# CANADIAN CENTRE FOR CHRISTIAN CHARITIES

## STATEMENT OF INVESTMENT POLICIES AND PROCEDURES

FOR THE

**CANADIAN CENTRE FOR CHRISTIAN CHARITIES MULTI-EMPLOYER PENSION PLAN**

Effective October 2020

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It is hereby certified by the undersigned that this Statement of Investment Policies and Procedures was adopted on October 1, 2020.

(Signature – James Metcalf)

Chief Operating Officer

(Title)

September 22, 2020

(Date)

## Summary of Revisions

**February 2017**
This document was rewritten with significant revisions in response to amendments to the Pension Benefits Standards Regulations, 1985. It was written to better align the content with FSCO's expectations as communicated in IGN-003.
https://www.fsco.gov.on.ca/en/pensions/policies/active/Documents/IGN-003.pdf

**October 2020**
This document was revised to incorporate the change of name for the Plan and the Plan Sponsor.

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## 1.0 Purpose and Scope of Document

This investment policy statement forms the 'Statement of Investment Policies and Procedures' ("SIPP") for the CANADIAN CENTRE FOR CHRISTIAN CHARITIES MULTI-EMPLOYER PENSION PLAN (the "Plan") sponsored by CANADIAN CENTRE FOR CHRISTIAN CHARITIES ("CCCC"). Its purpose is to provide direction to the Plan's decision makers on how to manage its investment program.

The SIPP outlines key investment policies and procedures to support the administrator's responsibilities and assist with meeting investment related regulatory requirements.

## 1.1 Regulatory Requirements

Pension plans registered in Ontario must comply with the Ontario Pension Benefits Act ("PBA") and its accompanying regulations. Below is a summary of the key regulatory requirements related to the investment of the pension fund (the investment assets held within the Plan) and the SIPP.

<u>Investment Requirements</u>

Under the PBA, an administrator is responsible for administering and investing the pension fund in accordance with the administrator's standard of care, in a prudent manner, and in the best interests of the Plan's beneficiaries.

The regulations require the pension fund to be invested in accordance with this SIPP and the federal investment regulations, which are summarized later in this document.

The pension fund must also comply with the Income Tax Act in order to retain its registered status to qualify for tax-deferred treatment. However, the relevant restrictions generally overlap with the federal investment regulations and are therefore not detailed in the document.

<u>SIPP Requirements</u>

Plan administrators are required to establish a SIPP for the Plan that meets the requirements of the federal investment regulations and contains prescribed content. The SIPP must be filed with the Financial Services Commission of Ontario and refiled within 60 days after amendments.

Copies of the SIPP must be provided upon request to any member or individual entitled to pension benefits under the Plan or a pension advisory committee (if applicable).

## 2.0 Plan Overview

The Plan is registered as a multi-employer defined contribution pension plan in the province of Ontario whose participating employers represent Christian organizations across Canada.

The Board of Trustees has hired a third-party record-keeper to establish accounts for Plan members and record account activity. Contributions are directed to the member accounts. Investments are member-directed where members choose, from a list of investment funds, where to allocate the contributions.

The Board of Trustees selects the range of investment choices made available to Plan members (the “fund lineup”) through the record-keeper’s investment platform.

## 3.0 Governance and Administration of the Pension Fund

## 3.1 Board of Trustees

As the plan administrator, The Board of Trustees (“Board”) is responsible for the management of the Plan’s investment program. The Board may establish committees and delegate its duties and responsibilities to such committees.

The Board of Trustees retains ultimate responsibility for those matters that have been delegated. In addition to its oversight responsibilities, it will complete the following duties:

- Approving the SIPP and SIPP amendments recommended from time to time;
- Approving the record-keeper selection to hold, invest, and record the assets of the pension fund; and
- Approving recommended changes to the investment program and fund lineup.

The Board has decision making authority and duties outlined in the responsibilities below:

- Establishing the SIPP as well as reviewing and filing it as required from time to time;
- Ensuring the pension fund is invested in accordance with the SIPP, Plan documents, and applicable legislation;
- Determining the selection and termination of funds for the fund lineup;
- Selecting the default investment fund;
- Monitoring the investment funds on the fund lineup; and
- Communicating any changes to the fund lineup to Plan members.

Delegation of certain functions to staff and external service providers is permitted where deemed appropriate.

## 3.2 Plan Members

Plan members are responsible for making all investment related decisions with respect to their individual accounts. Those responsibilities are outlined below but are not inclusive of any non-investment-related responsibilities (setting contribution levels, determining appropriate retirement income vehicles, ensuring personal information is up-to-date, etc.):

- Determining their risk tolerance and investment objectives;
- Deciding on the allocation and re-allocation of contributions within the available range of investment choices, given the above factors;
- Using the information and decision-making tools made available to them to assist in making those decisions;
- Periodically revisiting the above points to ensure they remain appropriate;
- Submitting investment instructions to the Plan's record-keeper; and
- Seeking out investment advice from a qualified professional, as necessary.

## 4.0 General Investment Principles

The Board's philosophy on the Plan's investment program is to offer a variety of investment options, with varying degrees of expected risk and return, which would allow members to create a portfolio of investments well adapted to their retirement needs. The following principles guide the structure of the investment program and fund lineup:

***Principle: Provide members with an appropriate number of investment options to choose from***

The number of investment options offered should be compatible with the philosophy noted above, without overwhelming members with "choice overload", and while taking into consideration the Board's ability to properly oversee those investment options.

***Principle: Allow members to choose investment funds that explicitly consider socially responsible investment (SRI) concepts where suitable options exist***

The Board will make such funds available when a suitable option is available through the record-keeper. Under no circumstance will the Board force a member to invest in an SRI compatible option. The Board delegates the responsibility to screen and choose SRI compatible investments to the applicable investment manager in all cases.

## 5.0 Permitted Asset Classes

Consistent with the investment principles, the Board may select investment funds that invest predominantly in a single asset class to allow for members to create diversified portfolios. These funds may be selected from the permitted asset classes listed below:

- Cash and cash equivalents (money market and guaranteed investments)
- Canadian equities
- Foreign equities
- Fixed income

The Board may also select funds that invest in multiple asset classes such as balanced funds or target date funds. These funds are not precluded from investing outside of those permitted asset classes.

## 6.0 Default Investment Fund

Contributions from Plan members who have not submitted investment instructions to the record-keeper will be directed to the default investment fund. The Board has selected the Target Date Fund that most closely matches the member's 65$^{th}$ birthday, as the default investment option.  The Board reserves the right to change the default fund selection at any time.

## 7.0 Selecting, Monitoring, and Terminating Investment Funds

Prudent investment practices require appropriate processes that include due diligence in selecting, monitoring, and terminating investments.

## 7.1 Selection of Investment Funds

The Board will perform due diligence on potential investment funds to meet its fiduciary obligations. In selecting investment funds for the fund lineup, consideration will be given to the following items:

- Overall firm and investment team capabilities and characteristics;
- Key portfolio characteristics;
- Risk profile of the fund;
- Relevant track record and performance; and
- Fees.

## 7.2 Monitoring of Investment Funds

The Board will monitor the investment options on a semi-annual basis by examining the overall performance and any material developments that may impact the management of the fund.

An overall analysis of the investment funds' performance will typically be prepared quarterly but at least semi-annually, which will include:

- Annual and annualized returns of the funds;
- Returns relative to benchmarks identified in the SIPP;
- Risk-adjusted returns and other established measures of risk.

Rate of Return Expectations

Actively managed funds are expected to generate returns that meet or exceed the returns of the benchmarks and hurdles applicable to their respective asset class as shown below over rolling four-year periods. Passively managed funds are expected to generate returns that meet the benchmark return, granted an appropriate level of tracking error is expected.

Where multiple benchmarks are shown for one asset class, an investment fund will be measured against the one deemed most appropriate.

| Asset Class | Benchmark | Hurdle |
|---|---|---|
| Balanced | Managers Benchmark | +0.5% |
| Canadian Equity | S&P/TSX Composite Index | +0.75% |
| US Equity | S&P 500 | +0.75% |
| International Equity | MSCI EAFE Index | +0.75% |
| Canadian Bonds | FTSE TMX Canada Universe Index | +0.25% |

In the event of underperformance, the Board will take action as it deems prudent and appropriate.

## 7.3 Termination of Investment Funds

The Board may decide to remove an investment fund from the fund lineup for any reason it deems appropriate.

A communication summarizing such fund changes will be made accessible to Plan members.

## 8.0 Investment Guidelines and Constraints

Restrictions on the Plan's investments include prescribed requirements in the federal investment regulations as well as any self-imposed constraints contained in this policy statement.

## 8.1 Federal Investment Regulations

The Plan's investments must comply with the federal investment regulations at all times.
The regulations most applicable to this Plan have been summarized below for informational purposes only. This language is intended to be non-binding as the Plan must comply with the regulations as they are written in the Pension Benefits Standards Regulations, 1985.

Schedule III, of the federal investment regulations, has two investment limitations which apply to member-directed defined contribution plans. The first is colloquially known as the 10% rule and the second is with respect to transactions with related parties.

<u>10% Rule</u>

To paraphrase, the 10% rule states the administrator of a plan shall not, directly or indirectly, lend or invest plan assets that are in a plan member's account to or in any single entity if 10% or more of the total market value of the account's assets would be (or has already been) lent or invested, in total, to that entity as a result of the loan or investment.

There are a few exceptions to this rule but the two most relevant are where the exposure is to (i) moneys held by a financial institution fully insured against loss (e.g. guaranteed investments) and (ii) investment funds that do not invest in securities of a corporation to which are attached more than 30 per cent of the votes that may be cast to elect the Trustees of the corporation (known as the 30% rule).

<u>Related Party Transactions</u>

Related party, in respect of a plan, is defined in the regulations as a person who is

a) the administrator of the plan or who is a member of a pension committee, board of trustees or other body that is the administrator of the plan,

b) an officer, director or employee of the administrator of the plan,

c) a person responsible for holding or investing the assets of the plan, or any officer, director or employee thereof,

d) an association or union representing employees of the employer, or an officer or employee thereof,

e) an employer who participates in the plan, or an employee, officer or director thereof,

f) a member of the plan,

g) where the employer is a corporation, a person who directly or indirectly holds, or together with the spouse or common-law partner or a child of the person holds, more than 10 per cent of the voting shares carrying more than 10 per cent of the voting rights attached to all voting securities of the corporation,

h) the spouse or common-law partner or a child of any person referred to in any of paragraphs (a) to (g),

i) where the employer is a corporation, an affiliate of the employer,

j) a corporation that is directly or indirectly controlled by a person referred to in any of paragraphs (a) to (h),

k) an entity in which a person referred to in paragraph (a), (b), (e) or (g), or the spouse or common-law partner or a child of such a person, has a substantial investment, or

l) an entity that holds a substantial investment in the employer,

but does not include Her Majesty in right of Canada or of a province, or an agency thereof, or a bank, trust company or other financial institution that holds the assets of the plan, where that person is not the administrator of the plan.

The related party restrictions state the administrator of a plan shall not, directly or indirectly,

a) lend the moneys of the plan to a related party or use those moneys to hold an investment in the securities of a related party; or

b) enter into a transaction with a related party on behalf of the plan; or

c) lend the moneys of the plan to a person who ceases to be a related party or invest the moneys in the securities of that person for 12 months; or

d) enter into a transaction with a person who ceases to be a related party on behalf of the plan for 12 months.

However, the restrictions do not apply in respect of investments in

a) an investment fund or segregated fund in which investors other than the administrator and its affiliates may invest and that complies with the 30% rule; or

b) other exceptions noted in the federal investment regulations.

The plan administrator may enter into a transaction with a related party for the operation or administration of the plan if

a) it is under terms and conditions that are not less favourable to the plan than market terms and conditions; and
b) it does not involve the making of loans to, or investments in, the related party.

The plan administrator may enter into a transaction with a related party on behalf of the plan if the value of the transaction is nominal or the transaction is immaterial to the plan.

A particular transaction shall be deemed material by CCCC if the aggregate amount of the transaction exceeds 1% of the pension fund. In assessing whether the value of a transaction is nominal or whether a transaction is immaterial, two or more transactions with the same related party shall be considered as a single transaction.

## 8.2 Environmental, Social, & Governance

The Board offers designated ethical investment options that choose to utilize them. However, this is not to imply that other funds do not consider these factors.  Each of the Plan’s active investment managers may consider all qualitative and quantitative factors affecting financial performance of existing and potential investments, including ESG factors.

## 8.3 Investment Fund Constraints

The Board  recognizes the investment funds are managed independently of this SIPP and governed by their own respective investment policy statements. Therefore no additional constraints are imposed on the funds.

## 9.0 Plan Expenses and Investment Fees

Some or all investment related costs including investment management fees and fund operating expenses are charged to plan members either through their accounts or directly to the investment funds. Administrative fees paid to the record-keeper are also charged to members.

The Board may pay filing fees and the fees related to other services providers such as auditors and pension consultants, at its own discretion.

The Board will periodically monitor the costs of the record-keeper and investment managers to ensure they remain competitive.

## 10.0 Information Guidelines for Plan Members on Investment Options

The Board is responsible for providing investment information and decision-making tools to assist members in making investment decisions. Plan members will have access to a description of each of the investment options available, including the applicable fees, as well as information on any timing requirements that apply to making an investment choice. This information is accessible through the record-keeper. Members will receive a statement of their account at least annually which will outline how their assets are allocated.

Members will also have access to an array of investment and retirement related tools provided by the record-keeper.

The Board will not provide Plan members with investment advice.

## 11.0 Policy Review

This SIPP will be reviewed annually and otherwise whenever a major change is apparent or necessary. The scope of the review should determine whether the document in its entirety remains relevant and confirm the pension fund has been invested in accordance with the SIPP.