strategy that has been previously agreed to
- c) initiate a search for a replacement manager
- d) identify and estimate the costs in changing managers and develop strategies for minimizing those costs
- e) Terminate the manager once a replacement manager has been selected

Actions when administrative problems arise

When administrative problems arise which may include failure to report information, inaccurate accounting of funds, difficulty in making allocations and redemptions with the manager, and failure to complete documentation required, the Director, Investments, or the Associate Director, Investments, based on the advice of other internal staff, may make recommendations. Some of the actions that may be considered include:

- i. meet with the manager to clarify the reporting and documentation required
- ii. request an external audit of the accounting procedures
- iii. determine the implementation costs associated with the manager in comparison to alternative managers
- iv. discount the expected value added by the administrative aggravation to judge whether the manager should continue to be retained
- v. request fee forgiveness or reimbursement of expenses if the administrative issues are clearly the result of the manager's actions

Policy on Responsible Investing and Environment, Social and Governance Factors

Environmental, Social, and Governance (ESG) factors are defined as follows:

- the observable impact of corporate activity on the environment
- human rights and work standards in corporate operations
- the observable impact of corporate activity in communities

The Mission of the Joint Pension Board is to provide members with the opportunity to accumulate adequate funds for retirement. The duty of the Joint Pension Board is to maximize investment returns without undue risk. The Joint Pension Board recognizes that environmental, social and governance factors may have an impact on corporate performance over the long term, although the impact can vary by industry.

The Joint Pension Board leaves the decision to exclude a stock to the investment managers hired to manage a portion of the portfolio, as they possess the necessary expertise and information to make the

decision that is in the best interest of the Pension Fund.

The Joint Pension Board may offer a socially responsible investment option on a stand-alone basis. That investment option will specifically consider ESG factors in its investment process. The investment option(s) offered must provide competitive risk-adjusted returns.

The Joint Pension Board does not require investment managers to take ESG factors into account when selecting investments or exercising voting rights. Should investment managers decide to take ESG factors into account, the Joint Pension Board requires these factors should only be considered if they are expected to have a desirable impact on the risk and return profile of the investment.

In order to monitor the impact of these factors on Plan performance, the Director, Investments, or the Associate Director, Investments, will ask all external managers, as part of their annual review, to disclose all actions they've taken in regard to ESG factors and their impact on the fund. This information will be included in the annual report, manager review reports or request for proposal presented to the Joint Pension Board. The treatment of ESG factors in a manager's investment process will be key factor in selecting a socially responsible investment option. For all other investment options, the treatment of ESG factors will be assessed based on the impact on the risk and return profile of the portfolio.