Authorized by:

STATEMENT OF INVESTMENT POLICY AND PROCEDURES

for the

Nova Scotia Public Service
Long Term Disability Plan Trust Fund
Balanced Fund Portfolio

Amended
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Prepared by:
NSPS LTD Plan Trust

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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 Portfolio.

"***Actual Total Fund Return***" means the rate of return on the Fund calculated as per the directions under this Policy.

"***Balanced Fund***" means a typical asset mix consisting of equities and bonds, normally in a 60/40 split, with the equities diversified among Canadian and Global allocations while the bonds are predominantly Canadian Universe bonds.

"***Benchmark Portfolio***" means the fixed asset mix position that represents the long term investment strategy for the Balanced Fund 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 Benchmark Portfolio assuming quarterly rebalancing and passive investment in each asset class represented in the Benchmark Portfolio.

"***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 Plan.

"***Chief Executive Officer***" means the person appointed by the Board to manage the Plan and the Nova Scotia LTD Office.

"***Committee***" means the Investment Committee appointed by the Board of Trustees.

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

"***Fund***" means the money and other property set aside to finance the Plan as held under the Nova Scotia Public Service Long Term Disability Plan Trust Fund. With respect to a particular Manager, the term Fund is intended to apply to the portion of the overall Fund under investment management with that Manager.

"***Investment Consultant***" means the professional service firm appointed to assist the Committee in matters relating to the Policy.

"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.
"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.

"Plan" means the Nova Scotia Public Service Long Term Disability Plan.

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

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

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 Balanced 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 investment objectives and taking necessary actions to achieve the primary objective.

1.2 This Statement of Investment Policies and Procedures (Policy) has been prepared to ensure continued prudent and effective management of the Balanced Fund. It shall be reviewed at least once each year and either confirmed or amended. 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 To set out parameters within individuals responsible for the oversight of the fund are to operate
- 1.3.2 To ensure all members of the Committee and Trustees clearly understand the goals and direction of the Fund
- 1.3.3 To facilitate delegation of investment management responsibilities.

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

1.5 This Policy documents the following:

- (i) The identities of the parties involved in the Plan's financial management and outlines each party's roles and responsibilities;
- (ii) The parameters under which the Manager(s) are to operate;
- (iii) How the performance of the Manager(s) is to be evaluated; and
- (iv) When the Board wishes to meet and what the Board expects to receive from the Manager(s).

Section 2 – Overview of the Plan

2.1 In December 2011 the Board passed a motion to separate the Total Fund held to back the liabilities of the LTD Plan into two funds, a balanced fund and a liability hedging fund. The purpose of the liability hedging fund is to approximately match or immunize the risk of the LTD Plan benefits by investing in assets with characteristics similar to the total liability. The balanced fund is meant to provide a cushion for future changes or adverse experience and maintain an overall growth objective.

2.2 The Plan is maintained in order to provide long-term disability benefits to eligible employees.

2.3 There are three groups with significant interest in the Balanced Fund: employees, unions and the employer. Since the Plan is funded on a 50/50 basis between the employees and the employer, both will benefit from superior Fund investment performance as it may contribute to a sounder funding basis and improved value for premiums paid. In addition, security of benefits for disabled workers will be enhanced through superior investment performance.

2.4 The Board has reviewed the relevant factors and believes that it has adopted investment policies and procedures that ensure the prudent and effective management of the Balanced Fund.

2.5 After a 100 day waiting 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 rules.

2.6 Benefits cease upon the earliest of recovery from disability, death or attainment of age 60 or 65 as applicable to the claimant. In addition, in the first two years of disability, eligibility for benefits is based on the inability to perform the regular duties of the employee's own occupation. After two years, eligibility is dependent on an any occupation definition. Benefits can therefore be paid for a very long period in some circumstances. In addition, the Plan, until May 1, 2002 provided regular annual inflation adjustments to the benefits paid to disabled employees.

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

2.6.1 Liquid funds are needed to make current benefits payments and pay administration expenses.

2.6.2 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.

2.6.3 Sufficient returns in excess of 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 Plan.

3.2 The Plan is administered by the Board for the benefit of the Plan beneficiaries. The Board appoints a Investment Committee (the Committee) to advise the Board in financial matters.

3.3 Service Providers

The Board has appointed service providers to the Plan as outlined in Appendix A

3.4 <u>Board's Responsibilities</u>:

3.4.1 To assign tasks to the Committee
3.4.2 To fulfill all the legal functions of an administrator with respect to the Plan;
3.4.3 To ensure that a due diligence meeting is held at the Manager(s)' head office annually;
3.4.4 Execute all agreements relating to the investment and custody of the Balanced Fund;

3.4.5 The Board may delegate some of the tasks with respect to the investment of the Balanced Fund to agents and advisors. In particular, the services of a Custodian and of one or more Managers are retained. The Board maintains an active role with respect to the following:

(i) protecting Fund assets;
(ii) formulation of the Policy and mandates;
(iii) appointment and monitoring of agents and advisors;
(iv) evaluation of performance ensuring appropriate growth.

3.5 <u>Committee Responsibilities</u>:

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:
3.5.1 Establish and maintain the Statement of Investment Policies and Procedures
3.5.2 (Policy);
3.5.3 Ensure that the Balanced Fund is managed in accordance with the guidelines set out in this Policy;
3.5.4 Review at least annually this Policy, including a re-assessment of the investment parameters;
3.5.5 Select the Custodian to hold the Plan assets, if necessary;

3.5.6 Select the investment manager(s) for the Balanced Fund (the Manager(s)), the Investment Consultant(s), if necessary, and a performance measurement service (if required) and auditors;

3.5.7 Develop steps to ensure that all required contributions are made to the Balanced Fund in a timely fashion and ensure that all benefit and expense payments are appropriately authorized;

3.5.8 Review at least semi-annually the performance of the Balanced Fund and the Manager;

3.5.9 Monitor the Manager relative to the Policy;

3.5.10 Delegate and assign any other tasks not specifically mentioned in this Policy; and

3.5.11 Provide information to the Manager on significant cash flow changes affecting the Balanced Fund.

3.6 The Manager(s) will:

3.6.1 Manage the asset mix and security selection within each asset class, subject to applicable legislation, the constraints and directives contained in this Policy and in any supplementary communication provided by the Board, Committee or the Chief Executive Officer;

3.6.2 At the discretion of the Board participate in the review of the Policy;

3.6.3 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 until the next meeting;

3.6.4 When requested, provide education to the Board regarding the characteristics of other asset classes to be considered for investment and how they might assist in the achievement of the Fund objectives;

3.6.5 Ensure that all actions taken are in compliance with the Standards of Practice Handbook of the Association for Investment Management and Research (AIMR) as amended from time to time;

3.6.6 Provide periodic reports as required;

3.6.7 Provide confirmation of Firm liability insurance coverage as required;

3.6.8 Provide supporting documentation of buy, sell, hold decisions when requested;

3.6.9 Inform the Committee through the Chief Executive Officer of any element of this Policy that could prevent the attainment of the objectives of this Policy;

3.6.10 Inform the Committee through the Chief Executive Officer of any significant changes in personnel or asset mix in a timely manner;

3.6.11 Ensure that all personnel having investment decision making responsibilities for the Balanced Fund have the required registrations; and,

3.6.12 Vote all proxies in the best interests of the Plan and its beneficiaries.

3.7 The Custodian will:

3.7.1 Fulfill the regular duties of a Custodian as required by law;

3.7.2 Provide the Committee and other authorized parties with monthly Trust statements of all assets of the plan and transactions during the period;
3.7.3 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); and,
3.7.4 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 competitive short-term interest rate that should be made available to the Committee upon request.

3.8 The Investment Consultant(s) will, at the direction of the Committee or Chief Executive Officer:

3.8.1 Participate in the preparation and subsequent annual reviews of the Policy;
3.8.2 Provide any necessary statistical information for the Committee to review in order to confirm or amend this Policy;
3.8.3 Participate at periodic investment performance reviews in which the Manager(s)' past performance, expectations about future returns on asset classes and planned investment strategies are discussed;
3.8.4 Provide support in the form of quantitative and qualitative analysis and ongoing monitoring of the Manager(s)' performance; and,
3.8.5 Provide the relative performance related information which will help evaluate the Manager(s)' performance relative to other Managers.
3.8.6 Assist in Manager selection process, as required.

3.9 The Chief Executive Officer will:

3.9.1 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;
3.9.2 Authorize all payments from the Plan and maintain accurate records of all beneficiaries and their entitlements under the Plan; and,
3.9.3 Provide or obtain reports and information for the Board or Committee(s) as required with respect to the investment performance of the Plan.

3.10 Review of the Policy

The Board shall review the Policy at least annually, taking into account whether any developments such as the following have occurred:
3.10.1 Governance changes;
3.10.2 Changing investment beliefs;
3.10.3 Changing risk tolerance;
3.10.4 Changes to Plan benefits;
3.10.5 Changes to the Plan beneficiaries' demographics and liability distribution;

3.10.6 Changed expectations for the long term risk/return trade-offs of the capital markets;
3.10.7 New investment products;
3.10.8 Changes to any applicable legislation; and,
3.10.9 Any practical issues that arise from the application of the Policy.

3.11 Standard of Care

In exercising their responsibilities, the Board, Committee, Chief Executive Officer and their appointed advisors must adhere to the following guidelines:

3.11.1 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;
3.11.2 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 Plan, shall employ that particular level of knowledge or skill in the administration of the Plan.

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

4.1 Performance Objectives of the Fund

4.1.1 The Balanced Fund assets will be managed on a long-term going-concern basis. The primary investment objective for the Fund is to ensure the highest rates of return that will not expose the Fund to significant risk or result in significant losses.

4.1.2 In essence, the long-term objective is to achieve with reasonable consistency, a real rate of return of at least 4.0% after investment management fees and a nominal return of 7.0% before investment management fees.

4.2 Benchmark Portfolio

The Benchmark Portfolio provides a reference for monitoring the long-term return requirements that are consistent with the Board's beliefs at a risk level acceptable to the Board through the Chief Executive Officer. It consists of specified asset classes, each invested in the percentage for that asset class, invested in the capital market index specified for that asset class.

Asset Class	**Percentage of Mix**	**Proxy**
Cash & Short Term	5.0%	DEX 91 day T-Bill Total Return Index
Fixed Income	40.0%	DEX Universal Bond Total Return Index
Canadian Equities	30.0%	S&P / TSX Total Return Index (Capped)
U.S. Equities	12.5%	S&P 500 Total Return Index in Canadian dollars
International Equities	12.5%	MSCI EAFE Total Return Index
	100.0%	

4.2.1 The Board believes that the Fund invested in the Benchmark Portfolio described above, as established by the Board, can meet this objective. The Board acknowledges that the market value of an investment may decline from time to time, but investing in a diversified portfolio such as the Benchmark Portfolio, with holdings with varied investment characteristics, is the most appropriate method of achieving the objectives of the Plan.

4.2.2 If at any time the Manager believes that the Benchmark Portfolio cannot meet the investment objectives over the following four-year period, it shall notify the Board. The Board may develop an alternative Benchmark Portfolio if the current Benchmark does not represent the target asset mix.

Section 5 – Active Management Objectives and Asset Mix Policy

5.1 Investment Objectives for the Manager(s)

5.1.1 Manager's Performance Objectives

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

If the Balanced 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 where it conflicts with this SIP&P. A copy of the Statements of Investment Policies and Procedures for these pooled funds will be attached in Appendix I 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 SIP&P.

The quantitative performance of the Manager(s) will be considered satisfactory if the annualized nominal return (before management fees) over successive moving four year periods exceeds the return that would result from the passive management of the Benchmark Portfolio by 70 basis points (0.70%). Quarterly rebalancing is assumed. It is recognized that the results obtained in individual years can differ significantly from the Benchmark Portfolio.

5.1.2 Asset Allocation for the Balanced Fund

The Manager, while adhering to the Benchmark Portfolio over the long term, may employ shorter-term asset allocation strategies, subject to the various limits set out in this Policy.

5.1.3 Security Selection for the Aggregate Balanced 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 this Policy.

5.2 Asset Mix Policy

5.2.1 The percentage asset class allocations at market value should be within the following minimum and maximum aggregate investment limits:

Asset Class	Minimum (%)	Maximum (%)	Benchmark Asset Mix (%)
Total Equities	**30**	**80**	**55**
Canadian Equities	20	40	30
Total Foreign Equities	**10**	**40**	**25**
U.S. Equities	5	20	12.5
Non-North American Equities	5	20	12.5
Total Fixed Income	**20**	**70**	**45**
Bonds	20	60	40
Cash & Short Term	**0**	**10**	**5**

5.2.2 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 The target asset allocation has been determined in order to meet Fund objectives. It reflects a risk / return trade-off which were assessed by the Committee on the basis of long term prospects in the capital markets taking into account the Plan's capital requirements, funding, solvency and the ability of the Plan to meet its financial obligations. It is understood that sufficient time is required to adjust to percentage allocation.

5.3.2 The limits within which the asset allocation is to be maintained have been determined with the objective of restricting moves away from the target in order to control the level of risk assumed by the Fund without incurring undue transaction costs.

5.3.3 Securities held in a pooled fund are classified on the basis of 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 should report in its compliance statements any investments to the contrary.

5.3.4 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 will be expected to diversify investments by type of security, industry, maturity date, company and country, to minimize the risk of large losses. The Manager 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 this 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 this statement shall not be made until the written permission of the Board is obtained. Once written permission has been obtained, this 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 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 year when issued.

6.1.3 Equity
Common and preferred shares, warrants, rights and securities convertible into common shares traded on the major recognized global stock exchanges.

6.1.4 Real Estate
Real estate includes direct investments or investments through participating debentures or shares of corporations or partnerships formed to invest in real estate properties.

6.2 Limitations and Restrictions

The Manager is to manage the Balanced 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:

6.3 Cash, Cash Equivalents and Fixed Income

The cash, cash equivalent and fixed income investments in the securities of one issuer will not be more than 5% of the total market value of all cash, cash equivalent and fixed income investments held by the Balanced Fund, unless the issue is guaranteed by the Government of Canada or one of the provinces of Canada.

6.4 Fixed Income Quality Constraints

The purchase of fixed income instruments is generally restricted to those which are assigned a rating by at least one 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 of DBRS, S&P or Moody's and the rating differs, the rating for the instrument will be the lower of the two ratings. Where the instrument is rated by all three of DBRS, S&P or Moody's and the rating differs, the rating for the instrument will be the common rating if two of the three rating services agree or the middle rating if the three rating services assign three different rating bands.

6.4.1 The Fund Manager may invest in the permitted investment categories listed in this Policy subject to the following quality constraints:

(i) The purchase of cash equivalents 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 70% of the fixed income portfolio.

(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.

6.4.2 No more than 150% of the DEX Universe benchmark weight in "BBB" securities may be invested in securities rated "BBB" or equivalent. The manager may not purchase bonds that are rated below "BBB" or equivalent. If the rating of an existing bond in the portfolio should drop below "BBB" or equivalent, the Manager shall notify the Board immediately and make plans to liquidate the security or alternatively provide acceptable justification to the Committee to continue to hold the security.

6.4.3 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 30% of the fixed income portfolio.

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 the investment is no longer of sound quality.

6.5 Equity Constraints

6.5.1 The market value of any single equity investment as a percentage of the total market value of all equity investments held shall not exceed its capital market index (as specified for the Benchmark Portfolio in Section 4.2) weight plus 5.0%.

6.5.2 An investment in the equity of any single company should not exceed 10% of the market value of all Canadian equities held in the Canadian equity portfolio. The Fund shall not own more than 30% of the voting shares of any one corporation.

6.5.3 The proportion of the total market value of the equity portfolio invested in a single Sector Index of the relevant capital market index (as specified for the Benchmark Portfolio in Section 4.2) shall be limited to the Industry Sector's Capital Market Index weight plus 10% of the total equity portfolio.

6.5.4 In order to achieve a reasonable degree of diversification, there should be at least 30 equity holdings in each of the Canadian, U.S. and International equity portfolios. As well each equity portfolio should have holdings in a minimum of 7 of the 10 industry sectors.

6.5.5 For Non-Canadian equities, an investment in the shares of any single company should not exceed 10% of the market value of all Non-Canadian equities held.

6.5.6 Investments in small-capitalization companies (where small-capitalization is defined as companies with a capitalization less than $500 million ($Cdn) in Canada, and less than $2 billion ($U.S.) outside of Canada) are limited to 20% of the market value of each of the Canadian, U.S. and International equity portfolios.

6.6 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 this Policy, the Manager, 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 Managers may elect not to liquidate the temporarily non-conforming investments. Irrespective of the above, the Board through the Chief Executive Officer or authorized employees must be informed in a timely fashion of any deviations from the above guidelines and the actions that are being taken by the Manager.

6.7 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 Association for Investment Management and Research. These standards require that Fund Managers, when taking an investment action for a specific portfolio or client, consider its appropriateness and suitability for that portfolio.

6.8 Liquidity Requirements

The plan 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 of time to meet payout expectations. The Chief Executive Officer will endeavour to inform the Manager if there is a change in the cash requirements of the Plan as soon as is practical.

6.9 Derivatives

Subject to written approval of the Committee, the Manager may use derivatives for the following purposes:

6.9.1 To replicate the return of a market index
6.9.2 To hedge currency

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

Section 7 – Reporting Requirements

7.1 The Manager(s) must meet with the Board and/or the Committee at least annually but preferably twice a year and should provide a written report to the Board quarterly. Prior to each meeting, the Manager has primary responsibility for confirming date, timing, location and Manager attendees. The Manager is also responsible for contacting the Chief Executive Officer to develop each meeting's agenda specific to the Chief Executive Officer's / Committee's requirements.

7.1.1 The report should identify:
- (i) The investment objectives;
- (ii) The performance of the Benchmark Portfolio and Benchmarks for each asset class;
- (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) The economic outlook and factors which could alter the outlook;
- (vi) The Manager's evaluation of current asset mix;
- (vii) The anticipated portfolio structure for the upcoming period; and
- (viii) The expected return on the anticipated portfolio over the next 6 to 12 months.

7.1.2 At each meeting the Manager 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, two, three, four, and five-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 both equity and fixed income segments of the portfolio, if applicable, 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 and how they might assist the achievement of Fund objectives.

7.1.3 The Manager is required quarterly to supply a completed compliance summary and a letter indicating compliance with the SIP&P (Appendix – Compliance Summary).

7.1.4 The Manager is required semi-annually to supply a report summarizing proxy-voting activities. The Proxy-Voting Report shall include:

(i) Name of Security
(ii) Proxy Proposal
(iii) Number of shares voted
(iv) Voting Recommendation of Security Issuer's Directors
(v) Manager vote (for or against)
(vi) Manager vote description / explanation
(vii) Voting record date
(viii) Security issuer meeting date at which proxy voting results reported

Section 8 – Conflict of Interest Policy, Disclosure Procedures and Related Party Transactions

Parties Governed by these Guidelines

These guidelines apply to:

1. Any member of the Board;
2. Any member of the Committee;
3. Any employee of the Board who has direct involvement with the Plan and its operation;
4. Manager(s);
5. Custodian;
6. Investment Consultant;
7. Administrator; and,
8. Any employee or agent retained by those parties listed above who provide services to the Plan.

Conflict of Interest

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

Without limiting the generality of the above, a conflict of interest arises when one of the parties governed by this Statement receives a direct or indirect benefit on account of any transaction made on behalf of the Fund, or a benefit from any actual or proposed contracts with the issuer of any securities which are or may be included in the Fund, or if the individual is a member of the board of directors of any corporation or has significant holdings in the securities issued by any corporation. The best interest of the Plan is the primary consideration in resolving all such conflicts.

Disclosure Procedures

Any party listed above who is confronted with a conflict of interest must disclose the nature and extent of the conflict to the Board in writing, or request to have entered in the minutes of the meeting of the Board at the earliest of:

1. first becoming aware of the conflict;
2. the first meeting in which the matter in issue is discussed;
3. the first meeting in which the person knows or ought to have known that the party had an interest in the matter that required disclosure.

For the purpose of 2) above, the disclosure must be made verbally if knowledge of the conflict arises in the course of a discussion at a meeting.

If the person does not have voting power on decisions affecting the Plan, that person may elect not to participate in the activities related to the issues in conflict, or may continue their activities with the approval of the Board.

If the person disclosing the conflict does have voting power, that person may continue in their activities with respect to the issue in conflict only with the approval of the other participants with voting rights. In this situation the person may elect not to participate with respect to the issue in conflict. The notification made may be considered a continuing disclosure on the issue, subject to any future notification, for the purpose of obligations outline by these guidelines.

Related Party Transactions

The Board may not, directly or indirectly, enter into any transactions with a party related to the Plan, on behalf of the Plan, including the lending of the Plan's moneys to the related party and the investment of the Plan's moneys in the securities of the related party. However, transactions with a related party on behalf of the Plan are permitted if the transaction is required for the operation or administration of the Plan and the terms and conditions of the transaction are not less favourable than current market terms and conditions.

Section 9 – Lending of Securities

With the approval of the Board, the Committee may allow the Custodian(s) 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 held and gross and net revenue.

Section 10 – Delegation of Voting Rights

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 Balanced 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 Balanced Fund, and to act against any proposal that will increase the risk level or reduce the investment value of any relevant security.

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

The Manager will maintain a record of how Fund voting rights have been exercised.

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

If the Manager, or any of its officers, have any direct or indirect pecuniary interest in any matter for which the Balanced 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 this standard. In line with the situations described in the preceding paragraph, the Board may either:

1. instruct the Manager to exercise the voting right on the grounds that the relevant pecuniary interest is not material; or
2. instruct the Manager how to cast the Balanced Fund's vote; or
3. authorize the Custodian to exercise the voting right.

Section 11 – Valuation of Investments

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

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

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. If there is a difference between the Market Value placed on a security by the Manager and the Custodian, the Custodian's Market Value will be used unless the Manager 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 and the Custodian to co-ordinate the financial reporting of information.

Section 12 – Analysis and Evaluation of Investment Performance

To evaluate the performance of the Benchmark Portfolio 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 Fund return to the return that would have been earned had the Fund been passively managed using the asset mix of the Benchmark Portfolio.

The following return definitions will be used in the attribution of the portfolio performance.

Actual Total Fund Return

Actual Total Fund Return is the time-weighted return actually earned by the assets under management by a particular Manager. 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.

Benchmark Return

Benchmark Return is the return that could have been earned by the passive management of the Benchmark Portfolio. It is the sum of the appropriate asset class market index returns multiplied by the proportion of the Benchmark Portfolio allocated to each asset class. The assets allocated to each asset class are rebalanced quarterly to the original asset mix. The Benchmark Portfolio and the associated asset class market indices are as described in a preceding Section 4.2 of this Policy.

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

1. the Benchmark Portfolio plus 0.70%, prior to payment of investment management fees and transaction costs, as measured over four year moving average time periods;
2. 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

Dismissal of the Manager(s) or Manager/Changes to Investment Management Structure

The Board shall decide annually whether there are reasons for dismissal of the Manager(s) or changes in the investment management structure. Such reasons would include:

1. Failure to meet the value added and comparative measurement performance targets set out in Section 5;
2. Significant turnover of the Manager's significant staff or a merger or acquisition that alters the type or style of the investment management;
3. Desire to diversify investment management;
4. Failure to satisfy the responsibilities set out in Section 3;
5. Failure to meet investment constraints set out in Section 6; and
6. Failure to provide satisfactory service and response to any investment questions raised.

Appendix A – Current Service Providers

CIBC Trust Company to act as custodian of the plan assets
CI Asset Management Inc. as the Investment Manager of the Balanced Fund
Mellon Analytical Solutions to provide performance attribution and measurement
Morneau Shepell is the plan actuary
An investment consultant is not currently appointed

Appendix B – Compliance Report Summary

NOVA SCOTIA PUBLIC SERVICE

Compliance Report for the Period

ASSET MIX (at Market Value)		Guidelines			Policy Complied With Yes/No*
		Minimum %	Maximum %	Actual %	√
	Total Equities	30	80	--	
	Canadian Equities	20	40		
DIVERSIFICATION	Total Foreign Equities	10	40		
	U.S. Equities	5	20		
	Non-North American Equities	5	20		
	Total Fixed Income	20	70		
	Bonds	20	60		
	Cash & Short Term	0	10		
INVESTMENT CONSTRAINTS					
	Equities				
	Maximum Market Value Single Issue	Benchmark Index +5%			
	Maximum Market Value of Portfolio Single Issue	10% market value of equity portfolio			
	Maximum Sector Weight	Benchmark Sector weight +10%			
	Number Canadian Issues	Minimum 30 issues			
	Number U.S. Issues	Minimum 30 issues			
	Number International Issues	Minimum 30 issues			
	Number of TSX / S&P Industry Sectors	7	10		
	Number of S&P Industry Sectors	7	10		
	Number of MSCI EAFE Industry Sectors	7	10		
	Small Cap	Maximum 20% market value of equity market portfolio			
	Fixed Income				
	Cash Equivalent Quality	Minimum AI (DBRS)			
	Corporate Issues	Maximum 70% Fixed Income Portfolio			
	Portfolio Average Credit Quality	Minimum A			
	BBB Credit	Maximum 150% of Benchmark Weight			
	Foreign Pay Bonds Plus Foreign Bonds	Maximum 30%			
LIQUIDITY REQUIREMENTS					
☐ Securities that do not trade on a recognized exchange are only permitted by written authorization					
☐ No more than 30% of a single public issue will be held by the manager on behalf of all his clients					
REGULATORY REQUIREMENTS		Must meet requirements For eligible investments In *The Pension Benefits Act*			
		Must meet requirements For eligible investments Outlined in *The Income Tax Act*			

CONFLICT OF INTEREST

☐ To the best of our knowledge, no conflict of interest situation has been accrued or existed in the latest quarter

* Provide actual weight or range where appropriate. If policy not complied with, comment on specifics

Name of Investment Manager

Signature of authorized representative of the Investment Manager

Date

Name of Investment Manager