STATEMENT OF INVESTMENT POLICY AND PROCEDURES

for the

Nova Scotia Public Service
Long Term Disability Plan Trust Fund
Liability Hedging Portfolio

Amended

February 2024

Prepared by:
NSPS LTD Plan Trust Fund

February 2024 Amended to allow for a glide path approach to target an asset duration that is more aligned with the duration of the Trust Fund's liability.

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Definitions

"***Active Management***" means subject to the constraints outlined in this Policy, the Manager(s) will employ full discretion in the determination of security selection and asset mix strategies in order to add value to the returns that would be earned by the alternative of the passive Benchmark by asset class segment.

"***Actual Total Asset Class Segment Return***" means the rate of return on the Short Term Bond and Universe Bond investment segments of the portfolio calculated as per the directions under this Policy.

*"**Benchmark** "* means the reference index by asset class segment as determined by the Board and set out in Section 4 of this Policy.

"***Benchmark Return***" means the rate of return that would have been earned on the reference index based on a passive investment in each asset class segment.

*"**Board**"* means the Board of Trustees appointed under the Trust Agreement between the Nova Scotia Government and General Employees Union and the Province of Nova Scotia to govern the Trust Fund.

*"**Chief Executive Officer**"* or "**CEO**" means the person appointed by the Board to manage the Nova Scotia Public Service Long Term Disability Plan Trust Fund.

*"**Committee**"* means the Audit and Investment Committee appointed by the Board.

*"**Custodian**"* means the body or firm appointed to act as custodian of the assets of the Fund.

*"**Derivatives**"* are tradable instruments (or financial contracts based on these instruments) whose values are derived from contractual relationships to an underlying primary financial instrument, commodity, or index, such as interest rates, exchange rates, commodities, or equities.

*"**Investment Consultant**"* means the professional service firm appointed to advise and assist the Committee in matters related to the investment management of the Fund's assets, as well as advice surrounding the administration of this Policy.

*"**Liability Hedging Fund**" or "**Fund**"* for purposes of this Policy, means an asset mix of securities designed to match characteristics of a liability.

*"**Manager**"* means a professional investment management firm that may be appointed from time to time by the Committee to manage the investments of the Fund.

"Nova Scotia Public Service Long Term Disability Plan Trust Fund" or "Trust Fund" means all of the assets of the Nova Scotia Public Service Long Term

Disability Plan Trust Fund consolidated with all funds and assets received from time to time by way of contributions, together with all increments, earnings and gains accruing thereon and held by the Trustees for the benefit of Employees pursuant to the Trust Agreement.

"Passive Management" is an investment management strategy with an objective of matching the return and risk characteristics of a market index, by mirroring its structure and composition.

"Policy" means this Statement of Investment Policy and Procedures for the Liability Hedging Fund.

"The Plan" means the Nova Scotia Public Service Long Term Disability Plan, established to provide long-term disability benefits to eligible employees.

"***Trustee***" means a member of the Board of Trustees of the Nova Scotia Public Service Long Term Disability Plan Trust Fund.

Section 1 – Purpose

1.1 The primary goal of the Plan is to provide participating employees with a competitive plan at a reasonable cost and to allow, to the extent possible, ad hoc indexing of disability benefits from time to time. The prudent and effective management of the Fund will have a direct impact on the achievement of this goal. The Board is responsible for the administration of the Plan and is ultimately responsible for implementing an investment strategy and taking the necessary actions such that the primary goal of the Plan as stated above, is achievable.

1.2 This Policy has been prepared to ensure continued prudent and effective management of the Fund. It shall be reviewed at least once each year, with a formal review every three (3) years. All amendments to the Policy shall be documented and filed with the appropriate regulatory bodies as required.

1.3 The purpose of this Policy is to:

- 1.3.1 set out parameters within which individuals responsible for the oversight of the Fund are to operate.
- 1.3.2 ensure all members of the Committee and Trustees clearly understand the goals, and acceptable risk and return objectives of the Fund.
- 1.3.3 ensure continued prudent and effective management of the Fund.
- 1.3.4 facilitate delegation of investment management responsibilities.

1.4 The Board, in conjunction with its Investment Consultant(s), Manager(s) and emerging experience, will review and may modify the Policy, as it deems appropriate.

1.5 The Policy documents the following:

- 1.5.1 identities of the parties involved in the Fund's financial management, and outlines each party's roles and responsibilities
- 1.5.2 parameters under which the Manager is to operate
- 1.5.3 how the performance of the Manager(s) is to be evaluated
- 1.5.4 when the Board wishes to meet and what the Board expects to receive from the Manager(s)

Section 2 – Overview of the Trust Fund

2.1 There are four (4) groups with significant interest in the Trust Fund: employees, unions, employers, and Plan Sponsors. The Plan is funded on a 50/50 basis between the employees and the employer, and as such there are benefits to professional fund investment management through performance and risk mitigation activities that can contribute to a sounder funding basis and improved value for premiums paid.

2.2 The Board has reviewed the relevant factors and believes that it has investment policies and the necessary processes to ensure the prudent and effective management of the Fund.

2.3 After an elimination period, benefits are payable as a percentage of the employee's salary. The percentage is different for disabilities occurring before May 1, 2002, and on or after that date. Benefits are reduced by amounts the employee receives from various other sources as defined in the Plan text.

2.4 Benefits cease upon the earliest of recovery from disability, death, or attainment of age 60 or 65, as applicable to the employee. In addition, in the first two (2) years of disability, eligibility for benefits is based on the inability to perform the regular duties of the employee's own occupation. After two (2) years, eligibility is dependent on an any occupation definition. Benefits can therefore be paid for a very long period in some circumstances.

2.5 Since May 1, 2002, regular indexing has been removed and replaced with an intent to provide ad hoc indexing if the Trust Fund's funding situation allows. The investment implications relating to the above liabilities are:

2.5.1 liquid funds are needed to make current benefit payments and pay administration expenses.

2.5.2 a long-term investment horizon can be adopted for the portion of the liabilities that are long-term in nature and support the reserve requirements.

2.5.3 sufficient returns more than inflation to allow for ad hoc indexing from time to time.

Section 3 – Governance, Roles and Responsibilities

3.1 In general, the duty of prudence governs all aspects of fiduciary performance in both the investment and administration of the Trust Fund.

3.2 Service Providers

The Board has appointed service providers to the Trust Fund as outlined in Appendix A.

3.3 Board Responsibilities

3.3.1 Assign tasks to the Committee.
3.3.2 Fulfill all the legal functions of an administrator with respect to the Trust Fund.
3.3.3 Ensure that a due diligence meeting with the Manager(s) occurs at least annually and more often if requested by the Board.
3.3.4 Execute all agreements relating to the investment and custody of the Fund.
3.3.5 Delegate some of the tasks with respect to the investment of the Fund to agents and advisors, in particular a Custodian and/or Manager(s). The Board maintains an active role with respect to the following:

(i) protecting Fund assets
(ii) formulating of the Policy and mandates
(iii) appointing and monitoring of agents and advisors
(iv) evaluating performance and ensuring appropriate growth

3.4 Committee Responsibilities

The Committee will provide advice and direction to the Board on a quarterly basis, or more frequently, if a meeting is requested by the Committee or the Board. In addition, the Committee will:

3.4.1 Establish, maintain, and update the Policy as required from time to time.
3.4.2 Review the Policy, at least annually, including a re-assessment of the investment parameters, with a formal review every three (3) years.
3.4.3 Recommend for Board approval the Custodian to hold the Fund's assets, if necessary.
3.4.4 Recommend Managers, Investment Consultants, if necessary, and a performance measurement service, if required, and auditors, for Board approval.
3.4.5 Review at least semi-annually the performance of the Fund and the Manager(s).
3.4.6 Monitor the Manager(s), relative to the Policy.
3.4.7 Provide information to the Manager(s) on significant cash flow changes affecting the Trust Fund.

3.5 Manager(s) Responsibilities

3.5.1 Manage the asset mix and security selection within the fixed income, cash, and cash equivalent classes, subject to applicable legislation, the constraints and directives contained in the Policy and in any supplementary communication provided by the Board, Committee, or the CEO.
3.5.2 Participate in the review of the Policy, at the discretion of the Board.
3.5.3 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 to be followed.
3.5.4 Provide education to the Board, when requested, regarding the characteristics of various fixed income securities to be considered for investment and how they might assist in the achievement of the Fund objectives.
3.5.5 Ensure that all actions taken comply with the CFA Standards of Practice Handbook and conform to the CFA Institutes Asset Manager Code of Conduct as amended from time to time.
3.5.6 Provide periodic reports, as required.
3.5.7 Provide confirmation of their liability insurance coverage, as required.
3.5.8 Provide supporting documentation of buy, sell, hold decisions when requested.
3.5.9 Inform the Committee, through the CEO, of any element of the Policy that could prevent the adherence to, and attainment of, the objectives of the Policy.
3.5.10 Inform the Committee, through the CEO, of any significant changes in personnel or asset mix in a timely manner.
3.5.11 Ensure that all personnel having investment decision making responsibilities for the Fund have the required registrations.
3.5.12 Vote all proxies in the best interests of the Trust Fund and its beneficiaries.

3.6 Custodian Responsibilities

3.6.1 Fulfill the regular duties of a Custodian as required by law.
3.6.2 Provide the Committee and other authorized parties with quarterly Trust statements of all assets of the Fund and transactions during the period.
3.6.3 Provide the Committee with the gross time-weighted rates of return for the total fund and each asset class for requested periods (or provide the information to the Investment Consultant to determine these values), and the asset mix at the end of each quarter, if requested.
3.6.4 Invest cash received and make authorized payments from the Fund in a timely and efficient manner. Any funds held by the Custodian are to be invested to earn interest at a short-term interest rate that should be made available to the Committee upon request.

3.7 Investment Consultant(s) Responsibilities, at the direction of the Committee or CEO

3.7.1 Participate in the preparation and subsequent annual reviews of the Policy.
3.7.2 Provide any necessary statistical information for the Committee to review to confirm or amend the Policy.
3.7.3 Participate at periodic investment performance reviews in which the Managers' past performance, expectations about future returns on asset classes and planned investment strategies are discussed.
3.7.4 Provide support in the form of quantitative and qualitative analysis and ongoing monitoring of the Managers' performance.
3.7.5 Provide the relative performance related information which will help evaluate the Managers' performance relative to other Managers.
3.7.6 Assist in the Manager selection process, as required.

3.8 CEO Responsibilities

3.8.1 Act as liaison between the various advisors and the Committee to ensure that each fulfills its duties and responsibilities, and ensure that adequate information is prepared for decision-making by the Board.
3.8.2 Provide or obtain reports and information for the Board or Committee as required with respect to the investment performance of the Trust Fund.

3.9 Review of the Policy

The Board shall review the Policy at least annually, considering whether any developments such as the following have occurred:

3.9.1 changes in governance
3.9.2 changes in investment beliefs
3.9.3 changes in risk tolerance
3.9.4 changes to Plan benefits
3.9.5 changes to the Plan beneficiaries' demographics and liability distribution
3.9.6 changes to expectations for the long-term risk/return trade-offs of the capital markets
3.9.7 new investment products that potentially better suit the needs of the Trust Fund
3.9.8 changes to any applicable legislation
3.9.9 any practical issues that arise from the application of the Policy

3.10 Standard of Care

In exercising their responsibilities, the Board, Committee, CEO, and their appointed advisors as applicable, must adhere to the following guidelines:

3.10.1 In the discharge of their duties and the exercise of their powers, whether the duty or power is created by law or the Trust instrument, they shall exercise that degree of care, diligence, and skill that a person of ordinary prudence would exercise in dealing with the property of another person.

3.10.2 Without limiting the generality of the above, persons who possess, or because of their profession, business or calling, ought to possess, a particular level of knowledge or skill relevant to their responsibilities to the Trust Fund, shall employ that level of knowledge or skill in the administration of the Trust Fund.

Section 4 – Fund Investment Objectives, Benchmark and Return, and Risk Expectations

4.1 Performance Objectives of the Fund

The Fund will be invested in fixed income and cash securities that closely match the liabilities of the Plan, both in terms of overall duration and requirements.

4.1.1 The Fund assets will be managed on a long-term going-concern basis. The primary investment objective for the Fund is to hedge the long-term movement of the Fund liability earning an appropriate risk adjusted return and not exposing the Fund to significant risk resulting in significant losses.

4.1.2 In essence, the long-term objective is to achieve a nominal return exceeding that of the liability benchmark after investment management fees.

4.2 Transition Period

The Board has agreed to a glide path approach to target an asset duration that is more aligned with the duration of the Plan liability. During the transition period the Manager will move the Fund duration towards the current target duration of 4.2 years. As noted in Section 5.2, the committee will notify the Manager of any changes to the target duration during the transition period. The glide path set out below is based on the yield on the Canadian 10 year which will dictate the Interim Target Duration through the transition. As yields fall the Manager will reduce the duration of the Fund to align with the Interim Target Duration based on the glide path. Increments for rebalance have been set out at 25 bps with the final rebalance occurring when 10-year yields hit 3%. Following each rebalance the Manager will notify the Committee that a rebalance has taken place and confirm the new Interim Target Duration.

Rebalance Period	Interim Target Duration	Yield Change at Rebalance	10 Year Yield at Rebalance
1	5.98	-0.25	3.75
2	5.38	-0.25	3.50
3	4.79	-0.25	3.25
4	4.20	-0.25	3.00

4.3 Benchmark

The Benchmark provides a reference for monitoring the long-term return requirements that are consistent with the Board's beliefs with a risk level acceptable to the Board. Although, the Manager's primary objective is to closely match the duration of the assets to the Plan liability, the Manager will also be measured against a proxy based on asset class segment.

Asset Class Segment	**Proxy**
Short Term Bonds	FTSE TMX Short Term Bond Total Return Index
Universe Bonds	FTSE TMX Universe Bond Total Return Index

Section 5 – Active Management Objectives, Duration Target, and Asset Mix

5.1 Investment Objectives for the Manager(s)

5.1.1 Manager Performance Objectives

The Fund will be managed by the Manager(s). The Manager(s) will be permitted to employ asset allocation and security selection techniques to increase the Fund's return relative to the Benchmark.

If the Fund is invested in Pooled Funds of the Manager(s), the assets so invested will be subject to the Statement of Policies and Procedures of that Pooled Fund. A copy of the Statement of Investment Policies and Procedures for these pooled funds are attached in Appendix B as applicable. By the attachment hereto the Board agrees to accept the Pooled Fund's Statement(s) of Investment Policies and Procedures to the extent that these statements differ from this Policy.

The quantitative performance of the Manager(s) will be considered satisfactory if the annualized nominal return, after management fees, over successive moving four (4) year periods, is equal to or exceeds the return that would result from the passive management of the Benchmark. Quarterly rebalancing is assumed. It is recognized that the results obtained in individual years can differ significantly from the Benchmark.

5.1.2 Asset Allocation for the Fund

The asset allocation for the Fund (across fixed income segments) will be driven by the target duration based on the Plan liability and will be rebalanced quarterly. Manager(s), while adhering to the Benchmark over the long-term, may employ shorter-term asset allocation strategies within each asset class segment, subject to the various limits set out in the Policy.

5.1.3 Security Selection for the Aggregate Fund

The Manager(s) may employ security selection techniques within each asset class, such that the investment characteristics of the asset class differ from the characteristics of the representative index, subject to the applicable legal requirements and the Policy.

5.2 Duration Target and Asset Mix

The percentage asset class allocations at market value will be driven by the duration of the Plan liability. The current duration target is 4.2 years. The committee will notify the Manager in writing if the duration target has been amended.

5.2.1 The Board may authorize short-term asset mix positions outside the ranges identified above to accommodate a Fund or Manager restructuring, or a Manager request.

5.3 Asset Classes

5.3.1 A duration matching approach is being used to meet Trust Fund objectives and hedge the Trust Fund's liability. It reflects a risk/return trade-off which was assessed by the Committee based on long-term prospects in the capital markets considering the Trust Fund's capital requirements, funding, solvency, and the ability of the Trust Fund to meet its financial obligations. It is understood that sufficient time is required to implement a new approach.

5.3.2 Securities held in a pooled fund are classified based on the assets comprising the major portion of such pooled funds. It is expected that the assets in the pooled fund are consistent with the pooled fund investment theme. The Manager(s) should report in compliance statements any investments to the contrary.

5.3.3 Derivative instruments along with any collateral held thereon are included in the asset class comprising the securities whose return or price serves as the basis for the pricing of such derivative instruments.

Section 6 – Investment Constraints

6.1 Permissible Investment Categories

The Manager(s) will be expected to diversify investments by sector, maturity date and issuer, to minimize the risk of large losses. The Manager(s) may invest in any of the following investment categories, subject to the limits specified by the regulatory agencies, and in accordance with the guidelines outlined in the Policy (such investments may be made through the direct purchase of securities or indirectly through pooled investment funds). All investment categories may be Canadian or non-Canadian. An investment not specifically permitted by the Policy shall not be made until the written permission of the Board is obtained. Once written permission has been obtained, the Policy will be updated with the new or revised asset class.

6.1.1 Cash and Equivalents

Cash on hand, demand deposits, treasury bills issued by federal or provincial governments including their agencies, commercial paper, short-term notes, bankers' acceptances, term deposits and guaranteed investment certificates of less than or equal to a one (1) year term.

6.1.2 Fixed Income

Bonds, debentures, or other debit instruments of governments, government agencies, or guaranteed by governments, or corporations, notes, mortgages, mortgage-backed securities, and asset-backed securities of greater than one (1) year when issued.

6.2 Limitations and Restrictions

Managers are to manage the Fund in accordance with all applicable legislation and regulations as specified by the Board. In addition, the following limitations and restrictions must also be observed:

6.2.1 Cash, Cash Equivalents and Fixed Income

The cash, cash equivalent and fixed income investments in all securities of one (1) issuer will not be more than 5% of the total market value at time of purchase, and should not exceed 5% at a particular time unless the issue is guaranteed by the Government of Canada or one (1) of the provinces of Canada.

6.2.2 Duration Constraints

The duration profile of the asset class segments shall remain within a range of 75% to 125% of the duration of their respective Benchmark. If the duration of the portfolio moves outside of this range the Manager(s) will notify the Board in its compliance reporting and move the duration back within the prescribed bands.

6.3 Fixed Income Quality Constraints

The purchase of fixed income instruments is generally restricted to those which are assigned a rating by at least one (1) of DBRS, S&P or Moody's at the time of purchase. All ratings shall be inclusive of low, mid, and high qualifiers or their equivalent within each rating band. Where the instrument is rated by two (2) of DBRS, S&P or Moody's and the rating differs, the rating for the instrument will be the lower of the two (2) ratings. Where the instrument is rated by all three (3) of DBRS, S&P or Moody's and the rating differs, the rating for the instrument will be the common rating if two (2) of the three (3) rating services agree or the middle rating if the three (3) rating services assign three (3) different rating bands.

6.3.1 The Manager(s) may invest in the permitted investment categories listed in the Policy subject to the following quality constraints:

(i) the purchase of cash equivalent issues by corporations and financial institutions is generally restricted to those that have a minimum rating of R1 or equivalent by DBRS, S&P or Moody's at the time of purchase

(ii) investments in the fixed income securities of corporate issuers shall be limited to a maximum of 150% of the weight of corporate issues in the Benchmark within the Fund

(iii) the average credit quality of the fixed income portfolio shall always be maintained at a minimum rating of "A" or equivalent by DBRS, S&P or Moody's

(iv) the purchase of fixed income instruments is generally restricted to those which have a minimum rating of “A” or equivalent by DBRS, S&P or Moody’s at the time of purchase

6.3.2 No more than 150% of the FTSE TMX Universe weight in “BBB” securities may be invested in securities rated “BBB” or equivalent. The Manager(s) may not purchase bonds that are rated below “BBB” or equivalent. If the rating of an existing bond in the Fund should drop below “BBB” or equivalent, the Manager(s) shall notify the Board within five (5) business days and make plans to liquidate the security or alternatively provide acceptable justification to the Committee to continue to hold the security.

Investments in non-Canadian cash equivalents and fixed income securities will be restricted to securities which meet local rating service criteria equivalent to those for similar Canadian securities. Such investments plus investments in foreign-pay securities of Canadian issuers shall be limited to a maximum of 10% of the Fund.

If an investment meets the above quality requirements at the time of investment but is downgraded at a subsequent date, the decrease in the rating below the above requirements should not result in the automatic sale of the security unless in the judgement of the Manager(s), the investment is no longer of sound quality.

6.4 Investments Outside of Prescribed Limits

If any occasion should arise where an investment or group of investments does not conform to the limitations stipulated in the Policy, the Manager(s), in consultation with the Board, or its authorized employees, shall exercise their best judgment concerning the action required to correct the situation. If it is apparent that the situation can be corrected within a short period of time through the allocation of cash flow, the Manager(s) may elect not to liquidate the temporarily non-conforming investments. Irrespective of the above, the Board through the CEO or authorized employees must be informed within five (5) business days of any deviations from the above guidelines, an explanation as to why the deviation occurred, and the actions that are being taken by the Manager(s).

6.5 Other Limitations

All investments will be made in accordance with all applicable legislation or supplementary constraints that may be imposed by the Board. All investments will be made in accordance with the Code of Ethics and the Standards of Professional Conduct of the CFA Institutes Standards of Practice Handbook. Managers are expected to conform to the CFA Institutes Asset Manager Code. These standards require that the Manager(s), when taking an investment action for a specific portfolio or client, consider its appropriateness and suitability for that portfolio.

6.6 Liquidity Requirements

The Trust Fund is to be managed on a going concern basis, but at times the contributions, investment income and maturing investments may not be sufficient to meet withdrawal demands. There must therefore be some liquidity within the assets so that they can be sold in a reasonable period to meet payout expectations. The CEO will endeavor to inform the Manager(s) if there is a change in the cash requirements of the Trust Fund as soon as is practical.

6.7 Derivatives

Subject to written approval of the Board, the Manager(s) may use derivatives for the following purposes:

6.7.1 Risk and duration management
6.7.2 Foreign currency hedging
6.7.3 Liquidity enhancement

Derivatives are not to be used for speculative leverage and should be fully backed by securities or cash.

When using derivatives, the Manager(s) must ensure that the overall spirit of the investment objectives and risk tolerances guiding the investment management (i.e., Standard of Care) of the Fund are being adhered to as per this Policy.

Section 7 – Reporting Requirements

7.1 Managers must meet with the Board and/or the Committee at least annually, though preferably twice a year, and provide a written report to the Board quarterly. Prior to each meeting, Managers have primary responsibility for confirming date, timing, location, and manage attendees. The Managers are also responsible for contacting the CEO to develop each meeting's agenda specific to the CEO's/Committee's requirements.

7.1.1 The report should identify:

- (i) the investment objectives
- (ii) the performance of the Portfolio and Benchmark by asset class segment
- (iii) a brief review of the current portfolio structure
- (iv) the rates of return obtained (gross and net of fees) and the sources of added value over the past period
- (v) tracking error analytics
- (vi) the economic outlook and factors which could alter the outlook
- (vii) the Manager's evaluation of current asset mix
- (viii) the anticipated portfolio structure for the upcoming period
- (ix) the expected return on the anticipated portfolio over the next six (6) to 12 months

7.1.2 At each meeting, the Manager(s) shall be prepared to discuss the following topics:

- (i) compliance with the Policy
- (ii) a review of the firm including changes in personnel, client growth or decline, asset growth or decline, etc.
- (iii) the time weighted rate of return, including investment income and realized and unrealized capital appreciation and depreciation for the most recent quarter and for the one (1), two (2), three (3), four (4), and five (5) year periods ending with the most recent quarter
- (iv) a comparison of the value of the portfolio since the previous quarter or meeting and the end of the previous year
- (v) a review of the transactions undertaken during the most recent quarter with a list of brokerage firms and commissions
- (vi) a review of the fixed income segments of the portfolio plus a forecast of anticipated changes during the next quarter or longer
- (vii) an economic review and capital market forecast
- (viii) inform the Committee of any new investment opportunities/asset classes within the fixed income realm and how they might assist the achievement of Fund objectives

7.1.3 Managers are required to quarterly supply a completed compliance summary and a letter indicating compliance with the Policy (see Appendix C – Compliance Report Summary).

Section 8 – Investment Manager(s) Monitoring and Review

8.1 At least quarterly, the Committee will monitor and review the:

8.1.1 assets and net cash flow of the Fund
8.1.2 Manager staff turnover, consistency of style and record of service
8.1.3 Manager current economic outlook and investment strategies
8.1.4 Manager compliance with the Policy, where a manager is required to complete and sign a compliance report
8.1.5 investment performance of the Fund in relation to the rate of return expectations outlined in the Policy

8.2 At least quarterly, the Committee will monitor and review the following performance and qualitative factors:

8.2.1 did the asset class segments underperform the performance objective in three (3) of the last five (5) annual periods?
8.2.2 did the asset class segments annualized four (4) year return trail the performance objective?
8.2.3 did the asset class segments four (4) year annualized return rank below the median comparable fund Manager's return?
8.2.4 was there a significant change in the ownership structure of the firm?
8.2.5 was there turnover of key investment personnel?
8.2.6 was there a significant change in investment process?
8.2.7 did the number of clients and/or assets under management change materially?
8.2.8 did the Manager fail to provide satisfactory service and response to any investment questions raised?

A Manager is placed on "Watch" if the answer to any of the questions above is "Yes."

8.3 Watch List Procedures
If a Manager remains on the watch list for a period of four (4) consecutive quarters, the Committee must either:

8.3.1 state the need and rationale for the Manager to continue to remain on the watch-list,
8.3.2 remove the Manager from the watch-list, indicating the rationale for confidence in the Manager's ability to meet its long-term objectives,
8.3.3 initiate a review of other suitable options for consideration as a potential replacement for the Manager, or
8.3.4 arrange a third-party review of the Manager.

Section 9 – Lending of Securities

With the approval of the Board, the Committee may allow the Custodian to enter into securities loan agreements, providing the Fund shares in the proceeds of the loan agreements and the loaned investments are secured by cash or highly liquid investments having a market value of at least 105% of the loan, and that this 105% level of security is marked-to-market and maintained in a manner consistent with relevant regulations or general investment practice. On a monthly basis, the Custodian will provide to the Board, through the CEO, reports outlining lendable portfolio amount, percentage of securities on loan, average collateral, as well as detail of the collateral held, and gross and net revenue.

Section 10 – Delegation of Voting Rights

10.1 The Manager is delegated the responsibility of exercising all voting rights acquired through the Fund's investments. The Manager(s) will exercise acquired voting rights with the intent of fulfilling the investment policies and objectives of the Trust Fund. The Manager is expected to act in good faith and to exercise the voting rights in a prudent manner that will maximize the returns for the Fund, and to act against any proposal that will increase the risk level or reduce the investment value of any relevant security.

10.2 The Board reserves the right to exercise voting rights on Fund securities when it deems appropriate.

10.3 The Manager(s) will maintain a record of how Trust Fund voting rights have been exercised.

10.4 In case of doubt as to the best interest of the Trust Fund, the Manager is expected to request instructions from the Board and act in accordance with such instructions.

10.5 If the Manager(s), or any of its officers, have any direct or indirect pecuniary interest in any matter for which the Trust Fund has a right to vote, the concern must be brought to the attention of the Board in accordance with the conflict-of-interest section of the Policy. In line with the situations described in the preceding paragraph, the Board may either:

10.5.1 instruct the Manager(s) to exercise the voting right on the grounds that the relevant pecuniary interest is not material,
10.5.2 instruct the Manager(s) how to cast the Trust Fund's vote, or
10.5.3 authorize the Custodian to exercise the voting right.

Section 11– Valuation of Investments

11.1 The Board expects that all securities held by the Trust Fund will have an active market and therefore valuation of the securities held by the Trust Fund will be based on their market values.

11.2 The Manager(s) will notify the Board if the market for any investment held by the Fund becomes inactive and provide the Board with the method for valuing the affected investment.

11.3 The Custodian is responsible to obtain the appropriate Market Values of all investments including those that are not regularly traded. Securities that are not regularly traded shall be valued at a price deemed to represent, in the opinion of the Custodian, the Market Value of the investment. These investments shall be valued periodically, but in any event not less frequently than once a year by qualified independent professionals. It is anticipated that the Market Value placed on a security by the Custodian will be consistent with the Market Values placed on the securities by the Manager(s). If there is a difference between the Market Value placed on a security by the Manager(s) and the Custodian, the Custodian's Market Value will be used unless the Manager(s) can show just cause for changing the method of obtaining the Market Value and the procedure is acceptable by the Custodian. Any substantial differences in Market Value should be brought to the attention of the Board. Every effort should be made by the Manager(s) and the Custodian to co-ordinate the financial reporting of information.

Section 12– Analysis and Evaluation of Investment Performance

12.1 To evaluate the performance of the Benchmark and the contribution Active Management makes to investment performance, there will be at least an annual analysis of total Fund performance. This will involve comparisons of the actual asset class segment return to the return that would have been earned had the Fund been passively managed. The following return definitions will be used in the attribution of the portfolio performance.

12.1.1 Actual Total Asset Class Segment Return

Actual Total Asset Class Segment Return is the time-weighted return earned by the assets under management by a particular Manager by asset class segment. It contains the combined impact of investment policy and Active Management.

Time-weighted return for a given period is the investment return earned on a constant unit of assets held throughout the measurement period. It is unaffected by a fund's external cash flow and is therefore an effective standard of the Manager's investment performance.

12.1.2 Benchmark Return

Benchmark Return is the return that could have been earned by the passive management of the Benchmark. The assets allocated to each asset class segment are rebalanced quarterly based on the duration target. The Benchmark market indices by asset class segment are as described in a preceding Section 4.2 of the Policy.

The difference between the Actual Total Asset Class Segment Return and the Benchmark Return measures the total impact that active management (security selection and asset allocation shifts) has on investment performance. Performance of the Manager(s) as stated in Section 5 will be considered satisfactory if the return on each asset class segment meets the following objectives:

(i) is greater than Benchmark after payment of investment management fees and transactional costs, as measured over four (4) year moving average time periods

(ii) returns consistent with, or better than, the level of risk taken on as measured by portfolio volatility. That is, a manager with high risk should have high returns, while low returns can be deemed acceptable at low levels of risk. The nature of the risk/reward profile is captured when measured in the efficient frontier as defined by a peer group of funds

Appendix A– Current Service Providers

CIBC Mellon Trust Company custodian of the Trust Fund's assets.

Beutel Goodman & Company Limited Investment Manager of the Trust Fund

Mellon Analytical Solutions providing performance attribution and measurement.

HUB actuary of the Trust Fund.

Investment Consultant engaged as needed.

Appendix B – Beutel Goodman Income Fund SIPG

Appendix C – Beutel Goodman Short Term Fund SIPG

Appendix C – Compliance Report Summary