

**STATEMENT OF INVESTMENT POLICIES AND  
PROCEDURES**

**FOR THE**

**CANADIAN COUNCIL OF CHRISTIAN CHARITIES  
EMPLOYEES PENSION PLAN**

**REGISTRATION NUMBER**

**#0446773**

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## **FOREWORD**

The Canadian Council of Christian Charities Employees Pension Plan is a Defined Contribution Plan, which has been specially designed to assist employees of participating employers in building a retirement fund. It is the intent of the program to help create a solid foundation for deferred compensation. The investment management and resulting returns on the assets of the plan will have a direct effect on achieving this goal. The Trustees are responsible for ensuring that the pension plan funds are managed in a prudent and effective manner.

This Statement of Investment Policies and Procedures (SIP&P) provides a means for the Trustees and plan members to measure and monitor performance against stated objectives.

The SIP&P must be formally reviewed on an annual basis. This process provides the Trustees with an opportunity to analyze and assess the pension plan's requirements, and devise investment policies and strategies to meet those needs.

All pension plans registered with the Financial Services Commission of Ontario (FSCO) must adopt a SIP&P, except pension plans invested in deposit administration contracts regulated by the Insurance Act.

The FSCO will not offer an opinion on the appropriateness of any investment policy for a particular pension plan, however minimum filing requirements must be met. These include:

- Type of pension plan
- Conflict of interest policy
- Conflict of interest disclosure
- Nature of plan liabilities
- Investment objectives
- Allowable investments and loans
- Asset mix policy
- Portfolio diversification
- Securities or cash lending
- Retention/delegation of voting rights

**SECTION I**  
**INTRODUCTION**

This investment policy is structured for the Canadian Council of Christian Charities Employees Pension Plan (hereinafter called the Plan), and has been created and approved by the Trustees.

**NATURE OF THE PLAN**

The Plan is a multi-employer defined contribution plan whose participating employers represent Christian organizations across Canada. Each of the participating employers has a participation agreement which stipulates the rules and guidelines to be followed for such participating employer. Participating employers are able to set the employer contribution at a level between 1.5–18% of member salaries. The member contribution will be 5% unless otherwise stipulated in the participation agreement.

The level of a plan member's pension depends upon the accumulation of the combined contributions of the participating employer and the plan member, if any. The level of a plan member's pension is also dependent on the investment performance of the aggregate fund, and the pension vehicle chosen at retirement.

The funds are invested with professional investment managers in an asset allocation determined by the custodian.

## SECTION II

### FUND GOVERNANCE

#### INVESTMENT MANAGEMENT ORGANIZATION

The investment manager retained to invest assets of the pension fund will provide statements to the Plan as required. Representatives from the pooled funds offered will meet with the Trustees as required.

The investment manager, in accordance with this SIP&P, shall invest the fund in its entirety in a prudently diversified manner. The Trustees may modify this statement at any time. Any such change shall be promptly communicated to the custodian.

Copies of the Manager's investment policy statement for the pooled fund(s) are attached as Appendix A. The Committee adopts the guidelines of these statements.

#### THE TRUSTEES

The Trustees and its advisors will bear the responsibility of directing the Plan. They will meet at least two times annually and have the following responsibilities:

##### The Trustees will:

- Review the SIP&P annually.
- Select a custodian to invest the various fund assets.
- Evaluate the choice of investment vehicles and performance in conjunction with the SIP&P and benchmark objectives.
- Select an administrator to hold, invest and record the various fund assets.
- Monitor the custodian relative to the Investment Objectives and Policy Statement.
- Review and report to participating plan members at least annually on the fund performance.
- Assess ongoing educational requirements for plan members.
- Be responsible for the delegation of any responsibilities to advisors of the plan.

##### The Investment Manager will:

- Select securities within each asset class, subject to applicable legislation and the constraints and directives contained in this Policy and in any supplementary documents provided by the Trustees;

At least annually, present reviews and analysis of investment performance, as well as a summary of expectations for future returns on various asset classes and proposed investment strategies for the following period;

Follow the mandate of the Trustees as outlined in this document.

Provide the Trustees with annualized rates of return for the total fund and each asset class on a monthly basis and the asset mix at the end of each month calculated using market value.

Inform the Trustees promptly of any element of the Policy that could prevent the attainment of the Plan's objectives.

The Recordkeeper will:

Provide the Trustees with periodic portfolio reports of all assets of the Plan and monthly reports of all transactions during the period.

MONITORING

The Trustees shall meet at least semi-annually to:

1. Evaluate statistics on the investment performance of the fund(s) and custodian.
2. Review the structure of the fund to ensure compliance with the SIP&P.
3. Review the assets, liabilities and net cash flow of the fund.
4. Discuss the current economic outlook.

An overall analysis of fund performance shall be prepared at least semi-annually, which will include:

1. Annual and annualized return(s) of the fund(s).
2. Returns relative to benchmarks identified in the SIP&P.
3. Returns relative to measures of risk.
4. A commentary on the fund and any significant or material changes of the custodian's organization that could potentially impact future performance.

With the investment manager, a mandate will be agreed upon within which the custodian is expected to operate, including discretion limits, diversification, quality standards and performance expectations. This mandate shall reflect the objectives and constraints of the SIP&P.

## CONFLICT OF INTEREST POLICY, DISCLOSURE REQUIREMENTS, AND SELF-DEALING RULES

These guidelines apply to:

- a) Trustees
- b) Custodian
- c) Pension Consultant
- d) Administrator
- e) Any employee or agent retained by those listed in a) to d) to provide services to the Plan

### CONFLICT OF INTEREST

Any person listed above must disclose any direct or indirect association or material interest or involvement in aspects related to his role with regard to the Plan investments that would result in any potential or actual conflict of interest.

Without limiting the generality of the foregoing, a conflict of interest arises when one of the individuals governed by the Guidelines receives a benefit from any asset held in the Plan, or a benefit from any actual or proposed contracts with the issuer of any securities which are or will be included in the pension fund. Where the assets of the Plans are invested in other than pooled funds, the individual must disclose his membership on the board of directors of any corporation or any significant holdings in the securities issued by any corporation.

#### Procedure On Disclosure

Any person listed above shall disclose the nature and extent of his conflict to the Administrator and the Trustees in writing, or request to have entered in the minutes of a meeting of the Trustees at the earliest of:

- (i) upon first becoming aware of the conflict;
- (ii) at the first meeting in which the matter in issue is discussed;
- (iii) at the first meeting in which he knows or ought to have known that he has an interest in the matter discussed.

For the purposes of (ii) above, the disclosure must be made verbally if knowledge of the conflict arises in the course of a discussion at the meeting.

If the party does not have voting power on decisions affecting the Plan, he may elect not to participate in the activities related to the issue in conflict, or he may continue his activities with the approval of the Trustees.

If the party disclosing the conflict is a Trustee, he may continue in his activities in respect to the issue in conflict only with the unanimous approval of the other Trustees. In this situation he may elect not to participate with respect to the issue in conflict. The notification made by him shall be considered a continuing disclosure on that issue, subject to any future notification by him, for the purpose of the obligations outlined by these guidelines.

### RELATED PARTIES

- 1) The administrator of the Plan shall not, directly or indirectly,
  - a) lend the monies of the plan to a related party or invest those monies in the securities of a related party; or
  - b) enter into a transaction with a related party on behalf of the plan.
  
- 2) The administrator of the Plan may enter into a transaction with a related party on behalf of the plan if:
  - a) the transaction is required for the operation or administration of the plan; and
  - b) the terms and conditions of the transaction are not less favourable to the plan than market terms and conditions; and
  - c) any securities are acquired at a public exchange; and
  - d) the value of the transaction is nominal or the transaction is immaterial to the Plan.

### POLICY REVIEW

This SIP&P will be reviewed annually during the first half of the calendar year, and otherwise whenever a major change is apparent or necessary. Such review may be caused by:

significant revisions to the expected long-term trade-off between risk and reward on key asset classes, dependent upon basic economic/political/social factors;

shortcoming(s) of the policy that emerge(s) in its practical operation or significant modifications that are recommended to the Trustees by the investment manager(s).

**SECTION III**  
**INVESTMENT POLICY**

The custodian responsible for managing the investment funds at the date of this filing is identified in Appendix I.

**Member Benefits & Investment Direction**

The Pension Plan is a contributory defined contribution plan. The level of a Plan Member's pension depends upon the accumulation of the combined contributions of the participating employer and the plan member, within the funds. The level of a Plan Member's pension is also dependent on the investment performance of the funds, and the annuity rates at the time of retirement.

The contribution formula for the Plan Member will be outlined within their employer's Participating Agreement.

Investment risk is borne by the Plan Members. Accordingly, the Plan provides flexibility to Plan Members to allocate their individual Plan account contributions, in proportions which each participant considers appropriate, among a selection of Pooled Funds and guaranteed investments. The plan member will provide investment direction for both the employer's and the plan member's contributions.

**Nature of Plan Liabilities**

While many plan members will retire from the Plan, a significant number of plan members will terminate prior to retirement and transfer their accumulated retirement savings to an individual locked-in RRSP or to another pension fund. If members' funds are not locked-in, they will receive member account balances in cash or as a transfer to another registered account. This plan is funded in accordance with the requirements of the Pension Benefits Act of Ontario and the Income Tax Act (Canada).

The three main factors that determine the amount available to purchase retirement income are:  
contributions throughout the plan member's time of employment  
investment returns throughout the plan member's time of employment  
long-term interest rates at the date(s) of retirement from the CCCC pension plan.

## General Investment Guidelines

- 1) The Plan shall provide that the monies of the fund are to be  
Invested in accordance with Schedule III of the Act; and  
Invested  
-in a name that clearly indicates that the investment is held in trust for the Plan and, where the investment is capable of being registered, registered in that name;  
-in the name of a financial institution, or a nominee thereof, in accordance with a custodial agreement or trust agreement, entered into on behalf of the Plan with the financial institutions, that clearly indicates that the investment is held for the Plan, or  
-in the name of The Canadian Depository for Securities Limited, or a nominee thereof, in accordance with a custodial agreement or trust agreement, entered into on behalf of the Plan with a financial institution, that clearly indicates that the investment is held for the Plan.
- 2) The recordkeeper of the Plan shall maintain a current record that clearly identifies every investment held on behalf of the plan, the name in which the investment is made and, where appropriate, the name in which the investment is registered.

## INVESTMENT OBJECTIVES

The investment objectives, which follow, are established for the purpose of providing measurable goals to be achieved by the investment manager of each of the pooled funds offered to members of the defined contribution plan. There are eight pooled funds offered representing six clear and distinct asset classes to allow for adequate diversification of risk for the plan member. Also available are Guaranteed Investment Certificates.

The four pooled funds representing separate asset classes are;

1. Canadian Equity (2)
  2. Balanced (2)
  3. Bond
  4. U.S. Equity
  5. International Equity
  6. Money Market fund
- In the Canadian Equity pooled fund the gross performance of the investment manager will exceed the S&P TSX Total return index by 1% on a four-year moving average basis. The investment manager is also expected to achieve investment results, which are above median on a four-year moving average basis as measured against a universe of Canadian Equity pooled fund managers. A review of the fund will occur after four consecutive quarters of performance below 2<sup>nd</sup> quartile.

- The Canadian Bond pooled fund may either be an indexed fund requiring only passive management tracking the BIGAR Bond Index, or involve active management. In the event active management is selected by the Committee the gross performance of the investment manager will exceed the BIGAR Index by .50% on a four-year moving average basis. The investment manager is also expected to achieve investment results, which are above median on a four-year moving average basis as measured against a universe of Fixed Income pooled fund managers. A review of the fund will occur after four consecutive quarters of performance below 2<sup>nd</sup> quartile.
- In the actively managed U.S. equity pooled fund, the investment manager will meet the S&P Total return index on a four-year moving average basis. The investment manager is also expected to achieve investment results, which are above median on a four-year moving average basis as measured against a universe of U.S. Equity pooled fund managers. A review of the fund will occur after four consecutive quarters of performance below 2<sup>nd</sup> quartile.
- In the International pooled fund the investment manager will meet the Morgan Stanley Capital Inc. (MSCI) EAFE Index on a four-year moving average basis. The investment manager is also expected to achieve investment results which are above median on a four-year moving average basis as measured against a universe of International Equity pooled fund managers. A review of the fund will occur after four consecutive quarters of performance below 2<sup>nd</sup> quartile.
- The gross performance of the Short-term component will meet the SCM 91-Day Canada T-Bill Index.

#### Balanced Pooled Fund

- The gross performance of the investment manager operating the Balanced pooled fund is expected to achieve investment results that are above median on a four-year moving average as measured against the universe of Balanced pooled fund managers. The fund is also expected to exceed its composite balanced index by a margin of 0.75% on a four-year moving average basis. A review of the fund will occur after four consecutive quarters of performance below 2<sup>nd</sup> quartile.

#### Balanced Composite Index

Canadian Equity	35%	TSX Composite Index
Global Equity	15%	MSCI World Index
Bonds	45%	BIGAR Bond Index
Cash	<u>5%</u>	91 Day T-Bills
	100%	

The Trustees have the ability and function to review the performance of the asset classes and managers at any time. It must also be noted that at any time the Trustees may elect to change investment management for reasons other than pure performance.

### In the Event of Underperformance:

If the investment manager fails to achieve the identified benchmark objectives, the following process will be put in place by the Trustees:

A qualitative review of the manager will be prepared addressing the following criteria:

- Personnel
- Investment Process
- Risk Control
- Buy/Sell Disciplines
- Future Growth Plans
- Organizational Structure

A quantitative report will be prepared considering the complete range of risk and return performance relative to the fund's universe.

The Trustees will consider whether the benchmark objective continues to be appropriate.

The Trustees will decide whether there has been a fundamental change at the fund manager's operation which renders the fund no longer appropriate for the Plan's mandate.

If required, the Trustees will conduct a fund manager search for the identified asset class.

### INSTRUMENTS AND ASSETS ELIGIBLE FOR INVESTMENT

From time to time, and subject to the SIP&P, the Fund may invest in any or all of the following instruments or assets. These assets may be obligations or securities of Canadian or non-Canadian entities, the latter subject to the maximum foreign content limitations of the Income Tax Act (Canada):

1. publicly traded common or preferred equity;
2. convertible debentures or preferred securities;
3. bonds, debentures, notes or other debt instruments of government agencies or corporations;
4. warrants, options, futures, forward contracts, or other instruments designed to provide additional income or hedging opportunities for current investments. These instruments will be traded upon recognized public exchanges or, in the case of over-the counter derivatives, the counterparty will have a credit rating of at least A, as defined by a reputable rating agency.

5. Guaranteed Investment Certificates or equivalent of insurance companies, trust companies, banks or other eligible issuers, or funds which invest primarily in such instruments;
6. term deposits or similar instruments of trust companies and banks;
7. cash, or money market securities issued by governments or corporations;
8. real estate investment trusts;
9. mutual or pooled funds, which may invest in any or all of the above instruments or assets;
10. All investments will be made in accordance with Standard III C of the Institute of Chartered Financial Analysts. The standard requires that the custodian, when taking an investment action for a specific portfolio or client, consider its appropriateness and suitability for such portfolio or client. In considering such matters, the custodian shall take into account the needs and circumstances of the client, the basic characteristics of the investment involved, and the characteristics of the total portfolio.

The custodian will use reasonable judgement to determine the applicable relevant factors.

11. All investments will be made in accordance with the Code of Ethics and Standards of Practice of the Association for Investment Management and Research (AIMR).

## ASSET MIX

### Balanced Fund – Asset Mix Policy

The asset mix of the balanced pooled fund shall be based on the discretionary advice of the investment manager and must fall within the following asset mix guidelines:

	<u>Minimum</u>	<u>Maximum</u>	<u>Normal</u>
Canadian Equities	15	65	40
Global Equities*	5	30	20
Bonds	20	65	40
Short-term	0	15	0

*\*Based on book value.*

If for any reason, the investment manager exceeds these limits, they are required to notify the Trustees within 60 days and within that period they will be required to bring the asset mix back within the stated guidelines.

## INVESTMENT GUIDELINES

### Equity Guidelines

1. With respect to Canadian Equities, the proportion invested in any one industry group may not exceed the lesser of:
  - i) 250% of the index weight as broadly defined by the TSX, or
  - ii) 35% of the TSX.
  
2. With respect to Global Equities, the proportion invested in any one country may not exceed the lesser of:
  - i) 200% of the country weight as broadly defined by the MSCI World Index, or
  - ii) 60% of the MSCI World Index.

### Bond Guidelines

The Bond portfolio may be indexed to the BIGAR Bond Universe Index, or be managed actively.

In the event of active management, a Bond portfolio shall mean bonds held in the Fund. The indicated ratings refer to those of the Dominion Bond Rating service (DBRS) or the equivalent rating of another reputable rating agency.

### Government Issues

1. There are no limits on Federal issues or AAA provincial issues.
  
2. Maximum weighting in AA provincials shall be 75% of the market value of the Bond portfolio.
  
3. Maximum weighting in A provincials shall be 50% of the market value of the Bond portfolio.

### Corporate Issues

1. Corporate issues of any corporation shall not exceed 10% of the book value of the Bond portfolio.
  
2. Corporate issues may not exceed 100% of the market value of the Bond portfolio.

### Minimum Quality

1. The minimum average quality of the Bond portfolio shall be A.
2. Up to 10% of the market value of the Bond portfolio may be invested in issues that are rated BBB.

### Duration

The market value weighting of the Bond portfolio must be such that the average portfolio duration must not be less than four years or greater than eight years, excluding any investments in real return bonds.

### Short-Term Investment Guidelines

1. Investments will have an average maturity of twelve months or less.
2. Federal, provincial and corporate notes having a rating of R-1 (Low) rating or higher will be permitted. The ratings refer to ratings of DBRS or the equivalent rating of another reputed rating agency.

### Miscellaneous Guidelines

1. Investments must comply with current federal and provincial legislation and any other legislation, which may be subsequently introduced.
2. Investment activity related to private placement is not permitted.
3. Investment activity related to short sales is not permitted, with the exception of shorting currencies in order to hedge foreign currency exposure.
4. The aggregate amount of the equity portion of the Fund that may be invested in the securities of any one corporation shall be limited to 10% of the book value of the Fund at the time the investment is made. This does not apply to investments in pooled funds that comply with the requirements of the Regulations under the Pension Benefits Act, R.S.O. 1990 of Ontario.
5. The custodian of the Plan shall not, directly or indirectly, invest monies of the Plan in real property or Canadian resource properties if, at the time the investment is made,
  - (a) the book value of the investment in any one parcel of real property of Canadian resource property exceeds 5 per cent of the book value of the Plan's assets;
  - (b) the aggregate book value of all investments in Canadian resource properties exceeds 15 percent of the book value of the Plan's assets; or

(c) the aggregate book value of all investments in real property and Canadian resource properties exceeds 25 percent of the book value of the Plan's assets.

6. The custodian of the Plan shall not, directly or indirectly, invest the monies of the Plan in the securities of a corporation to which are attached more than 30 percent of the votes that may be cast to elect the directors of the corporation.

#### VALUATION OF INVESTMENTS

It is expected that all the securities held by the Fund will have an active market and therefore valuation of the securities held in the Fund will be based on their market values.

The custodian will notify the Trustees if the market for any investment held by the Fund becomes inactive and provide for the Trustees's consideration a method for valuing the affected investment.

#### LENDING OF SECURITIES

The Fund is allowed to participate in securities lending. Securitization will be at a minimum of 105% of the market value of the loaned securities.

#### DELEGATION OF VOTING RIGHTS

The custodian is delegated the responsibility of exercising all voting rights acquired through the fund's investments. The custodian will exercise acquired voting rights with the intent of fulfilling the investment objectives and policies of the Plan. Should the custodian receive specific written voting instructions from the Trustees, the custodian shall execute such instructions as given. In any event any voting rights which have been exercised on behalf of the Plan shall be notified to the organization on a quarterly basis.

## APPENDIX I

The assets contained within this pension plan will be actively managed by the following organizations:

The Custodian of the Plan is:

**Great-West / London Life / Canada Life**

33 Yonge St.  
Suite 320  
Toronto, Ontario M5E 1G4  
Ph: (416) 359-3456

The Fund Managers are:

**Jarislowsky Fraser Limited**

401 Bay Street  
Suite 1600  
Toronto, Ontario M5H 2Y4  
Telephone: (416) 363-7417  
Fax: (416) 363-8079

McLean Budden  
145 King St. W.  
Suite 2525  
Toronto, Ontario M5H 1J8  
Ph: (416) 862-9800

Sprucegrove  
181 University Ave  
Suite 1300  
Toronto, Ontario M5H 3M7  
Ph: (416) 363-5854

GWLIM  
100 Osborne St. North  
Winnipeg, Manitoba R3C 3A5  
Ph: (204) 946-7289

Meritas  
410 Hespeler Rd  
Unit 5  
Cambridge Ontario N1R 6J6  
Ph: (519) 624-6767