



## ADMINISTRATIVE REPORT

Report Date: August 28, 2013  
Contact: Greg Merchant  
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VanRIMS No.: 08-2000-20  
Meeting Date: October 9, 2013

TO: Standing Committee on Planning, Transportation and Environment  
FROM: General Manager, Financial Services  
SUBJECT: Responsible Investing by the City of Vancouver

### **RECOMMENDATION**

- A. THAT Council receive the report for information.
- B. THAT the City Clerk be instructed to notify the Municipal Pension Board in writing of City Council's position on responsible investing and encourage the Municipal Pension Plan (MPP) to continue their advancement of responsible investing using the UN Principles of Responsible Investment to further align the MPP investment portfolio with the City's mission, values and the sustainable and ethical considerations outlined in the City's procurement policy.
- C. THAT the City develop and implement over the next 12 months, a positive screening process for investing in Canadian banks and credit unions.

### **REPORT SUMMARY**

This report responds to Council's request for staff to report back on how the City's cash investments and pension plan align with the City's mission, values and the sustainable and ethical considerations outlined in the City's procurement policy.

The UN Principles for Responsible Investing initiative (UNPRI) recognizes that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios and seeks to better align investors with broader objectives of society.

The UN Environment Programme Finance initiative (UNEP FI) is a global partnership between the UNEP and the financial sector. The goal of the UNEPFI is to promote and realise the adoption of best environmental and sustainability practice at all levels of financial institution operations.

The UN Principles for Responsible Investment and the UN Environment Programme Finance initiatives both align well with the City's mission, values and the sustainable and ethical considerations outlined in the City's procurement policy and can be considered a framework for both City and Municipal Pension Plan investments.

City employees participate in the Municipal Pension Plan, which has a membership of approximately 275,000 members from across the province. The Municipal Pension Plan investments are managed by BC Investment Management Corporation (BCIMC). The MPP and BCIMC have fiduciary and legislative responsibilities to maximize the return to plan members and make investment decisions based on these responsibilities.

Both the BC Municipal Pension Plan and BCIMC actively participate as signatories of the UN Principles for Responsible Investing. The MPP Board believes that strong corporate governance and responsible corporate behaviour with respect to environmental, social and governance factors will generally contribute to better long-term financial performance. Consequently the MPP through their investment manager BCIMC uses the UNPRI supported active ownership strategy for their investment policy which has resulted in significant gains in responsible investing over the last decade, resulting in both being considered among the leaders in the responsible investing space. However the active ownership strategy does result in the MPP investing in the broad marketplace which may include investments which do not align with the City's mission, values and the sustainable and ethical considerations outlined in the City's procurement policy. The MPP is being encouraged to address this by continuing their advancement in responsible investing using the UN Principles of Responsible Investment with a goal of improved alignment of the portfolio to the sustainable and ethical considerations.

The City invests in the government and banking sectors which typically support environmental, social, and corporate governance (ESG) issues either through their policies and programmes or additionally through their involvement as signatories of either the United Nations "Principles for Responsible Investment" (UNPRI) initiative or the United Nations "Environment Programme Finance initiative" (UNEP FI). The City does not currently use any of the responsible investing strategies and the recommended course of action is for staff to develop and implement a positive screening process for investing in Canadian banks and credit unions.

### ***COUNCIL AUTHORITY/PREVIOUS DECISIONS***

Council on January 30, 2013 approved the following motion in regards to Responsible Investing by the City of Vancouver:

#### **WHEREAS**

1. According to the City of Vancouver's 2011 Statement of Financial Information, the market value of the City's total cash and investments was \$809,832,000;

2. The City and its employees contribute to the Municipal Pension Plan, with \$53.9 million paid by the City and employee contributions of \$42.1 million to the plan in 2011;
3. The City has an ethical purchasing policy that ensures the City does business with companies who respect the environment, human and civil rights, and ensures that purchasing activities are aligned with the City's mission statement and values;
4. The City of Vancouver's pension plan is required to be managed by the BC Investment Management Corporation (BCIMC), which invests on behalf of public sector clients in British Columbia;
5. Ethical and responsible investment policies have become commonplace with many organizations, including the UN, which has established a Principles for Responsible Investment Initiative.

THEREFORE BE IT RESOLVED THAT staff report back in six months on how the City's cash investments and pension plan align with the City's mission, values and the sustainable and ethical considerations outlined in the City's procurement policy.

### ***CITY MANAGER'S/GENERAL MANAGER'S COMMENTS***

The City Manager supports the recommendations in this report.

### ***REPORT***

#### ***Background/Context***

In 1996, the City of Vancouver adopted its mission "to create a great city of communities that cares about our people, our environment, and our opportunities to live, work, and prosper".

The City's values, which describe the way staff collectively conduct themselves, are:

- Responsiveness - We are responsive to the needs of our citizens and our colleagues.
- Excellence - We strive for the best results.
- Fairness - We approach our work with unbiased judgement and sensitivity.
- Integrity - We are open and honest, and honour our commitments.
- Leadership - We aspire to set examples that others will choose to follow.
- Learning - We are a learning workplace that grows through our experiences.

Commitments to sustainable and ethical practices have been developed in the financial and investment industries. The United Nations Environment Programme Finance Initiative (UNEP FI) which was launched in 1991 is a unique global partnership between the United Nations Environment Programme (UNEP) and the global financial sector. UNEP FI works closely with over 200 financial institutions who are Signatories to the UNEP FI Statements (detailed statements outlined in Appendix B, and available at [www.unepfi.org/statements/statement/index.html](http://www.unepfi.org/statements/statement/index.html)), and a range of partner organisations to develop and promote linkages between sustainability and financial performance. Through peer-to-peer networks, research and training, UNEP FI carries out its mission to identify, promote, and realise the adoption of best environmental and sustainability practice at all levels of financial institution operations.

### ***UNEP Statement of Commitment by Financial Institutions (FI) on Sustainable Development***

*We members of the Financial Services Sector recognize that economic development needs to be compatible with human welfare and a healthy environment. To ignore this is to risk increasing social, environmental and financial costs. We further recognize that sustainable development is the collective responsibility of governments, businesses and individuals. We are committed to working collectively toward common sustainability goals.*

In April 2006, the United Nations launched the Principles for Responsible Investment initiative (outlined in Appendix C, and available at [www.unpri.org/about-pri](http://www.unpri.org/about-pri)), an investor initiative in partnership with UNEP Finance Initiative and UN Global Compact. This global initiative now has over 1,150 signatories representing institutions owning or managing over \$32 trillion in assets. The principles incorporate environmental, social & governance (ESG) issues into the investment process:

*Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.*

*Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.*

*Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.*

*Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.*

*Principle 5: We will work together to enhance our effectiveness in implementing the Principles.*

*Principle 6: We will each report on our activities and progress towards implementing the Principles.*

Over the last 8 years the City of Vancouver has taken steps to incorporate sustainable and ethical practices in its financial activities, aligning with the above international principles.

In 2005, the City of Vancouver adopted the Ethical Procurement Policy (EPP) and Supplier Code of Conduct (SCC). The goal of these two policies was to ensure that City suppliers of apparel and agricultural products meet minimum performance standards with respect to safe and healthy workplaces. Standards were based on core labour conventions set out by the International Labour Organization (ILO). The EPP laid out policies and procedures whereas the SCC laid out the actual standards to be met.

In 2009, the City adopted the Corporate Procurement Policy (Appendix A) to guide procurement for the Vancouver Group (City of Vancouver, Vancouver Police Board, Vancouver Park Board, and Vancouver Library Board). The EPP and SCC were incorporated into this Policy. Sustainability is embedded within this policy as well. Section 11 outlines the City's sustainability-related commitments. Of particular note is Section 11.3 which extends the Supplier Code of Conduct more broadly to all suppliers:

*“The Vancouver Group is committed to safe and ethical workplaces, where human and civil rights are respected. The Vancouver Group will endeavour to ensure that all its suppliers meet and where possible, exceed the performance standards outlined in the Supplier Code of Conduct.”*

## **Strategic Analysis**

### Pension Funds

The City and its employees contribute approximately \$100 million annually to the Municipal Pension Plan. BC Investment Management Corporation (BCIMC) serves as the investment agent of the Municipal Pension Plan. The Board of Trustees for the Municipal Pension Plan set the investment policy (Appendix D) and framework within which BCIMC operates. The Municipal Pension Plan investment policy (Section 11) includes guidance on incorporating responsible investing concepts within the investing process.

Both the BC Municipal Pension Plan and BCIMC are signatories of the UN Principles for Responsible Investing. This means that they have voluntarily committed to consider the impact that non-financial issues may have on long-term investments. As signatories, investors undertake to include environmental, social, and governance (ESG) issues in investment decision-making, collaborate on the implementation of the principles, be active equity owners, request good ESG disclosure by companies, and also report annually on their own responsible investing activities. BCIMC produces quarterly reports on their responsible investing initiatives which are available on their website at [www.bcimc.com/responsibleinvesting](http://www.bcimc.com/responsibleinvesting).

The Pension Benefits Standards Act (outlined below) sets out the responsibility of the MPP and their investment agent BCIMC to use an investment strategy which results in the best financial interests of plan members.

### **Investment requirements**

***44 (1) Pension plan investments, loans and other pension plan financial decisions must be made in accordance with this Act and the regulations and in the best financial interests of plan members, former members and other plan beneficiaries.***

***(2) Pension plan assets must be invested in a manner that a reasonable and prudent person would apply in respect of a portfolio of investments made on behalf of another person to whom there is owed a fiduciary duty to make investments without undue risk of loss and with a reasonable expectation of a return on the investments commensurate with the risk.***

The governance process for the Municipal Pension Plan includes the following components.



The investment philosophy of the pension plan is to actively use the formal voting rights as shareholders and the informal process of engagement and dialogue to positively influence a company's behaviours in respect to ESG issues rather than eliminate a company as a prospective investment. As a result the investment portfolio includes a broad spectrum of the market industries.

A list of the top ten investments of the Municipal Pension Plan as of the end of 2011 is included in Appendix E and summarized below as Table 1. As can be expected with an active ownership strategy, some investments held by the pension plan may not align with the City's mission, values and the sustainable and ethical considerations outlined in the City's procurement policy.

<b>Company</b>	<b>Market Value (\$ Millions)</b>	<b>% of Total</b>
<b>Toronto Dominion Bank</b>	\$217	1.7%
<b>Royal Bank of Canada</b>	\$212	1.7%
<b>Bank of Nova Scotia</b>	\$152	1.2%
<b>Suncor Energy</b>	\$150	1.2%
<b>Canadian Natural Resources</b>	\$132	1.0%
<b>Barrick Gold Corp</b>	\$131	1.0%
<b>BCE Inc</b>	\$119	0.9%
<b>Canadian National Railway</b>	\$115	0.9%
<b>Apple Inc</b>	\$115	0.9%

<b>Exxon Mobile Corp</b>	\$110	0.9%

### City Investments

Section 201 of the Vancouver Charter outlines the investment options of the City. The City of Vancouver Investment Policy is based on these authorities (Appendix F) and includes a conservative approach to investing with three main financial objectives.

1. Safety of investment
2. Liquidity
3. Rate of return

The City has three major classes of investments.

1. Canadian Government (federal, provincial, regional & municipal) bonds
2. Canadian bank debt products (senior deposit notes, bankers acceptances, bank deposit notes and term deposits)
3. Canadian credit union term deposits

### Canadian Government Bonds

Canadian government bonds are considered the lowest risk investment in Canada and are a staple of the City investment portfolio satisfying the two primary policy objectives of safety and liquidity. The investment policy requires a minimum of 20% of city investments be in Canadian government or Canadian government backed investments.

Both Export Development Canada, a crown corporation of the Government of Canada reporting to the Parliament through the Minister of International Trade and the Canada Pension Plan Investment Board are signatories to the UN Principles for Responsible Investing, and or the UN Environment Programme Finance Initiative. Table 2 outlines the City's investment balances in Government Bonds and their participation in UNPRI.

<b>TABLE 2: Government Debt Investments @ December 31, 2012</b>		
<b>Canadian Government</b>	<b>UNPRI</b>	<b>Invested (\$Million)</b>
<b>Government of Canada</b>	✓	\$202
<b>Canadian Provinces</b>		\$105
<b>Canadian Regional &amp; Municipal Governments</b>		\$18

<b>Total</b>		\$325
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The general practice for responsible investing excludes sovereign government investments from the screening process.

#### Canadian Bank Debt

The big five Chartered Canadian banks (BMO, RBC, CIBC, BNS, TD), are signatories to the UN Environment Programme Finance Initiative.

Four of the Canadian banks responded to the recent banking services RFP and as a result were evaluated against the sustainable and ethical criteria in the City's procurement policy, equivalent to a positive screening process.

At the end of 2012 approximately 80% of the Canadian bank deposit notes owned by the City were issued by the big five Chartered Canadian banks. Table 3 outlines the City's investment balances in Canadian Banks and their participation in UNEPFI.

<b>Canadian Banks</b>	<b>UNEPFI</b>	<b>Banking RFP</b>	<b>Invested (\$Million)</b>
<b>Bank of Montreal</b>	✓	✓	\$70
<b>Bank of Nova Scotia</b>	✓		\$70
<b>CIBC</b>	✓	✓	\$100
<b>Royal Bank of Canada</b>	✓	✓	\$84
<b>TD Bank</b>	✓		\$0
<b>National Bank of Canada</b>		✓	\$41
<b>Canadian Western Bank</b>			\$45
<b>Total</b>			\$410

It is recommended that the City initiate a responsible investing strategy for Canadian banks by developing and implementing a positive screening strategy for Canadian bank debt investments.

#### BC Credit Union Deposits

Credit unions by their very nature, being owned by their members, have always had social & community values incorporated in their business model as a fundamental way of doing business.

The largest credit union in the province, VanCity Savings Credit Union, through its investment arm VanCity Investment Management Ltd. is a signatory of the UN

Principles for Responsible Investing and generally considered a leader in the area of responsible investing. VanCity Investment Management policy requires that all investments go through a responsible investment screening process. The VanCity Investment Management investment philosophy on responsible investing is available on their website at: <https://www.vcim.ca/philosophy/sri/>

At the end of 2012 approximately 47% of the credit union deposits owned by the City were issued by VanCity Savings Credit Union. Table 4 outlines the City's investment balances in Canadian Credit Unions and their participation in UNPRI.

Canadian Credit Unions	UNPRI	Invested (\$Million)
Vancity Savings	✓	\$155
Coast Capital Savings		\$140
North Shore		\$30
Gulf & Fraser		\$5
<b>Total</b>		<b>\$330</b>

Other credit unions that the City deals with are smaller in size and to date have not been actively involved in the UN initiatives.

It is recommended that the City initiate a responsible investing strategy for Canadian credit unions by developing and implementing a positive screening strategy for Canadian credit union investments.

### ***Implications/Related Issues/Risk (if applicable)***

#### ***Financial***

The City of Vancouver had \$1,005.9 million in investments at the end of 2012 detailed by category in the table below.

City of Vancouver Investments	Percent
Canadian Government bonds	30.5%
Canadian bank debt	38.5%
BC credit union deposits	31.0%
Total	100.0%

2012 contributions to the Municipal Pension Plan include \$56.2 million paid by the City and employee contributions of \$45.5 million.

**CONCLUSION**

The BC Municipal Pension Plan and BC Investment Management Corporation have demonstrated a commitment to responsible investing as signatories to the UN Principles of Responsible Investing. They should be commended on the progress made to date and encouraged to continue their advancement in responsible investing using the UN Principles of Responsible Investment with a goal of improved alignment of the portfolio to the sustainable and ethical considerations.

The City's cash investments are based on financial criteria (credit risk, liquidity & rate of return) and to date have not considered the concept of responsible investing. Although the City's investment categories (Canadian government, Canadian banks and Canadian credit unions) are directed to entities that traditionally have supportive policies on environmental, social and governance issues, including the United Nations initiatives, the City can demonstrate leadership in the municipal investing field by initiating a responsible investment strategy which includes the development and implementation of a positive screening process for Canadian bank and credit union investments.

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Appendix A - Corporate Procurement Policy

Appendix B - UNEPFI Statement

Appendix C - UN Principles for Responsible Investing

Appendix D - Municipal Pension Plan Investment Policy

Appendix E - Municipal Pension Plan Top Ten Investments

Appendix F - City of Vancouver Investment Policy



# CITY OF VANCOUVER CORPORATE POLICY

<b>SUBJECT:</b> Procurement Policy	
<b>CATEGORY:</b> Finance	<b>POLICY NUMBER:</b> AF-015-01

## PURPOSE

The purpose of this policy is to outline the requirements for the procurement of goods, services and construction for the City of Vancouver, the Vancouver Park Board, the Vancouver Police Board, and the Vancouver Library Board (collectively, the “Vancouver Group”).

A separate Employee Guide to Contracting and Procurement Procedures provides information to assist staff and outside agencies in the process of supply and services to the Vancouver Group. It provides guidance to all employees on the process and responsibilities of the purchasing function. The Vancouver Group, in the performance of the duties and responsibilities assigned to it, must engage in the procurement of goods, services and construction. In order to achieve the maximum economy, efficiency, effectiveness, and sustainability (social, environmental & economic) in the performance of this function, the Vancouver Group has endorsed certain fundamental principles it considers applicable to public purchasing.

## SCOPE

This policy applies to the procurement of goods, services (including consulting services) and construction for the City of Vancouver, and (subject to Board approval and endorsement) the Vancouver Park Board, the Vancouver Police Board, and the Vancouver Library Board.

## DEFINITIONS/INTERPRETATION

(a) Interpretation - All references in this policy to an employee, official or other representative of the Vancouver Group is deemed to include any designate, deputy, or anyone else acting in that person’s position as authorized from time to time by the applicable Council or Board having jurisdiction or by the City Manager to carry out the authority of that person under this policy.

(b) Definitions - In this policy, the following terms have the following meanings:

**Award:** The business decision by a Vancouver Group member (as authorized by this policy) to enter into a contract for goods, services or construction.

**Best Value:** The optimal combination of total cost of ownership, economic sustainability, environmental sustainability, social sustainability, reduced carbon dependency, and zero waste as determined in accordance with the specific criteria and weighting for each criterion established by the Vancouver Group for the applicable procurement.

**Bid:** Depending on the type of call, either (i) a legally binding tender or quotation which upon written acceptance by the Vancouver Group, automatically creates a purchase contract, or (ii) a non-binding proposal which forms a basis of a negotiated purchase contract, or (iii) a non-binding pre-qualification submission or expression of interest which may form the basis of a subsequent call for tenders, quotations, or proposals or may form the basis for a negotiated contract.

**Bid Committee:** The bid committee established under section 12 of this policy.

**Bidder:** Any legal entity submitting a bid in response to a call by the Vancouver Group.

**Call:** Any request or invitation by the Vancouver Group for a bid.

**Capital Project:** Any undertaking approved by the Vancouver Group in its capital budget.

**Category Manager:** The position responsible for managing portfolios of spend categories, developing cost reduction strategies based on lifecycle cost, conducting rigorous market analyses, recommending short-term and long-term sourcing opportunities, developing innovative procurement strategies that incorporate sustainability provisions into assigned portfolios, providing risk/benefit analysis, leading/facilitating supplier evaluations, negotiations, and change management efforts, managing cost reduction/avoidance programs and transactional activities in pursuit of total cost of ownership savings and enhanced service levels for the category portfolio, and managing staff across the organization involved in supply chain decisions.

**Chief Constable:** The person appointed by the Vancouver Police Board as the Chief Constable pursuant to the Police Act.

**Chief Librarian:** The person appointed by the Vancouver Library Board as the Chief Librarian pursuant to the Public Library Act.

**Chief Purchasing Official:** The person designated from time to time by the City Manager to supervise and carry out the procurement function on behalf of the Vancouver Group in accordance with this policy, and expressly includes the Assistant Manager of Contracts.

**City Clerk:** The person appointed by Council pursuant to section 220 of the Vancouver Charter as the City Clerk.

**City Engineer:** The person appointed by Council pursuant to section 288 of the Vancouver Charter as the City Engineer.

**City Manager:** The person appointed by Council pursuant to section 162A of the Vancouver Charter as the City Manager.

**City Solicitor:** The person appointed by Council as the City Solicitor.

**Consulting Services:** Contract where there is no material sale of goods included in the transaction and includes for example, professional and non-professional consulting services such as engineering, architectural, information technology, planning, and management consulting services as well as services which might normally be provided by City employees but which the City decides to obtain on a short-term basis on a contract basis rather than an employment basis. However, consulting services contracts would not

include labour services contracts such as construction, maintenance, janitorial, or security services.

**Contract:** A contract for the purchase by the Vancouver Group of goods, services or construction, including the issuance of a purchase order or the execution of any agreement evidencing the obligation.

**Maximum Contract Term:** Five years (including all options to extend or rights of renewal) in respect of a contract other than for a capital project and, in respect of a capital project contract, the term of the approved funding for the capital project.

**Construction:** Construction, reconstruction, demolition, repair or renovation of a building, structure, or other civil engineering or architectural work and includes site preparation, excavation, drilling, seismic investigation, the supply of products and materials, the supply of equipment and machinery if they are included in and incidental to the construction, and the installation and repair of fixtures of a building, structure or other civil engineering or architectural work, but does not include professional consulting services related to the construction contract unless they are included in the commitment.

**Co-operative Purchasing:** Procurement conducted by the Chief Purchasing Official on behalf of the Vancouver Group and other public bodies, or the involvement of the Chief Purchasing Official in procurement by other public bodies on behalf of the Vancouver Group.

**Department Head:** Any of the following officials:

- A. any General Manager, including the City Engineer, Director of Finance, General Manager of Community Services, Chief Constable, Fire Chief, Chief Librarian, Park Board General Manager;
- B. the City Solicitor;
- C. a Deputy City Manager;
- D. any director or executive director reporting to the City Manager;
- E. the City Clerk.

**Director of Finance:** The person appointed by Council pursuant to section 210 of the Vancouver Charter as the Director of Finance.

**Economic Sustainability:** Providing and enhancing the services, infrastructure and conditions that sustain healthy, diverse and resilient local economy in which businesses of all sizes, and their employees, can flourish.

**Environmental Sustainability:** Protecting and enhancing the climate, ecology and natural resources for future generations through approaches that reduce carbon dependency, enhance energy resilience, conserve energy and resources and reduce waste and toxins.

**Fire Chief:** The person appointed by Council pursuant to section 309 of the Vancouver Charter as the City's fire chief.

**Funding Approval:**

- A. In relation to a capital project:

The Director of Finance provides written confirmation that the:

- entire capital expenditure for the project is identified in the budget at an appropriate project or subproject level; and
  - project's cash flow funding is available in an appropriate account.
- B. In relation to other than a capital project where the cost is provided in an interim or final operating budget adopted by the applicable Council or Board:
- The Director of Finance provides written confirmation that the funding of the commitment, or the first year of a multi-year commitment, is available in an appropriate account.
- C. In relation to other than a capital project where the cost is not provided in an interim or final operating budget adopted by the applicable Council or Board:
- The written confirmation of a Department Head that the commitment is in respect of necessary current and ongoing operations and that the subject matter of the commitment was contained in a program that had funding approval in the prior year; and
  - The written confirmation of the Director of Finance that the funding of the commitment can be undertaken.

**Park Board General Manager:** The person appointed as the General Manager of the Vancouver Park Board.

**Public Body:** Any local board and commission and any non-profit corporation or municipal or government body carrying out a public function and, in addition, any corporation of which the City is a controlling shareholder.

**Reduced Carbon Dependency:** Reduction in the amount of carbon emitted in the operation, maintenance and disposal of goods and services purchased.

**Response:** The submission of a bid in response to a call.

**Social Sustainability:** Cultivating and sustaining vibrant, creative, safe, affordable and caring communities for the wide diversity of individuals and families who live in, work in and visit Vancouver and beyond. For a community to be socially sustainable the basic needs of its residents must be met, it must be able to maintain and build on its own resources and prevent and/or address problems as they arise.

**Solicitation:** The process of communicating the call to prospective bidders.

**Sustainability:** Meeting the social, environmental and economic needs of the present without compromising the ability of future generations to meet their needs.

**Total Purchase Price:** The total purchase price payable for all goods, services, and construction under the contract over the entire term of the contract (but not including options to purchase additional goods or services during the term which may or may not be exercised and not including GST, PST, or HST).

**Total Cost of Ownership:** The direct social, environmental and financial costs and benefits to the City of products, construction and services during their acquisition, use and end-of-life phases including factors such as transportation emissions, training, economic development impacts, energy consumption, disposal and other related costs after taking into account sustainability, reduced carbon dependency, and zero waste.

**Zero Waste:** Resource life cycles that ensure all products are reused. Any trash sent for disposal is considered for energy recovery and residual waste is minimal.

## POLICY STATEMENTS

### 1 Goals

- 1.1 An open, transparent, competitive procurement process that:
  - provides best value for the Vancouver Group and its citizens;
  - minimizes total cost of ownership;
  - incorporates wherever possible, sustainability, reduced carbon dependency, zero waste, and ethical considerations as integral evaluation components in supply selection;
  - applies best practices and strong financial controls to the procurement process.
- 1.2 Ensure compliance with the City's policies and by-laws, the Vancouver Charter, collective agreements, and all other provincial and federal laws and regulations that apply to the procurement of goods, services and construction.

### 2 References

- 2.1 This policy incorporates the following:
  - Council/Board delegated authority to Vancouver Group staff to call for bids, award contracts, sign contracts, issue change orders/amendments, and renewals and extensions to contracts for goods, services, and construction for a defined range of operating or capital accounts within a defined dollar limit;
  - An Employee Guide to Contracting and Procurement Procedures that establishes the procedures that must be followed when procuring goods, services and construction;
  - The Energy Efficiency Purchasing Policy ([AF-013-01](#))
  - The Ethical Purchasing Policy ([AF-014-01](#)) - demonstrates a commitment to sustainability by seeking to ensure safe and healthy workplaces for the people who make products for the City, where human and civil rights are respected; and
  - The [Supplier Code of Conduct](#) - sets the minimum performance standards for the City's suppliers.
  - The Corporate Purchasing Cards Policy and Procedure ([AF-010-01](#))

### **3 Legal Requirements**

- 3.1** All contracts, call documents, addenda and amendments to call documents, notices of awards, bonds, letters of credit, notices of intent to contract, change orders, purchase orders, renewals, extensions, and any other forms of commitments and contracts will be on terms and conditions approved by the City Solicitor. Any material deviation from the approved terms and conditions of any document requires the prior approval of the City Solicitor.
- 3.2** The concurrence of the City Solicitor is required on the award of any contract which is procured by way of a formal invitation to tender and which has a total purchase price in excess of \$2,000,000.
- 3.3** Any continuous or repetitive series of contracts that appear to be structured so as to avoid the contracting authority limits set out in this policy will be reviewed by the Chief Purchasing Official and reported to the Director of Finance and City Manager.

### **4 Competitive Bidding - When Required**

#### **4.1** *General Policy is Open, Public Competitive Procurement*

Except where otherwise permitted in this policy, the Vancouver Group will endeavor to procure all contracts through an open, public, competitive procurement process.

#### **4.2** *No Public Call on Purchases \$75,000 (\$200,000 for Construction) or Less*

The Chief Purchasing Official will endeavor to obtain at least three bids for contracts that are expected to have a total purchase price of no more than \$75,000 for goods and services and no more than \$200,000 for construction. The Chief Purchasing Official's office will obtain prices from internal price records or solicit prices by telephone or in writing from known suppliers depending on the value of the purchase. Records of prices solicited will be available on request.

#### **4.3** *Public Calls for Purchases over \$75,000*

The Chief Purchasing Official will endeavor to procure contracts that are expected to have a total purchase price of more than \$75,000 for goods and services and more than \$200,000 for construction through a public call for responses. Solicitation will be by way of posting the call particulars on the BC Bid website with links to the City's website. In addition to posting on the BC Bid website, local advertising will be carried out at the discretion of the Chief Purchasing Official where it is deemed appropriate.

### **5 Contract Authority Limits**

- 5.1** Except where otherwise indicated, only the Council or Board having jurisdiction has the authority to award a contract under this policy.

- 5.2 Unless otherwise authorized by the City Manager, all calls must be issued by the Chief Purchasing Official's office.
- 5.3 Each of the following members or committee of the Vancouver Group has the authority to award contracts in response to a call issued by the Chief Purchasing Official's office, subject to the following conditions:
- (a) The contract does not exceed the total purchase price indicated below for the member or committee.
  - (b) The contract term does not exceed the maximum contract term.
  - (c) The contract has approved funding.
  - (d) The member or committee has determined in good faith that the contract represents best value to the Vancouver Group based on the criteria set out in the call documents.
  - (e) For bid committee awards (but only where it is a formal invitation to tender over \$2,000,000), the City Solicitor has concurred on the award.

**Category Manager: \$75,000**

**Chief Purchasing Official: \$250,000**

**Department Head: \$500,000**

**Bid Committee: \$2,000,000**

**Bid Committee plus City Council: Greater than \$2,000,000**

- 5.4 Contract awards that do not meet the criteria set out in section 5.3 above must be approved by the City Manager if \$500,000 or less and by Council if over \$500,000.

## **6 Signing Authority**

- 6.1 All contracts awarded by a Category Manager, General Manager, or the Bid Committee, must be signed by both that person as well as the Chief Purchasing Official, and all contracts authorized by the Chief Purchasing Official must be signed by both the Chief Purchasing Official and the applicable Category Manager.
- 6.2 All contracts that have been awarded by the Bid Committee plus Council will be signed by the Director of Legal Services.
- 6.3 All contracts that required the approval of the City Solicitor pursuant to section 3 [Legal Requirements] of this policy, must be signed by the City Solicitor in addition to the authorized signatories referred to in section 6.1 above.

## 7 Change Orders

- 7.1 General Managers will have the authority to approve change orders up to the project budget. All change orders are conditional on the following;
- (a) there are sufficient uncommitted funds within the existing project budget for that project to cover the cost of the change order, and
  - (b) the change order does not materially alter the scope of work of the project.
- 7.2 If the project budget is exceeded or the adjusted (by transfer) project budget is exceeded by 15% or less than \$50,000 (whichever is less) the change order proposal is forwarded to Council for approval.

## 8 Renewals/Extensions

- 8.1 The Chief Purchasing Official will endeavor to ensure that contracts are not renewed or extended past the maximum contract term except where expressly authorized by the sole source provisions of this policy and that in all other cases there is a new call for the goods or services which are the subject of the expiring contract.
- 8.2 In the event that the sole source provisions of this policy do not apply to a renewal or extension, only Council or the City Manager (on the request of the Chief Purchasing Official in a City Manager's minute) may approve such renewal or extension.

## 9 Exceptions - Sole Sourcing, Consulting, Credit Card Purchases, Etc.

### 9.1 Sole Source Contracts

Despite section 4 above, competitive bidding is not required and a contract may be sole sourced in the following circumstances. (Procurement of 'goods via auction', used goods or distress sale goods, will also be considered to be sole source purchases and may only be authorized in accordance with this section):

#### (a) Small Value Contracts

Where the contract does not exceed \$5,000 and the Vancouver Group member is satisfied that the contract price is best value.

### 9.2 Emergency

Where goods, services or construction are urgently required and delay would be injurious to the public interest, provided

- the City Manager has so determined this to be the case, where the required sole source contract total purchase price is in excess of \$250,000

- the Chief Purchasing Official has so determined this to be the case if the required sole source contract total purchase price is not in excess of \$250,000
- the sole source contract is signed by both the City Manager and Director of Legal Services if in excess of \$250,000 and signed by both the Director of Finance and Chief Purchasing Official if not in excess of \$250,000
- the Chief Purchasing Official promptly issues a public notice so as to give the vendor community notice of the contract and an opportunity to comment on same

### 9.3 Single Supplier

Where, to the best of the Chief Purchasing Official's knowledge, only one supplier is available and capable of performing the contract, and it would not be practical and expeditious to enter into a competitive process, provided

- the sole source contract is not signed until after the Chief Purchasing Official has posted (for at least 14 days) a Notice of Intent to Contract on the BC Bid web-site or such other public forum as the Chief Purchasing Official may deem appropriate, advertising the City's intent to enter into a contract without a public competitive procurement process
- no complaints or concerns have been lodged in response to the Notice of Intent to Contract (or if there have been any such communications, the Chief Purchasing Official has relayed these to the City Manager and the City Manager has authorized the sole source to proceed)
- the sole source contract is signed by both the City Manager and Director of Legal Services if in excess of \$250,000 and signed by both the Director of Finance and Chief Purchasing Official if not in excess of \$250,000

#### (d) City Manager Authorization

Where the circumstances set out in paragraphs (a), (b) and (c) above do not or may not apply, then the City Manager may authorize a sole source contract provided such contract is signed by the City Manager and another member of the Vancouver Group and the total purchase price does not exceed \$500,000, and the contract is then promptly reported on (i) to Council (if the contract is of a confidential or sensitive nature) or (ii) the Chief Purchasing Official for prompt issuance of a public notice so as to give the vendor community notice of the contract and an opportunity to comment on same.

### 9.4 Employee Credit Card Purchases

Vancouver Group employees who have been issued an authorized employee credit card are authorized to purchase goods and services, provided all purchases are made in strict accordance with the Vancouver Group's policy on the use of such credit cards. See the Corporate Purchasing Cards Policy ([AF-010-01](#)).

### 9.5 Transactions Not Subject to Procurement Process

The following contracts and types of transactions are not covered by this policy (but may be governed by other applicable Council policies):

- Purchase of regulated tariffed services (eg. Electricity, transmission portion of natural gas, cable, tariff portion of non-wireless telecommunications services)
- Inter-Governmental grants/transfers
- Tax rebates
- Real property transactions (including leases, licences, purchases, sales, easements, rights of way)
- Library media including books
- Transactions specifically authorized by City's "Transaction-Specific" Standing Authorities

#### **9.6 Other Exceptions**

All other exceptions to this policy must be approved by request to the Chief Purchasing Official and then documented by the Chief Purchasing Official with a City Manager's minute signed by the City Manager.

### **10 Monitoring and Review**

- 10.1** Application of the City's Procurement Policy will be monitored and reviewed by the Chief Purchasing Official who will annually report to the Corporate Management Team and City Council on implementation progress, financial implications, procurements that appear to avoid proper authorizations, supplier compliance, supplier feedback, surplus asset sales, and other stakeholder input. As part of this review, the Chief Purchasing Official will report specifically on application of the sustainable and ethical procurement standards (section 11). Where the City has knowingly entered into, or maintained, contracts with suppliers and their subcontractors who do not fully comply with the [Supplier Code of Conduct](#) or the sustainable and ethical standards of this policy, these exceptions will be reported to Council along with a rationale for maintaining the relationships and plan for improving the performance of the supplier or achieving compliance.

### **11 Sustainable and Ethical Procurement**

- 11.1** Sustainable and Ethical Procurement aligns the Vancouver Group's overall approach to procurement with its Corporate Long-Term Priorities related to people, prosperity and the environment as expressed in the Corporate Strategic Business Plan.
- 11.2** The Vancouver Group intends to formally recognize and reward within the supplier selection process excellence and innovation among suppliers who demonstrate leadership in sustainability, environmental stewardship and fair labour practices.
- 11.3** The Vancouver Group is committed to safe and ethical workplaces, where human and civil rights are respected. The Vancouver Group will endeavor to ensure that all its suppliers meet and where possible, exceed the performance standards outlined in the [Supplier Code of Conduct](#).

- 11.4** The Vancouver Group is committed to maximizing benefits to the environment and minimizing costs to the Vancouver Group through product and service selection. The Vancouver Group will set minimum specifications for goods and services that achieve environmental benefits such as increased energy and resource efficiency, reduced toxicity and pollution, reduced carbon dependency, zero waste and other environmental attributes. Minimum specifications for key product and services categories will be maintained and updated and periodically presented to Council for endorsement.
- 11.5** The Vancouver Group will use, where appropriate, an evaluation model that incorporates the Total Cost of Ownership of products and services including environmental, social and economic costs and benefits (where reasonably quantifiable). These costs will be factored into the vendor pricing, evaluation and selection process.
- 11.6** The Vancouver Group will give preference where feasible, to products and services that represent a non-carbon alternative, are carbon neutral or that minimize green house gas emissions and thereby contributes to reducing the carbon footprint of the Vancouver Group.
- 11.7** The Vancouver Group will work collaboratively with suppliers to advance environmental performance of products and services and ensure compliance with the Vancouver Group's [Supplier Code of Conduct](#).
- 11.8** The Vancouver Group will select suppliers based on best value both in terms of the supplier's overall social and environmental performance and the social and environmental attributes of the goods and/or services. Efforts to reduce the overall environmental impacts of their operations and any efforts to advance sustainable and ethical purchasing in the marketplace, above and beyond the minimum requirements of this policy and the [Supplier Code of Conduct](#), will be taken into consideration.
- 11.9** Within the limits set out by applicable trade and investment legislation, and the Vancouver Charter, the Vancouver Group will seek to identify opportunities where procurement activities may serve to leverage the Vancouver Group goals related to local economic development and, in particular, support the development of an environmentally sustainable local economy. The Vancouver Group will actively work with the supplier community and economic development agencies to identify and capitalize on such opportunities and catalyze industry relationships through hosting supplier forums, creating opportunities for dialogue with existing and potential suppliers and related outreach programs.
- 11.10** Where opportunities exist, the Vancouver Group will work with other organizations (e.g. municipalities) on monitoring and verification processes to ensure suppliers adhere to all applicable legal requirements and trade agreements.

## **12 Bid Committee/Chief Purchasing Official/Category Manager**

### **12.1 Establishment of the Bid Committee**

The Bid Committee will be established which will consist of the following representation:

- (a) The City Manager
- (b) The Director of Finance
- (c) Any Department Head whose budget will be totally or partially funding the award that is before the Committee at any given meeting (in this section 12 a “Voting Department Head”).

**12.2** A Voting Department Head referred to in subsection 12.1 © is only entitled to vote in respect of an award referred to in that subsection 12.1©.

**12.3** A quorum of the Bid Committee will be two voting members.

**12.4** All business and decisions of the Bid Committee will be posted on a publicly available source subject to the confidentiality provisions of the call documents, the Freedom of Information and Protection of Privacy Act, and any other applicable law.

### **12.5 Authority of the Bid Committee**

Subject always to the limits set out in section 5 above, the Bid Committee is authorized to make an award in respect of a bid call, if all of the following conditions are met:

- The Chief Purchasing Official, after consulting with the Voting Department Head(s) has recommended the award in the report submitted as being in compliance with the terms of the call;
- All voting members of the Bid Committee who are present at the meeting vote in favor of the award.

### **12.6 Extended Authority of Bid Committee**

The Bid Committee is authorized to exercise the power of Council or Board to make an award in the following circumstances:

- If a regularly scheduled meeting of Council/Board to which the bid would be normally reported for award is cancelled for whatever reason, including labour disruption, and there is no meeting of Council/Board scheduled either prior to or within the week following the cancelled Council/Board meeting to which the bid could be reported; or
- If, during the summer recess of Council/Board or during the period between the last scheduled meeting of Council/Board and the first meeting of a new Council/Board after an election, no Council meetings are scheduled or held; and

- The goods, services or construction are urgently required and delay would be injurious to the public interest as determined by the City Manager; and
- the total purchase price of the contract is greater than \$2,000,000.

**12.7** If the Bid Committee makes an award under subsection 12.6, the award will be reported by the Chief Purchasing Official to Council/Board at the next Council/Board meeting.

**12.8** The Bid Committee will meet on an as needed basis to make vendor selection decisions. Any award may be referred to Council/Board at any time in the Bid Committee's sole discretion.

### **12.9 Chief Purchasing Official**

The Chief Purchasing Official will have the authority and be responsible for:

- Determining, in accordance with policies and directives as may be adopted or provided from time to time by Council, the appropriate form and method by which all goods, services and construction will be procured on behalf of the City, including the form of any call document or contract, the circumstances and means for the pre-selection of equipment and materials, the pre-qualification of bidders, and the delegation to any Vancouver Group member of any aspect of the procurement process.
- Compiling and maintaining a compendium of all policies adopted by the Vancouver Group from time to time affecting the procurement process and communicating such policies to bidders and all staff involved in the procurement process.
- The solicitation of goods, services or construction.
- Determining the method and scope of solicitation, including, without limitation, by public advertising, mailing invitations, posting notices, telecommunicated messages or any combination or all of these.
- Scheduling the place, date and time for the receipt and opening of responses.
- Determining whether recommendations for an award should appropriately go to the Bid Committee or Council or Board as the case may be and as determined by this policy.
- Reporting to the Bid Committee on all bids where the Bid Committee has authority to make an award.
- Providing advice and support to the Bid Committee.
- Reporting on, along with the Voting Department Head, all bids which must be reported to Council or the appropriate Board.
- Generally monitoring, supervising and reporting to the Corporate Management Team as required from time to time, on the procurement process.
- Acting on behalf of other public bodies when requested to do so by such bodies and where authorized by this policy or Council.
- Drafting and finalizing procedures and guidelines in respect of any aspect of the procurement process, including any of the listed responsibilities of the Chief Purchasing Official in this section, and ensuring appropriate

communication of such procedures and directives to staff and to the public.

- Undertaking a comprehensive review of this policy and all policies affecting the procurement process every five years.

#### **12.10 Authority of Chief Purchasing Official to Pre-Select and to Pre-Qualify**

The Chief Purchasing Official will be authorized to determine:

- The selection of specified equipment and materials, if required in the opinion of the department head, for incorporation in any call; and
- In consultation with the Voting Department Head, those bidders meeting the requirements of any pre-qualification call as a basis for the issuance of any subsequent call for the submission of bids.

#### **12.11 Chief Purchasing Official and Opening of Responses**

- Responses received by the Chief Purchasing Official in the location specified in the call before the time stipulated for receipt will be opened by the Chief Purchasing Official or designate at the time and location specified in the call, and the names of the bidders will be recorded.
- The prices contained in bids will also be recorded but only where deemed appropriate in the sole discretion of the Chief Purchasing Official.

#### **12.12 Cancellation of Calls**

The Chief Purchasing Official will be authorized to cancel any call where:

- (a) There is a request by the Voting Department Head and responses are greater than the funding approval for the award in respect of the call; or
- (b) In the opinion of the Chief Purchasing Official or the Voting Department Head:
  - (i) A change in the scope of work or specifications is required and therefore a new call should be issued; or
  - (ii) The goods, services or construction to be provided by the call no longer meet the Vancouver Group's requirements; or
- (c) In the opinion of the Chief Purchasing Official the integrity of the call process has been compromised.

#### **12.13 Category Managers**

Category Managers are responsible for managing a portfolio of spend categories as assigned by the Chief Purchasing Official. This includes strategic sourcing initiatives, vendor management, reviewing and seeking out new technologies and processes that will optimize value for the Vancouver Group and incorporating sustainability as an integral component products/services provided to the City.

### 13 Surplus Asset Disposal

- 13.1 If any materials or equipment owned by the Vancouver Group are declared by the department head having control over them to be surplus to present and future department requirements, and are declared by the Chief Purchasing Official to be surplus to present and future corporate requirements, the Chief Purchasing Official may either dispose of the materials or equipment by public auction or solicitation deemed appropriate by the Chief Purchasing Official in the circumstances.
- 13.2 Funds received for the disposal of surplus materials and equipment will be credited back to the Vancouver Group cost center where the asset originated from prior to being declared surplus.
- 13.3 In exceptional circumstances, surplus assets may be transferred gratuitously to a not-for-profit organization or public agency or sold at less than fair market value when, in the opinion of the Chief Purchasing Official, such action serves the public interest better than sale on the open market, provided always that the contract transferring the asset is signed by the City Manager and Director of Legal Services.
- 13.4 Surplus assets will be segregated for reuse or recycling and those, which are classified as electronic waste, will be recycled according the appropriate governing guidelines for e-waste and in a manner that ensures that toxic products are not sent to landfill.

### 14 Co-operative Purchasing

- 14.1 The Chief Purchasing Official may participate with public bodies in co-operative purchasing.
- 14.2 Participation in co-operative purchasing will be in compliance with the provisions of this policy in proportion with the Vancouver Group's participation in the co-operative purchasing.

#### RELATED POLICIES

- [AF-013-01](#) Energy Efficiency Purchasing Policy
- [AF-014-01](#) Ethical Purchasing Policy
- [AF-010-01](#) Corporate Purchasing Cards Policy

**APPROVAL HISTORY**

<b>ISSUED BY:</b> Director of Finance	<b>APPROVED BY:</b> Council	<b>DATE:</b> 2009/12/15
<b>AMENDED BY:</b> Director of Finance	<b>APPROVED BY:</b> Director of Finance	<b>DATE:</b> 2010/02/26
<b>AMENDED BY:</b> Director of Supply Chain Management	<b>APPROVED BY:</b> City Manager	<b>DATE:</b> 2010/06/08

# **UNEP Statement of Commitment by Financial Institutions (FI) on Sustainable Development**

We members of the Financial Services Sector recognize that economic development needs to be compatible with human welfare and a healthy environment. To ignore this is to risk increasing social, environmental and financial costs. We further recognize that sustainable development is the collective responsibility of governments, businesses and individuals. We are committed to working collectively toward common sustainability goals.

## **1. Commitment to Sustainable Development**

**1.1** We regard sustainable development - defined as development that meets the needs of the present without compromising the ability of future generations to meet their own needs - as a fundamental aspect of sound business management.

**1.2** We believe that sustainable development is best achieved by allowing markets to work within an appropriate framework of cost efficient regulations and economic instruments. Governments have a leadership role in establishing and enforcing long-term priorities and values.

**1.3** We regard financial institutions to be important contributors to sustainable development, through their interaction with other economic sectors and consumers and through their own financing, investment and trading activities.

**1.4** We recognize that sustainable development is an institutional commitment and an integral part of our pursuit of both good corporate citizenship and the fundamentals of sound business practices.

**1.5** We recognize that the sustainable development agenda is becoming increasingly inter-linked with humanitarian and social issues as the global environment agenda broadens and as climate change brings greater developmental and security challenges.

## **2. Sustainability Management**

**2.1** We support a precautionary approach to environmental and social issues, which strives to anticipate and prevent potential negative impacts on the environment and society.

**2.2** We will comply with all applicable local, national and international regulations on environmental and social issues. Beyond compliance, we will work towards integrating environmental and social considerations into our operations and business decisions in all markets.

**2.3** We recognize that identifying and quantifying environmental and social risks should be part of the normal process of risk assessment and management, both in domestic and international operations.

**2.4** We will endeavor to pursue the best practice in environmental management, including energy and water efficiency, recycling and waste reduction. We will seek to form business relations with customers, partners, suppliers and subcontractors who follow similarly high environmental standards.

**2.5** We intend to update our practices periodically to incorporate relevant developments in sustainability management. We encourage the industry to undertake research accordingly.

**2.6** We recognize the need to conduct regular internal reviews and to measure our progress against our sustainability goals.

**2.7** We recognize the need for the financial services sector to adapt and develop products and services which will promote the principles of sustainable development.

### **3. Public Awareness and Communication**

**3.1** We recommend that financial institutions develop and publish a statement of their sustainability policy and periodically report on the steps they have taken to promote the integration of environmental and social considerations into their operations.

**3.2** We are committed to share relevant information with customers, as appropriate, so that they may strengthen their own capacity to reduce environmental and social risk and promote sustainable development.

**3.3** We will foster openness and dialogue relating to sustainability matters with relevant stakeholders, including shareholders, employees, customers, regulators, policy-makers and the public.

**3.4** We will work with the United Nations Environment Programme (UNEP) to further the principles and goals of this Statement, and seek UNEP's active support in providing relevant information relating to sustainable development.

**3.5** We will encourage other financial institutions to support this Statement. We are committed to share with them our experiences and knowledge in order to extend best practices.

**3.6** We recognize the importance of other initiatives by the financial services sector in forwarding the aims and objectives of sustainable finance and will seek to assist such initiatives in an appropriate manner.

**3.7** We will work with UNEP periodically to review the success in implementing this Statement and expect all Signatories to make real progress.

27 April 2006



# Secretary-General

SG/2111  
ECO/106

Department of Public Information • News and Media Division • New York

## **SECRETARY-GENERAL LAUNCHES 'PRINCIPLES FOR RESPONSIBLE INVESTMENT'**

### **BACKED BY WORLD'S LARGEST INVESTORS**

#### **International Funds Worth \$2 Trillion Announce Endorsement at New York Stock Exchange**

NEW YORK, 27 April (UN Global Compact Office) — In a historic development for global financial markets, United Nations Secretary-General Kofi Annan was today joined by a group of the world's largest institutional investors at the international launch of the Principles for Responsible Investment.

The heads of leading institutions from 16 countries, representing more than \$2 trillion in assets owned, officially signed the Principles at a special launch event at the New York Stock Exchange. The Principles were developed during a nearly year-long process convened by the United Nations Secretary-General and coordinated by the UN Environment Programme Finance Initiative (UNEP FI) and the United Nations Global Compact.

"These Principles grew out of the understanding that while finance fuels the global economy, investment decision-making does not sufficiently reflect environmental, social and corporate governance considerations — or put another way, the tenets of sustainable development", the Secretary-General said.

He added: "Developed by leading institutional investors, the Principles provide a framework for achieving better long-term investment returns and more sustainable markets. I invite institutional investors and their financial partners everywhere to adopt these Principles."

In joining with institutional investors to develop the Principles, the United Nations collaborated with some of the world's most influential institutions — many of them public pension funds — involved in investment activities worldwide. It is estimated that pension funds alone — public and private — account for up to 35 per cent of total global investment.

More than 20 pension funds, foundations and special government funds, backed by a group of 70 experts from around the world, held meetings in Paris, New York, Toronto, London, and Boston over an eight-month period to craft the Principles.

"We are proud to endorse the Principles, which recognize that social and environmental issues can be material to the financial outlook of a company and therefore to the value of our shares in that company", said Denise Nappier, Treasurer of the State of Connecticut, who is the principal fiduciary of \$23 billion in pension fund assets. "Financial markets tend to focus too heavily on short-term results at the expense of long-term and non-traditional financial fitness factors that could affect a company's bottom line. For many institutional investors it is the long-term that matters and in this context environmental, social and governance issues take on new meaning."

The six overarching Principles, which are voluntary, are underpinned by a set of 35 possible actions that institutional investors can take to integrate environmental, social and corporate governance (ESG) considerations into their investment activities. These actions relate to a variety of issues, including investment decision-making, active ownership, transparency, collaboration and

gaining wider support for these practices from the whole financial services industry.

“We manage assets for future generations and acknowledge the link between long-term return and the governance of companies, markets and economies”, said Knut N. Kjaer, Executive Director of the Norwegian Government Pension Fund, which holds assets of more than \$250 billion. “We engaged in developing these Principles to help broaden the understanding of what drives long-term fund performance. Investors must collaborate to support well-regulated markets and sustainable development” Kjaer said.

#### Editor's Note

While access to the event is restricted, a live webcast of the Secretary-General's remarks, the signing ceremony and the subsequent panel discussion will be available from 9:45 a.m. to 11 a.m. on 27 April at [www.nyse.com/events/1145959807704.html](http://www.nyse.com/events/1145959807704.html).

The full text of the Principles for Responsible Investment, as well as an updated list of asset owner signatories is available on <http://www.unpri.org>.

Additional resources from the event, including high resolution photographs, video coverage, additional quotes from investor signatories will also be available on [www.unpri.org](http://www.unpri.org).

#### UN Global Compact

Launched by United Nations Secretary-General Kofi Annan in 2000, the United Nations Global Compact brings business together with United Nations agencies, labour, civil society and governments to advance ten universal principles in the areas of human rights, labour, environment and anti-corruption. Through the power of collective action, the Global Compact seeks to mainstream these ten principles in business activities around the world and to catalyze actions in support of broader United Nations goals. With over 2500 participating companies from more than 90 countries, it is the world's largest voluntary corporate citizenship initiative. For more information, please visit [www.unglobalcompact.org](http://www.unglobalcompact.org).

#### UNEP Finance Initiative

The United Nations Environment Programme Finance Initiative (UNEP FI) is a unique global partnership between United Nations Environment Programme (UNEP) and the financial services sector. UNEP FI works with 160 financial institutions — banks, insurers, asset managers, and pension funds -- to develop and promote linkages between sustainability and financial performance. UNEP FI is the oldest and largest partnership between the United Nations and the global financial sector. UNEP FI promotes the adoption of best environmental and sustainability practice at all levels of financial institution operations. For more information on UNEP FI, see: <http://www.unepfi.org>

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**For information media • not an official record**



# Municipal Pension Plan

STATEMENT OF  
INVESTMENT  
POLICIES AND  
PROCEDURES

As Amended: November 29, 2012

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### APPENDICES

Appendix A: Participating Pooled Funds

Appendix B: Asset Class Policies-Legislative Constraints

## **Section 1: Overview / Purpose**

- 1.1 The purposes of this Statement of Investment Policies and Procedures (the “Statement”) are:
  - (i) To ensure compliance with the British Columbia *Pension Benefits Standards Act*, as amended from time to time or replaced (“PBSA”), the *Pension Benefits Standards Regulation* (“PBSR”), which requires a written statement of investment policies and procedures, as well as the *Income Tax Act*.
  - (ii) To set investment guidelines and direction for the British Columbia Investment Management Corporation (“bcIMC”) that are consistent with the investment policies and objectives established by the Municipal Pension Board of Trustees (the “Board”) for the Municipal Pension Plan (the “Plan”).
  - (iii) To provide objectives, policies and principles for the management of the assets of the Municipal Pension Fund (the “Fund”).
  - (iv) To set forth investment performance objectives and other criteria to be used by the Board to review and evaluate the investment results of the Fund.
- 1.2 The Plan is continued and maintained under the Municipal Pension Plan Joint Trust Agreement (“JTA”) and the Municipal Pension Plan Rules (the “Rules”). The purpose of the Plan is to provide pension benefits to eligible employees of a local government, hospital or other health employer, school district, college, social service agency or other employer in British Columbia.
- 1.3 The Board is responsible for the administration of the Plan and of this Statement. The members of the Board are the trustees of the Fund.
- 1.4 The Board is responsible for ensuring that all investments of the Fund are managed prudently and in accordance with the PBSA, the PBSR, the *Income Tax Act* and this Statement.
- 1.5 The Board has adopted this Statement after considering the benefits obligations of the Plan and a risk profile that the Board believes to be appropriate.
- 1.6 The Board shall review and confirm or amend this Statement at least annually, as required by the PBSA or PBSR, but it can be amended at any time by a Board resolution.
- 1.7 bcIMC is required to have more detailed investment policies and procedures that detail their specific mandate, and they shall acknowledge that these policies and procedures conform to this Statement.

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**Section 2: Plan Structure and Funding / Plan Description**

2.1 The Plan is a hybrid of a contributory defined benefit final average earnings pension plan and negotiated cost arrangements for providing contingent inflation adjustments. It is funded by plan member and employer contributions. Benefit entitlement is based on the provisions of the JTA and the Rules.

Normal retirement age is 65 for all members except police officers, firefighters and a closed group of female members (last contribution prior to April 1, 1971) who have a normal retirement age of 60.

The unreduced lifetime monthly pension payable to a member who terminated employment after April 1, 2000, in the form of a single life annuity with no guarantee, is calculated as the sum of:

- a) 2% of the member's highest average salary (5-year average) multiplied by the number of years of pensionable service accrued before January 1, 1966,
- b) 1.3% of the lesser of:
  - i) the member's highest average salary, and
  - ii) 1/12 of the Year's Maximum Pensionable Earnings ("YMPE") for the calendar year immediately before the effective date of the pension, multiplied by the number of years of pensionable service accrued on and after January 1, 1966 not exceeding 35 years, and
- c) 2% of the excess of the member's highest average salary over the amount determined under paragraph (b) (ii), multiplied by the number of year's of pensionable service accrued on and after January 1, 1966 not exceeding 35 years.

2.2 For the purposes of the calculation referred to in section 2.1, in respect of any period of pensionable service for which contributions have been made at the rate applicable for group 5, the percentage referred to in subsection b) shall be 1.63% and the percentage referred to in subsection c) shall be 2.33%.

2.3 The Plan is not subject to solvency tests but is required to meet the going concern funding requirements of the PBSA or PBSR.

2.4 The Rules establish three accounts for the Plan: a Basic Account, an Inflation Adjustment Account, and a Supplemental Benefits Account.

- 2.4.1 The “Basic Account” provides the non-indexed portion of the pension and any cost of living increases that have been granted, based on the provisions in the JTA and the Rules.
- 2.4.2 The “Inflation Adjustment Account” was established in 1982 and provides cost of living increases for retired members. The Inflation Adjustment Account is funded through a portion of ongoing contributions from employers and members, from investment income earned on its own assets, and from excess interest earnings in the Basic Account. Since its inception, the Inflation Adjustment Account has provided full indexing of members' pensions. However, this is not a guaranteed benefit. The increases may not exceed the annual increase in the Consumer Price Index (CPI) as at the previous September 30, and are subject to availability of funds in the Inflation Adjustment Account.
- 2.4.3 The “Supplemental Benefits Account” does not hold any investment funds.
- 2.4.4 Effective January 1, 2010, the Basic Account and Inflation Adjustment Account are managed as a single account for investment purposes. However, separate accounting records will continue to record the balances and transactions in each account.

### ***Section 3: Plan Governance***

- 3.1 In accordance with the JTA, the Board has 16 members with equal representation from Plan members and the employers. The parties required by section 4.1 of the JTA to appoint Trustees may also appoint an alternate Trustee for each member of the Board.
- 3.2 The Board is responsible for the management of the Fund and the establishment of the investment policies. The Board has a legal obligation to act in the best financial interest of the beneficiaries of the trust and exercise a high standard of care in protecting the Fund and its assets. This must override all other considerations.
- 3.3 bcIMC and the Plan Administrative Agent (British Columbia Pension Corporation) are agents of the Board. They must act in accordance with the direction and policies of the Board, subject to their fiduciary duty to the Plan beneficiaries and in the case of bcIMC, other pooled funds participants.
- 3.4 The Fund is managed by bcIMC and other investment management firms contracted through bcIMC. In all cases, bcIMC and other investment managers shall comply with this Statement, their internal policies, as well as the relevant laws and regulations governing pension fund management in the respective jurisdiction.

3.5 The following outlines the roles and responsibilities of parties involved with the Plan:

bcIMC:

- is an agent of the Board, and is responsible for day-to-day investment management of the Fund;
- ensures that the Fund is managed in accordance with this Statement and the directions of the Board;
- hires and manages contract arrangements with the Custodian and other external providers of related services (e.g., external managers, data service providers, etc.) on behalf of the Board;
- is responsible for fulfilling all reporting requirements outlined in section 8 of the Statement; and
- has a role that goes beyond that of a typical fund manager, effectively functioning as the Board's internal investment staff. This is set out in greater detail in the Board's Funds Investment and Management Agreement with bcIMC.

Custodian:

- is responsible for fulfilling all their duties as outlined in their service agreement with bcIMC;
- fulfills the regular duties of a Custodian as required by law.

Auditor:

- audits the Plan's assets to produce audited financial statements reporting on the Plan's finances.

Actuary:

- is responsible for assessing the financial status of the Plan, including the adequacy of contribution rates;
- fulfills the regular duties of an Actuary as required by law.

British Columbia Pension Corporation ("Pension Corporation"):

- is an agent of the Board and is responsible for ensuring that contributions and payments are made in accordance with the Plan rules;
- prepares financial statements, annual reports and other Plan documents;
- maintains accounting records for the Basic Account and the Inflation Adjustment Account;
- establishes and manages contracts with external administrative service providers on behalf of the Board; and
- has a role that goes beyond that of a typical administrative agent, effectively functioning as the Board's internal staff. This is set out in greater detail in the Board's Service Agreement with Pension Corporation.

## **Section 4: Investment Beliefs**

- 4.1 The purpose of investing the Fund is to grow the asset base and to generate a cash flow to help satisfy the Plan's current and future payment obligations. As such, understanding the nature and variability of the Plan's liabilities is critical to devising an appropriate investment strategy.
  - 4.2 The Plan has a long-term investment time horizon and the Fund is managed accordingly. It is extremely difficult to forecast short-term investment returns. However, over the long-term, capital markets are more predictable and investors should receive additional compensation for taking investment risks. Therefore, it is expected that, over the long-term, equities (including public equities, real estate, private placements and infrastructure as referred to in 5.2) will outperform debt instruments.
  - 4.3 Managing investment risks is just as important as generating returns. Maintaining a well-diversified portfolio is the cornerstone of the Fund's risk management program.
  - 4.4 Active management generally entails higher costs than passive investing, so active management should only be undertaken when there is a reasonable expectation of generating higher returns than a passive investment alternative for that asset class. The more efficient a market is, the more difficult it is for active managers to add value. The Board believes that bclMC is in the best position to make the decision on the weightings between active and passive strategies and has delegated this decision to bclMC.
  - 4.5 When the Plan invests outside of Canada, it is subject to the risk of currency fluctuations which impact the value of any gains or losses for foreign investments. The Board believes that foreign currency exposure provides important diversification benefits and that systematic hedging of the Plan's foreign currency exposures would result in higher transaction costs and reduced diversification benefits. However, given the material impact that unhedged currency exposures can have on the Plan's return and volatility of return, the Board authorizes bclMC, under section 7.5, to engage in currency hedging for defensive purposes, when it is concerned about the risks associated with a specific currency.
  - 4.6 The Board believes that currency markets are inefficient and that managers can generate positive returns through active currency management. Therefore, the Board may elect to participate in currency overlay programs that take trading positions in foreign currencies with the objective of adding value.
  - 4.7 The Board recognizes the Fund's asset mix as the primary determinant of the risk and return of its investments, and this also has an impact on the costs of its investments. The Board has identified two types of asset allocation: policy and tactical.
-

- 4.7.1 Policy asset allocation is set by the Board and establishes the general framework for managing the Fund. This includes determining ranges for the debt and equity portions of the portfolio, as well as general ranges for individual asset classes (e.g., bonds). Policy asset allocation also establishes the amount of discretion provided to bcIMC and establishes the total fund market benchmark.
- 4.7.2 Tactical asset allocation focuses on short-term conditions and attempts to increase investment return through opportunistic shifts in the portfolio's asset class weighting. Tactical asset allocation decisions depend on shorter term market conditions, and, as such, are delegated to bcIMC. However, these asset allocation shifts must be within the policy ranges specified by the Board in this Statement.
- 4.8 The Board believes that, over the long term, the best performing and most profitable companies in the Canadian and world economies maintain sound corporate governance practices and high ethical standards, comply with environmental regulations, have a track record of progressive labour relations, do not have business dealings with countries where human rights are violated, and do not have the production of armaments as their primary activity.

### ***Section 5: Asset Allocation***

- 5.1 Meeting the pension benefits promise is the primary objective of the Board. Managing the volatility of contribution rates and providing non-guaranteed benefits are additional objectives of the Board. To achieve these objectives, the Board has adopted the following long-term asset mix and allowable ranges.

- 5.2 Policy asset mix and policy ranges for the Fund, effective November 29, 2012 , are:

Asset Class <sup>1</sup>	Policy Range		Policy Asset Mix
	Minimum	Maximum	
Short Term	0	10	2
Mortgages	0	11	6
Nominal Bonds	5	20	12
Real Return Bonds	0	10	5
<b>Fixed Income Sub-total</b>	<b>15</b>	<b>35</b>	<b>25</b>
Canadian Equities	6	20	13
Global Equities <sup>2</sup>	10	32 <sup>3</sup>	17
Emerging Markets Equities <sup>4</sup>	3	15	10
<b>Public Equity Sub-total</b>	<b>30</b>	<b>55<sup>5</sup></b>	<b>40</b>
Real Estate <sup>6</sup>	10	25	18
<b>Real Estate Sub-total</b>	<b>10</b>	<b>25</b>	<b>18</b>
Private Placements <sup>6, 7</sup>	1	13	7
Infrastructure and Renewable Resources <sup>6</sup>	2	16	10
<b>Sub-total</b>	<b>5</b>	<b>24</b>	<b>17</b>

1 Refer to Eligible Pooled Funds table (Appendix A) for asset classification by pool.

2 Global equities may include some exposure to Canada and emerging markets

3 The maximum range for Global Equities will be 32% from November 29, 2012 until September 30, 2014. On October 1, 2014, it will revert to 30%.

4 Emerging Market Equities may include some exposure to developed markets.

5 The maximum range for Total Public Equity will be 55% from November 29, 2012 until September 30, 2014. On October 1, 2014, it will revert to 50%.

6 Due to the illiquid nature of these assets, the upper limit may be exceeded on a temporary basis. bcIMC shall use cashflow to rebalance as soon as is practical and shall continue to report any breach of the policy ranges in the quarterly compliance report.

7 Private Placements may be either debt or equity.

- 5.3 The Board recognizes that an appropriate implementation period is required to transition to the new policy asset mix identified in section 5.2. This implementation timeframe is reflected in section 8.3 for the purpose of the performance measurement framework.
- 5.4 The Fund may be invested in the pooled funds listed in Appendix A, segregated funds, mutual funds, unit trusts, limited partnerships and similar vehicles, provided that they conform to this Statement.
- 5.5 The Fund may loan its securities, or participate in pooled funds that lend securities provided that:
- as a minimum, the market value of collateral must be equal to 105 percent of the market value of the lent securities;
  - the loan and collateral are valued daily on a “mark-to-market” basis;
  - the collateral consists of highly liquid and marketable securities; and
  - both the collateral and borrowers have been approved by bcIMC.

**Section 6: Asset Class Policies**

The following asset classes are permitted to be held in the Fund, subject to the investment policies established below for each asset class and any applicable legal constraints, including the constraints imposed by the PBSA, the PBSR and the *Income Tax Act*, as outlined in Appendix B.

**6.1 Money Market Short-Term Policies**

- 6.1.1 Short-term holdings include money market instruments and bonds with a term to maturity of 15 months or less.
- 6.1.2 Corporate money market securities should be rated A-1(Low) or better by Standard & Poor's (S&P) or have an equivalent rating from another credit rating agency.
- 6.1.3 Short term corporate bonds should be rated A- or higher by S&P or have an equivalent rating from another credit rating agency.
- 6.1.4 Not more than 10 percent of the total short term holdings shall be in the money market instruments and bonds of any one corporation unless the corporation is a Schedule One bank.
- 6.1.5 Up to 1 percent of short-term holdings can be in non-rated debt issued by financial institutions (e.g., credit unions)

**6.2 Mortgage Policies**

- 6.2.1 The portfolio shall consist of a broad range of mortgage products, diversified by geographic location, type of mortgage, size of mortgage, and type of real estate. It may include direct mortgage loans and mortgage instruments (e.g., mortgage bonds). All mortgage loans must be eligible investments under the PBSA and PBSR.

**6.3 Fixed Income/Bond Policies**

- 6.3.1 Fixed income portfolios shall consist of debt securities other than money market.
- 6.3.2 Publicly traded corporate bonds and other non-government debt securities when purchased must be rated BBB- or higher by S&P or have an equivalent credit rating from another credit rating agency. If any holdings are downgraded to below a BBB- rating, bcIMC shall immediately review the downgraded security and determine whether to sell this security immediately or hold to sell at a more appropriate time.

- 6.3.3 Not more than 10 percent of the total fixed income holdings shall be in the debt securities of any one corporation.
- 6.3.4 Individual bond portfolios, other than real return bonds, must be managed within  $\pm$  20 percent of the duration of their respective performance benchmark.
- 6.3.5 Investments in private placements (as part of the bond allocation) are permitted provided they meet the same credit quality standards imposed on other bond investments, and are expected to be readily marketable within 6 months.
- 6.3.6 Illiquid private placements, in addition to 6.3.5, are permitted within the limits of the policy set out in 5.2.

#### **6.4 *Equity Policies***

- 6.4.1 Equity investments consist of common and preferred shares, common stock equivalents (such as, convertible debentures, convertible preferred shares, instalment receipts, equity warrants, and share rights), income trusts, exchange traded funds, depository receipts, and equity derivatives (e.g., futures, options, equity swaps).
- 6.4.2 Not more than 10 percent of the total equity holdings shall be in the shares of any one corporation or its related companies.
- 6.4.3 Equity private placements are permitted within the limits set out in the policy as specified in 5.2.

#### **6.5 *Real Estate Policies***

- 6.5.1 Real estate investments consist of direct real estate holdings, units in real estate pooled funds, and real estate securities including trust units, shares in real estate companies, and debt.
- 6.5.2 Not more than 20 percent of the real estate portfolio by appraised value shall be invested outside of Canada.
- 6.5.3 Real estate investments shall be well diversified by property type, property location and property risk.
- 6.5.4 No debt shall be assumed or created if, as a result, it causes the debt to market value of the overall real estate portfolio to exceed 25 percent. However, another 5 percent is allowed for the assumption or renewal of existing debt.

6.5.5 No direct investment in real estate shall be made without the benefit of a professional opinion regarding known or possible environmental contamination of the property.

**6.6 *Private Placement Policies***

6.6.1 Private placement investments are long-term debt or equity investments that are made primarily outside of the public market. Investments may be made directly by bcIMC or indirectly through external managers. These are long-term commitments made on behalf of the Fund.

**6.7 *Infrastructure and Renewable Resources Policies***

6.7.1 Infrastructure and Renewable Resource investments are tangible long-life assets with potential for strong cash flows and favourable risk-return characteristics that provide an attractive match with pension liabilities. Infrastructure investments typically include physical assets that provide essential services such as utilities and transportation systems. Renewable Resource investments typically include timberland, farmland, and energy production assets such as wind and solar.

***Section 7: Use of Derivative Instruments***

7.1 The use of derivatives is only permitted for the following purposes:

- (i) Synthetic Indexing - Passively investing in an attempt to replicate the returns of an index.
- (ii) Risk Control - Managing interest rate, equity or currency market risk through the use of hedging strategies.
- (iii) Lower Transaction Costs and Liquidity Management- Reducing the transaction costs on trading, custody and brokerage costs through use of index futures. Substituting one combination of securities for another with the same net exposure to market variables for the purposes of exploiting pricing inefficiencies.
- (iv) Asset Mix Shifts - Reduce market movement and transaction costs of shifting asset weights or rebalancing by allowing instantaneous implementation of the shift through derivatives.
- (v) Their use within the Currency Overlay Program.

- 7.2 All derivative uses are to be structured to ensure that the aggregate amount of market exposure of the Fund does not increase as a result of derivative transactions.
- 7.3 Derivatives include: forward contracts, futures, options, and swaps. The above derivatives can have equities, interest rates and currencies as underlying instruments.
- 7.4 When a swap or an option contract is entered into with a counterparty (e.g. a financial institution), the counterparty shall have at least an AA- credit rating by S&P or an equivalent credit rating from another credit rating agency, unless otherwise approved by the Board. Forward contracts are restricted to financial institutions having a credit rating of A- or higher by S&P or an equivalent credit rating from another credit rating agency.
- 7.5 bclMC may use derivatives to hedge the Plan's exposure to a specific foreign currency for defensive purposes. This hedging is independent of the Plan's participation in the Currency Overlay Program.
- 7.6 The use of any additional derivative products other than that stated above, shall require the prior written consent of the Board.

### ***Section 8: Performance Objectives and Reporting***

- 8.1 The long-term (10 years) investment objective of the total fund is to meet or exceed, net of all expenses incurred in the investment process:
  - (i) the annual rates of return used in the actuarial report (CPI + 3.5 percent and 6.5 percent nominal); and
  - (ii) the rate of return that would have been achieved if the Fund had held its policy asset mix and each asset class had earned the return of their respective market index as outlined in Table 1 below.
- 8.2 The short-term investment objective (5 years) is to earn the rate of return, net of all expenses incurred in the investment process, for the liquid assets (i.e., excluding real estate, private placements, infrastructure, and renewable resources), assuming that each liquid asset class had earned the return of its respective market index as outlined in Table 1 below
- 8.3 The primary investment return objective of individual asset classes is for the rate of return, net of all expenses incurred in the investment process, to meet or exceed the respective market indices over 5-year periods. However, certain asset classes such as real estate, private placements, infrastructure and renewable resources do not lend themselves to good market indices, and it is more appropriate to evaluate

their performance over longer periods such as 10 years. The benchmarks (indices) used for each asset class are listed in Table 1 that follows.

Table 1													
Asset Classes	October 1, 2012		October 1, 2013		October 1, 2014		October 1, 2015		October 1, 2016		October 1, 2017		Benchmarks
	Total Fund	Liquid Asset Classes											
Short Term	2	2.6	2	2.8	2	2.9	2	3.0	2	3.0	2	3.1	DEX 91 Day Treasury Bill Index
Mortgages Fixed Term	4	5.4	5	6.9	5	7.2	5	7.5	5	7.6	5	7.7	DEX Short Term Bond Index + 100 bps
Mortgages Construction	1	1.3	1	1.4	1	1.4	1	1.5	1	1.5	1	1.5	DEX One Year Treasury Bill Index + 100 bps
Nominal Bonds	16	21.3	14	19.5	12	17.1	12	17.9	12	18.2	12	18.5	DEX Universe Bond Index
Real Return Bonds	5	6.7	5	6.9	5	7.1	5	7.5	5	7.6	5	7.7	DEX Real Return Bond Overall Index
Canadian Equities	15	20.0	13	18.1	13	18.6	13	19.4	13	19.7	13	20.0	S&P / TSX Composite Index
Global Equities	26	34.7	24	33.3	22	31.4	19	28.3	18	27.3	17	26.1	Morgan Stanley Capital International (MSCI) World ex-Canada Net Index
Emerging Markets	6	8.0	8	11.1	10	14.3	10	14.9	10	15.1	10	15.4	MSCI Emerging Markets Net Index
Real Estate	15	0	16	0	17	0	18	0	18	0	18	0	CPI plus 4%
Private Placements	5	0	6	0	6	0	7	0	7	0	7	0	MSCI All Country World Net Index plus 2%
Infrastructure and Renewable Resources	5	0	6	0	7	0	8	0	9	0	10	0	8% nominal return

- 8.4 The returns of the Fund are calculated using market values derived from independent pricing sources. Returns are time-weighted so that cash flows have a minimal effect on return numbers. All income is included on an accrued basis. Return calculations follow the standards established by the CFA Institute. This includes using internal rates of return for private placements and similar type investments.
- 8.5 The return from foreign indices or benchmarks applicable to asset classes shall be calculated in Canadian dollar terms on an unhedged basis.
- 8.6 bcIMC shall provide the Board with periodic<sup>1</sup> reports on the performance of the Fund. These periodic reports shall include the following information:
- net cash flows;
  - Fund values;
  - investment returns for the total Fund and individual pooled funds as well as all stated benchmarks;
  - signed compliance certificate confirming compliance with this Statement;
  - key changes in investment personnel;
  - investment strategy for the next quarter; and
  - investment management fees (including external manager fees, custodial, legal, and audit fees).

The compliance certificate shall report any breaches of this Statement as well as any material breaches of bcIMC's internal pooled fund policies.

- 8.7 The Board shall compare the pooled fund's investment performance relative to the appropriate index return, and where appropriate shall compare actively managed asset classes to a universe of managers with similar mandates, at least once a year. It is recognized that manager universe comparisons must be interpreted with caution as there can be key differences in the nature of the portfolios (e.g., size) included in the universe. bcIMC shall advise the Board periodically<sup>2</sup> of the portion of total public equities and of each equity asset class that are managed under active, indexed, and enhanced indexed strategies. bcIMC shall advise the Board periodically of the return of each equity asset class relative to its policy benchmark.
- 8.8 Once a year, bcIMC shall provide the Board with a more comprehensive report outlining the performance of the Fund. This annual review shall include an attribution analysis. Attribution analysis quantifies the impact of specific active management decisions (including security selection and tactical asset allocation) for the liquid assets relative to the liquid asset benchmark.
- 8.9 bcIMC shall advise the Board periodically of the diversification of the mortgage, real estate and private placement pools in which the Fund participates.

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<sup>1</sup> For the purpose of section 8.6, "periodic" means not less than twice each year.

<sup>2</sup> For the purpose of section 8.7, "periodically" means not less than twice each year.

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- 8.10 Real Estate is valued less frequently than liquid assets due to cost and complexity of valuation. At least once a year, bcIMC shall provide the Board with a report on the domestic and international real estate programs in which the Fund participates.
- 8.11 Private Placements, Infrastructure, and Renewable Resources investment programs are valued less frequently than liquid assets due to cost and complexity of valuation. At least once a year, bcIMC shall provide the Board with a report examining the performance of the pools in which the Fund participates.
- 8.12 bcIMC shall inform the Board of any substantial change in the investment policy underlying any pooled fund in which the Plan is invested.
- 8.13 bcIMC shall report to the Board annually on whether its securities lending policies adhere to the OSFI guidelines and whether it has made any changes to its securities lending policies.

### ***Section 9: Risk Management***

- 9.1 The Board seeks to mitigate risk exposure of the Fund by maintaining a well-diversified portfolio.
- 9.2 The Fund may not sell short or borrow securities or purchase securities on margin.
- 9.3 The Board, or Pension Corporation, shall inform bcIMC at least annually of anticipated liquidity requirements. The Fund shall maintain sufficient liquidity to meet its financial obligations as they come due. In the event of unanticipated withdrawals or cashflows, bcIMC may run a temporary overdraft, rather than liquidate investments, if it is considered to be in the best financial interest of the Fund.

### ***Section 10: Valuation of Assets***

- 10.1 As a general rule, all investments should be priced based on external sources on an ongoing basis. However, in some cases, obtaining on-going market pricing may be prohibitively expensive (e.g. certain illiquid investments such as real estate and private placements). These assets shall be valued less frequently, but at a minimum, at least once a year.
- 10.2 Any assets that cannot be marked-to-market on a regular basis (e.g., real estate and private placements) shall have their value determined in accordance with the valuation policies established by the external managers, in accordance with standard industry practices. These values shall be reviewed by bcIMC.

### **Section 11: Responsible Investing & Voting Rights**

- 11.1 At all times, this policy shall be conducted within the framework of fiduciary responsibility. It shall therefore be implemented in a manner which does not interfere with the efficient investment of the Fund's assets to achieve investment return objectives, which are in the best interests of the Plan's current and future beneficiaries.
- 11.2 Pursuant to section 4.8 and subject to section 11.1, favourable consideration is to be given by bcIMC and its investment managers to investment opportunities in corporations which maintain high ethical standards, comply with environmental regulations, have a track record of progressive labour relations, do not have business dealings with countries where human rights are violated, and do not have the production of armaments as their primary activity.
- 11.3 In keeping with the Board's fiduciary responsibilities and framework, the Board believes that environmental, social, and corporate governance (ESG) issues can affect investment performance to varying degrees across companies, sectors, regions, asset classes and through time. In this regard, the Board supports the UN-led Principles for Responsible Investment, introduced in April 2006 (<http://www.unpri.org/principles/>). By doing so, the Board recognizes that applying these Principles may better align investors with the broader objectives of society.
- 11.4 The Board delegates its voting rights to bcIMC and instructs bcIMC to act in the best financial interests of the Fund. The goal of this proxy voting process is to influence corporate behaviour and encourage change to their practices when they do not meet the expected standards as outlined in 11.2.
- 11.5 bcIMC shall provide the Board with copies of its corporate governance guidelines and at least once a year the Board shall review bcIMC's voting record.

### **Section 12: Conflict of Interest and Code of Ethics**

- 12.1 Members of the Board (whether appointed as a Trustee or as an Alternate Trustee) are subject to the Municipal Pension Plan Trustee Code of Conduct, including the conflict of interest provisions contained in part V of the Code.
- 12.2 Because bcIMC and its investment managers are involved in the ongoing management of the Fund, they are required to have a more comprehensive and thorough conflict of interest policy, which shall meet or exceed the standards established for the investment industry by the CFA Institute. bcIMC shall make disclosure in accordance with section 12.3 if any of its employees or agents materially breach their internal conflict of interest guidelines.

12.3 Procedure on Disclosure of Conflict of Interest

Members of the Board shall disclose the nature and extent of their actual or perceived conflict of interest in accordance with part V of the Municipal Pension Plan Trustee Code of Conduct.

bcIMC shall disclose any conflict of interest in accordance with the provisions of its service agreement with the Board and its own conflict of interest policy referred to in section 12.2.

***Section 13: Implementation***

The Board has decided to implement the investment policy through investments managed by bcIMC, in accordance with section 5. The pooled funds in which the Board has agreed to participate are listed in the attached Appendix A. By participating in a particular pooled fund, the Board acknowledges that it has reviewed the pooled fund's internal investment policy and finds it acceptable. If bcIMC makes any material change to the investment policy of a particular internal pooled fund listed in Appendix A, they shall disclose the change to the Board and, subject to the pooled portfolio rules, the Board shall decide whether it wishes to remain invested in that pooled fund.

**Appendix A**  
**Eligible Pooled Funds – Effective November 29, 2012**

Asset Class Categories Under Section 5.2	Eligible Pooled Funds	Benchmarks
Short Term	Canadian Money Market Fund (ST1)	DEX 30 Day Treasury Bill Index
	Canadian Money Market Fund (ST2)	DEX 91 Day Treasury Bill Index
	US Dollar Money Market Fund (ST3)	Citigroup 30 Day Treasury Bill Index
	Short Term Bond Fund	DEX Short Term Government Bond Index
Mortgages	Fixed Term Mortgage Fund	DEX Short Term Bond Index + 100 bps
	Construction Mortgage Fund	DEX One Year Treasury Bill Index + 100 bps
	Mezzanine Mortgage Fund	DEX One Year Treasury Bill Index + 250 bps
Nominal Bonds	Indexed Government Bond Fund	DEX Universe Government Bond Index
	Long Term Bond Fund	DEX Long Term Government Bond Index
	Canadian Universe Bond Fund	DEX Universe Bond Index
	Global Government Bond Fund	JP Morgan Government Bond Index (GBI) Global (Hedged CAD)
Real Return Bonds	Canadian Real Return Bond Fund	DEX Real Return Bond Overall Index
Canadian Equities	Indexed Canadian Equity Fund	S&P / TSX Composite Index
	TSX Ex Equity Fund	S&P/TSX Composite Index less the return of any excluded companies
	Enhanced Indexed Canadian Equity Fund	S&P / TSX Capped Composite Index
	Active Canadian Equity Fund	S&P / TSX Capped Composite Index
	Active Canadian Small Cap Equity Fund	S&P / TSX Small Cap Index
Global Equities	Indexed U.S. Equity Fund	S&P 500 Total Return Index
	Indexed U.S. Value Equity Fund	S&P/ Citigroup Value Index
	U.S. Social Index Fund	MSCI KLD 400 Social Index
	Enhanced Indexed U.S. Equity Fund	S&P 500 Total Return Index
	Active U.S. Equity Fund	Russell 1000 Total Return Index
	Active U.S. Small Cap Equity Fund	Russell 2000 Total Return Index
	Indexed EAFE Equity Fund	MSCI Europe, Australasia and Far East Net Index
	Enhanced Indexed EAFE Equity Fund	MSCI Europe, Australasia and Far East Net Index
	Active EAFE Equity Fund	MSCI Europe, Australasia and Far East Net Index
	Indexed European Equity Fund	MSCI Europe Net Index
	Enhanced Indexed European Equity Fund	MSCI Europe Net Index
	Active European Equity Fund	MSCI Europe Net Index
	Indexed Asian Equity Fund	MSCI Pacific Net Index
	Active Asian Equity Fund	MSCI All Country Asia Pacific ex-Japan Net Index
	Indexed Global Equity Fund	MSCI World ex-Canada Net Index
	Indexed Global ESG Equity Fund	MSCI World ESG Net Index
Enhanced Indexed Global Equity Fund	MSCI World ex-Canada Net Index	
Active Global Equity Fund	MSCI World ex-Canada Net Index	
Thematic Public Equity Fund	MSCI World ex-Canada Net Index	
Emerging Markets Equities	Indexed Emerging Markets Equity Fund	MSCI Emerging Markets Net Index
	Active Emerging Markets Equity Fund	MSCI Emerging Markets Net Index
Real Estate	Realpool Investment Fund	CPI plus 4 %
	Realpool International Vintage Funds	CPI plus 7 %
Private Placements	Private Placement Vintage Funds	MSCI All Country World Net Index plus 2%
Infrastructure and Renewable Resources	Strategic Investments and Infrastructure Funds	8% nominal return
	Renewable Resource Investment Funds	7% nominal return
Other	Currency Hedging Funds	Not applicable
	Currency Overlay Fund	1.5 percent per annum, on the notional value of the program

The Currency Hedging Funds and Currency Overlay Fund do not represent separate asset classes and are therefore not reflected in section 5.2.

**APPENDIX B****Asset Class Policies – Legislative Constraints****Federal Pension Benefits Standards Act, 1985 Constraints**

The PBSR requires investments to be made in accordance with the federal *Pension Benefits Standards Regulations, 1985*, which include the following quantitative rules:

- |    |  |                                   |
|----|--|-----------------------------------|
| 1. | Maximum investment in one company's securities         | 10% of the book value of the Fund |
| 2. | Maximum proportion of the voting shares of any company | 30%                               |

**Income Tax Act and Canada Revenue Agency Constraints**

1. No money is to be borrowed by the Fund, except for the purpose of acquiring real property or occasionally for 90 days or less as provided in *Income Tax Regulation 8502(i)*.
2. No prohibited investment (see *Income Tax Regulation 8514*) may be purchased, such as the securities of a participating employer, if the shares of that employer are not listed on one of the stock exchanges prescribed in *Income Tax Regulations 3200 or 3201*.

These tables are important because they show the holdings where the Plan has invested the largest amount of its assets.

### Top Ten Holdings as at December 31, 2011

#### Total Canadian Equities

Company	Market value (\$ Thousands)	Per cent of Total Canadian Equities
Toronto Dominion Bank	\$ 216,743	5.1%
Royal Bank of Canada	212,133	5.0%
Bank of Nova Scotia	151,956	3.6%
Suncor Energy	150,087	3.5%
Canadian Natural Resources	131,462	3.1%
Barrick Gold Corp	131,370	3.1%
BCE Inc	118,761	2.8%
Canadian National Railway	115,131	2.7%
Goldcorp Inc	110,110	2.6%
Potash Corp of Saskatchewan	108,864	2.6%
<b>Total Top 10</b>	<b>1,446,617</b>	<b>34.0%</b>
<b>Total Canadian Equities</b>	<b>\$ 4,250,017</b>	<b>100.0%</b>

#### Total Global Equities

Company	Market value (\$ Thousands)	Per cent of Total Global Equity
Apple Inc	\$ 114,740	1.6%
Exxon Mobil Corp	110,408	1.6%
IBM	71,466	1.0%
Microsoft	70,192	1.0%
Google Inc	67,529	1.0%
Procter & Gamble Co	65,271	0.9%
Royal Dutch Shell	62,122	0.9%
Johnson & Johnson	59,064	0.8%
Chevron	58,223	0.8%
General Electric Co	52,912	0.7%
<b>Total Top 10</b>	<b>731,927</b>	<b>10.3%</b>
<b>Total Global Equities</b>	<b>\$ 7,093,421</b>	<b>100.0%</b>

#### Total Emerging Markets Equities

Company	Market value (\$ Thousands)	Per cent of Total Emerging Markets Equity
Petroleo Brasileiro	\$ 36,955	3.1%
British American Tobacco	33,982	2.8%
Samsung Electronics	31,567	2.6%
Vale Sa	27,647	2.3%
Housing Development Finance Corp	24,707	2.1%
ITAU Unibanco Holdings	23,752	2.0%
HDFC Bank	22,066	1.8%
TATA Group	21,350	1.8%

# **City of Vancouver Investment Policy**

**Approved by:**

**Director of Finance**

**Date: September 2010**

# City of Vancouver Investment Policy

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## 1. SCOPE & CONTEXT

This policy applies to the investment of the cash assets of the City of Vancouver ("the City"). These assets are held in the various funds of the City including the Revenue Fund, Capital Fund, Property Endowment Fund, Capital Financing Fund and Sinking Fund. This policy also applies to those cash assets held in trust for external entities although these funds may be managed separately from City funds.

The funds invested by the City belong to its taxpayers or are held in trust for others. Income received from investment of these resources accounts for a significant share of the City's operating revenues and can be directly translated into lower demand for taxation revenue in a given year. However, in investing these assets, the City has an obligation to first, preserve the invested capital and second, to maximize the rate of return on these funds.

The policy contained herein is designed to allow the City to fulfill these overall responsibilities to its taxpayers.

## 2. INVESTMENT OBJECTIVES

The objective of the City of Vancouver is to invest its funds in a manner that provides the maximum investment return, consistent with the preservation of capital while meeting the City's ongoing cash requirements. In order of priority, these objectives can be described in terms of investment safety, liquidity and yield.

**Safety.** Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of all funds invested. The objective will be to mitigate credit risk and interest rate risk by investing only in creditworthy institutions and instruments, and by maintaining portfolio diversification. Diversification is required to maximize the yield from a blend of financial products and terms.

**Liquidity.** The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets.

**Yield.** The investment portfolio shall be designed with the objective of attaining at a minimum a market rate of return, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above.

A full discussion of mitigating these risks is found in Section 5.

### **3. AUTHORITY TO INVEST FUNDS**

The City operates under consent of the Legislative Assembly of the Province of British Columbia, under the Vancouver Charter, RSBC, 1953.

Sections 210 to 213 of the Vancouver Charter provide the authority under which investment activities are managed.

**Section 210.** *There shall be a Director of Finance appointed by the Council who shall have such duties and powers in addition to those provided by this Act as the Council may from time to time prescribe.*

**Section 211.** *The Director of Finance may, whenever he thinks fit, and shall, whenever required by the Council so to do, advise the Council on the financial position of the city or any phase thereof and make recommendations with respect to the administration, co-ordination, and efficiency of the city's affairs and the systems under which they are carried on.*

**Section 212.** *The Director of Finance shall exercise a general control and supervision:*

- (a) over the collection and application of the revenues of the city of every description, and over the lawful expenditure thereof;*
- (b) over the sale, realization, and redemption of debentures of the city, and over the sinking funds of the city;*
- (c) [Repealed 1985-89-2.]*
- (d) over all other financial affairs of the city.*

**Section 213.** *No money shall be disbursed by the city except on the warrant of the Director of Finance, to be drawn upon the Treasurer, specifying the fund out of which payment is to be made. Such warrant need not be signed by the Director of Finance if it is initialed by him, or by some person authorized by him for the purpose.*

Authority to manage the investment program on a day to day basis is granted to the designate of the Director of Finance (the "Investment Officer" in this policy) and is derived from the sections of the Vancouver Charter listed above.

The role of the Investment Officer shall normally be delegated to the City Treasurer but can also be fulfilled by the Deputy City Treasurer or another designated individual where circumstances require. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures approved by the Director of Finance.

In managing the investment program, the Investment Officer shall act in accordance with established written procedures and internal controls consistent with this investment policy and approved by the Director of Finance.

### **4. ETHICS & CONFLICT OF INTEREST IN THE MANAGEMENT OF THE INVESTMENT PROGRAM**

It is the policy of the City to ensure that employees involved in management of the City's investment program are the subject of the appropriate financial, credit and criminal checks as may be required by the City's recruitment policies.

Employees involved in the investment process shall conduct themselves in accordance with the provisions of the current *City of Vancouver Conflict of Interest Policy* (Appendix I).

The Investment Officer shall refrain from personal business activity that could conflict with the proper execution and management of the City's investment program or that could impair the ability to make impartial decisions relating to the City's investment program.

The Investment Officer(s) shall disclose to the Director of Finance:

- any personal financial interests in financial institutions and/or investment dealers that conduct business with the City.
- any material personal financial/investment positions that could be related to the performance of the City's investment portfolio.

The Investment Officer shall make investments with the judgment and care of a prudent investment banker, experienced and skilled in investing funds on behalf of a municipal client, within the terms of this City of Vancouver Investment Policy. Without derogating from the generality of this standard, the Investment Officer must ensure that investment decisions meet the short term and long term investment objectives of the City.

## **5. ALLOWABLE INVESTMENTS UNDER THE VANCOUVER CHARTER**

### **Investment Types**

The following is a summary of the investments permitted by this policy, as specified by the *Vancouver Charter* (see Appendix II). Section 201, section 259 and Section 260 list permitted investments for general funds, debenture proceeds and sinking funds, respectively:

- Securities of or guaranteed by the Government of Canada
- Securities of or guaranteed by any province of Canada
- Securities of or guaranteed by a chartered bank in Canada
- Securities of a regional district in Canada
- Securities of a municipality in Canada
- Securities of the Greater Vancouver Water district or the Greater Vancouver Sewerage and Drainage District
- Securities of the City of Vancouver
- Securities of the Municipal Finance Authority of British Columbia
- Securities or Deposits of a credit union

### **Conditions for Pre-Approval of Investment Decisions**

The following investment decisions must be pre-authorized by the Director of Finance.

- The purchase of equity securities of a Canadian Chartered bank.
- The purchase of equity linked notes.

- The purchase of repurchase or reverse repurchase agreements.
- The purchase of securities with a maturity term of 5 years or longer.
- The sale of securities prior to maturity.

### **Sale of Investments Prior to Maturity**

It is the objective of the City to purchase securities with maturities that match the cash requirements of the City. The Investment Officer will seek the approval of the Director of Finance, in advance, supported by an analysis on the rate of return of the investment, and the reason for the sale of the investment prior to maturity.

Transfer of investments among the City's various funds at current market value do not constitute a "sale" for the purposes of this policy and may be completed on the authority of the Director of Finance.

## **6. PROTECTION OF PRINCIPAL AND ELIMINATION OF RISK**

The City will minimize exposure to credit risk by limiting investments to the safest types of securities, by investing in financial institutions and doing business with broker/dealers, intermediaries and advisers that are selected on the basis of the highest credit ratings, and by adequately diversifying the investment portfolio. The investment officer is not permitted to invest beyond the allowable limit for each issuer without the prior approval of the Director of Finance.

In addition to in-house credit analysis, the City shall rely on the credit analysis of two or more of the recognized credit rating agencies:

- The primary credit rating agency shall be Dominion Bond Rating Service (DBRS) given their prominence in the Canadian market.
- The other shall be Standard and Poor's (S&P) or Moody's Investor Services, if available, given the scope and international reputation of these credit rating agencies.

It is recognized that the use of in-house or rating agency credit analysis information provides a measure of the safety of principal but is not a guarantee of the creditworthiness of individual issuers or investment instruments.

It is the responsibility of the Investment Officer to maintain ratings information, exercise due diligence and advise the Director of Finance in a timely manner of any real or potential problems related to the credit risk of issuers and their impact on the investment portfolio as this information becomes available.

### **Managing Credit Risk**

Investment purchases by the City will be limited to those with the following Dominion Bond Rating Service (DBRS) ratings.

#### Allowable DBRS Credit Ratings: Short-Term Debt (up to 1 year)

- R-1 Prime Credit Quality

- High - Investments of highest credit quality, unquestionable ability to repay
- Mid - Investments of superior credit quality, above average strength
- Low - Investments of satisfactory credit quality, overall favourable strength

Allowable DBRS Credit Ratings: Long-Term Debt ( exceeding 1 year)

- AAA Highest Credit Quality
- AA Superior Credit Quality
- A Satisfactory Credit Quality

The City also relies on independent analysis to gauge the credit risk of issuers. Although the DBRS credit rating is the primary credit measure used by the City, it is incumbent on the Investment Officer to augment the DBRS rating with other material. The Investment Officer is expected to keep up to date with the credit rating of issuers. It is the responsibility of the Investment Officer to inform the Director of Finance of real or potential problems related to the credit of particular issuers and the impact on the investment portfolio on a timely basis. Any investment with a rating downgraded to below the minimum levels set out in the Investment Credit Risk Limits outlined in this policy should be disposed of as expeditiously as possible without compromising the integrity of the portfolio. The Director of Finance may grant exceptions for strategic reasons.

Securities of British Columbia Credit Unions

The Vancouver Charter authorizes the City to invest in deposits in a savings institution, or non-equity or membership shares in a credit union. It is the City's practice to restrict its investments to securities of British Columbia Credit unions. As British Columbia Credit Unions are not rated by any institutional credit agencies these investments are permitted as long as each of the following safety measures remains in place:

- The credit unions from which the City purchases investments are regulated by the British Columbia Ministry of Finance and Corporate Relations and are under the supervision of the Superintendent of Financial Institutions.
- The Superintendent of Financial Institutions monitors credit union performance monthly, and examines each credit union annually.
- Credit unions are required to meet regulatory, statutory and capital liquidity requirements under the *Financial Institutions Act* of British Columbia and the *Credit Union Incorporation Act* of British Columbia.
- The Province of British Columbia maintains credit union deposit insurance funds to sufficient levels to support the liquidity of BC credit unions.

**Managing Interest Rate Risk**

The City will minimize exposure to changes in the market value of securities that result from changes in general interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and capital requirements, thereby avoiding the need to sell securities on the open market prior to maturity.

## **Diversification**

Diversifying the portfolio through terms to maturity, issuer and category of issuer can mitigate the risk to safety and liquidity. Assets held in investment portfolios shall be diversified to maximize the yield from a blend of financial products and to eliminate exposure resulting from the concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. Investments shall be diversified by:

- limiting investments to avoid overconcentration in securities from a specific issuer or category of issuer, excluding securities of or guaranteed by the Government of Canada,
- investing in securities with varying maturities to provide for income stability and reasonable liquidity, and
- continuously investing a portion of the portfolio in readily available, liquid money market products.

## **Liquidity**

To the extent possible, the City shall attempt to match its investments with anticipated cash flow requirements.

- *Capital and Revenue Funds Required for Normal Operations.* To ensure that appropriate liquidity is maintained to meet ongoing obligations of the Revenue and Capital Funds, a portion of the portfolio should be continuously invested in instruments with maturities generally falling within one year.
- *Longer Term Investment Horizons.* Cash assets not required in the short term are available for investment for periods of up to five years. Longer term investments require the approval of the Director of Finance.
- *Sinking Fund Funds.* The cash in the City's Sinking Fund will be invested according to projected sinking fund requirements, and may exceed the term limits specified in Appendix 1 of the Investment Procedures, except that terms exceeding five years require prior approval of the Director of Finance.

The Director of Finance may authorize, prior to the purchase, investment terms beyond the limits established in this policy and the accompanying investment procedures. Investment terms in excess of five years will be used primarily in circumstances where the maturity is tied to a specific purpose or an identifiable cash requirement, however, this will not limit the ability of the Director of Finance to approve investments beyond five years. Decisions regarding the use of terms beyond 5 years will be made during the quarterly investment strategy meetings held between the City Treasurer, Deputy City Treasurer and Director of Finance.

## **Yield**

Subject to the requirements to secure principal and maintain liquidity, the City will utilize competitive bidding among authorized dealers, brokers and investment instruments in seeking to achieve investment income and obtain, on average, yields that are equal to or better than market returns. The Investment Officer maintains for audit purposes a daily file of bids quoted by various dealers as indication that the best yield was attained on the purchase or sale made on a particular day.

## **Investment Dealers**

Investment dealers with which the City transacts investment activities must be member of the Investment Industry Regulatory Organization of Canada (a full listing is available at [www.iiroc.ca](http://www.iiroc.ca)). The City restricts its investment activities to dealers whose primary business is institutional in nature.

The Investment Officer will maintain a list of approved investments (Investment Procedures Appendix I), as well as investment dealers authorized to provide investment services to the City (Investment Procedures Appendix II). Changes to these lists require the approval of the Director of Finance.

Investment dealers with which the City does business are expected to have internal conflict of interest guidelines in place that prohibit dealing with the City's Investment Officer on any but City business.

The Investment Officer will ensure that the dealers and custodians with whom the City regularly does business receive written notice under the signature of the Director of Finance of current investment authorities, including a list of the individuals at the City who have the authority to invest and the City's investment limits and constraints and a current copy of the City's investment policy.

Investment dealers are expected to disclose to the Investment Officer potential risks and credit changes of the issuers that are included in the City's investment list. Investment dealers are to advise the City in writing of any changes in their key contacts with the City. The list of dealers will be regularly reviewed by the Investment Officer to ensure that the City is receiving the best available service, being offered a wide range of products and achieving the highest possible yield. Any proposed changes to the list of dealers will be submitted to the Director of Finance for approval.

## **7. SAFEKEEPING & CUSTODY**

### **Custody**

The City shall maintain safekeeping and custody with a third-party custodian that is a financial institution with a credit rating equal to or greater than those of the major Canadian chartered banks. Selection of the City's custodian will be by competitive bidding.

The services to be provided by the Custodian and the price of the services offered are to be contained in a written contract duly signed by the Custodian and the Director of Finance.

Securities to be held by the third-party custodian should be evidenced by regular safekeeping receipts and reports.

### **Internal Controls**

The Investment Officer is responsible for establishing and maintaining an internal control structure and written procedures designed to provide reasonable assurance that the assets of the City are protected from loss, theft or misuse. The controls will be to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees and officers of the City.

Written procedure shall address the following points:

- Prevention of collusion
- Segregation of authorities for approvals and transactions
- Separation of transaction authority from accounting and record-keeping
- Custodial safekeeping and communication of instructions to the custodian
- Cash management techniques

- Clear delegation of responsibility & authority to Investment Officer
- Supervisory control of employee actions
- Minimizing the number of authorized investment officials
- Effective data management and reporting system for investment activities
- Documentation of transactions and strategies.
- Written confirmation of authorities from Director of Finance to dealers as provided for in Section 6 of this policy document

There will be an annual independent review by the City's internal auditors to assure compliance with policies and procedures. The outcome of this review is to be reported to the Director of Finance & the Audit Committee.

## **8. REPORTING**

### **Monthly Reporting**

The Investment Officer shall prepare an investment report that is made available to the Director of Finance, Director of Financial Services and City Clerk monthly, within fifteen days of month-end.

Reporting shall include a management summary that provides an analysis of the status of the current investment portfolio. This will be prepared in a manner that allows readers to ascertain whether investment activities during the reporting period have conformed to the investment policy.

Reporting on cash assets of the City shall be separate and distinct from assets managed by the City for external entities.

### **Year End Reporting: Mark to Market**

The market value of the portfolio shall be calculated annually at December 31 by the Investment Officer and a statement will be provided to the Director of Finance. This valuation will be obtained from a reputable and independent source.

The market value report should include the current market value of the portfolio, the book value and any unrealized gains or losses.

## **9. POLICY REVIEW**

This policy shall be reviewed at least annually by the Investment Officer to ensure congruence with the changing activities of the City, market conditions, technology, evolving regulatory standards and private sector best practices.

The Director of Finance will approve any changes to the policy.

## **Appendix I**

### **Conflict of Interest Policy**

A Copy of the City's conflict of interest policy is included in this appendix.

## Appendix II

### Permitted Investment Types, Vancouver Charter, Chapter 55

#### Funds Not Immediately Required to Meet Expenditures of the City

##### **Section 201.**

(1) Money held by the city that is not immediately required may be invested or reinvested by the Council in one or more of the following:

- (a) securities of Canada or of a province;
- (b) securities guaranteed for principal and interest by Canada or by a province;
- (c) securities of a municipality, including the city, or a regional district;
- (d) securities of the Greater Vancouver Water District or the Greater Vancouver Sewerage and Drainage District;
- (e) securities of the Municipal Finance Authority;
- (f) securities of or investments guaranteed by a chartered bank;
- (g) deposits in a savings institution, or non-equity or membership shares of a credit union;
- (h) pooled investment funds under section 16 of the *Municipal Finance Authority Act*;
- (i) any of the investments permitted for the Municipal Finance Authority under section 16 (3) of the *Municipal Finance Authority Act*, including pooled investment portfolios under the *Financial Administration Act*.

(2) Section 16 (4) of the *Municipal Finance Authority Act* applies for the purposes of subsection (1) (i) of this section.

#### Funds From the Sale of Debentures, Until Required by Appropriate Capital Projects

##### **Section 259.**

- (1) Until such time as the proceeds from the sale of debentures are expended, the Council may
- (a) invest the funds in accordance with section 201 [*investment of city funds*], or
  - (b) temporarily use all or part of the funds for other expenditures of the city pending the collection of current taxes each year.
- (2) As limits on the authority under subsection (1) (b),
- (a) funds may only be used under that subsection during the period from January 1 to July 15 in each year, and
  - (b) the funds shall be returned to Capital Account on or before July 15 in the year they are so used.

#### Sinking Fund Investments

##### **Section 260.**

- (1) If money in a sinking fund account is invested under section 201 [*investment of city funds*], the securities and their revenues shall be held to the credit of the applicable sinking fund account.
- (2) If more than one sinking fund account is involved, the securities and revenues referred to in subsection (1) shall be allocated in proportion to the money from the accounts used for the investment.

Fomento Economico Mexicano	20,355	1.7%
Taiwan Semiconductor	19,672	1.6%
<b>Total Top 10</b>	<b>262,053</b>	<b>21.9%</b>
<b>Total Emerging Markets Equities</b>	<b>\$ 1,193,932</b>	<b>100.0%</b>



# CITY OF VANCOUVER CORPORATE POLICY

SUBJECT: Procurement Policy	
CATEGORY: Finance	POLICY NUMBER: AF-015-01

## PURPOSE

The purpose of this policy is to outline the requirements for the procurement of goods, services and construction for the City of Vancouver, the Vancouver Park Board, the Vancouver Police Board, and the Vancouver Library Board (collectively, the “Vancouver Group”).

A separate Employee Guide to Contracting and Procurement Procedures provides information to assist staff and outside agencies in the process of supply and services to the Vancouver Group. It provides guidance to all employees on the process and responsibilities of the purchasing function. The Vancouver Group, in the performance of the duties and responsibilities assigned to it, must engage in the procurement of goods, services and construction. In order to achieve the maximum economy, efficiency, effectiveness, and sustainability (social, environmental & economic) in the performance of this function, the Vancouver Group has endorsed certain fundamental principles it considers applicable to public purchasing.

## SCOPE

This policy applies to the procurement of goods, services (including consulting services) and construction for the City of Vancouver, and (subject to Board approval and endorsement) the Vancouver Park Board, the Vancouver Police Board, and the Vancouver Library Board.

## DEFINITIONS/INTERPRETATION

(a) Interpretation - All references in this policy to an employee, official or other representative of the Vancouver Group is deemed to include any designate, deputy, or anyone else acting in that person’s position as authorized from time to time by the applicable Council or Board having jurisdiction or by the City Manager to carry out the authority of that person under this policy.

(b) Definitions - In this policy, the following terms have the following meanings:

**Award:** The business decision by a Vancouver Group member (as authorized by this policy) to enter into a contract for goods, services or construction.

**Best Value:** The optimal combination of total cost of ownership, economic sustainability, environmental sustainability, social sustainability, reduced carbon dependency, and zero waste as determined in accordance with the specific criteria and weighting for each criterion established by the Vancouver Group for the applicable procurement.

**Bid:** Depending on the type of call, either (i) a legally binding tender or quotation which upon written acceptance by the Vancouver Group, automatically creates a purchase contract, or (ii) a non-binding proposal which forms a basis of a negotiated purchase contract, or (iii) a non-binding pre-qualification submission or expression of interest which may form the basis of a subsequent call for tenders, quotations, or proposals or may form the basis for a negotiated contract.

**Bid Committee:** The bid committee established under section 12 of this policy.

**Bidder:** Any legal entity submitting a bid in response to a call by the Vancouver Group.

**Call:** Any request or invitation by the Vancouver Group for a bid.

**Capital Project:** Any undertaking approved by the Vancouver Group in its capital budget.

**Category Manager:** The position responsible for managing portfolios of spend categories, developing cost reduction strategies based on lifecycle cost, conducting rigorous market analyses, recommending short-term and long-term sourcing opportunities, developing innovative procurement strategies that incorporate sustainability provisions into assigned portfolios, providing risk/benefit analysis, leading/facilitating supplier evaluations, negotiations, and change management efforts, managing cost reduction/avoidance programs and transactional activities in pursuit of total cost of ownership savings and enhanced service levels for the category portfolio, and managing staff across the organization involved in supply chain decisions.

**Chief Constable:** The person appointed by the Vancouver Police Board as the Chief Constable pursuant to the Police Act.

**Chief Librarian:** The person appointed by the Vancouver Library Board as the Chief Librarian pursuant to the Public Library Act.

**Chief Purchasing Official:** The person designated from time to time by the City Manager to supervise and carry out the procurement function on behalf of the Vancouver Group in accordance with this policy, and expressly includes the Assistant Manager of Contracts.

**City Clerk:** The person appointed by Council pursuant to section 220 of the Vancouver Charter as the City Clerk.

**City Engineer:** The person appointed by Council pursuant to section 288 of the Vancouver Charter as the City Engineer.

**City Manager:** The person appointed by Council pursuant to section 162A of the Vancouver Charter as the City Manager.

**City Solicitor:** The person appointed by Council as the City Solicitor.

**Consulting Services:** Contract where there is no material sale of goods included in the transaction and includes for example, professional and non-professional consulting services such as engineering, architectural, information technology, planning, and management consulting services as well as services which might normally be provided by City employees but which the City decides to obtain on a short-term basis on a contract basis rather than an employment basis. However, consulting services contracts would not

include labour services contracts such as construction, maintenance, janitorial, or security services.

**Contract:** A contract for the purchase by the Vancouver Group of goods, services or construction, including the issuance of a purchase order or the execution of any agreement evidencing the obligation.

**Maximum Contract Term:** Five years (including all options to extend or rights of renewal) in respect of a contract other than for a capital project and, in respect of a capital project contract, the term of the approved funding for the capital project.

**Construction:** Construction, reconstruction, demolition, repair or renovation of a building, structure, or other civil engineering or architectural work and includes site preparation, excavation, drilling, seismic investigation, the supply of products and materials, the supply of equipment and machinery if they are included in and incidental to the construction, and the installation and repair of fixtures of a building, structure or other civil engineering or architectural work, but does not include professional consulting services related to the construction contract unless they are included in the commitment.

**Co-operative Purchasing:** Procurement conducted by the Chief Purchasing Official on behalf of the Vancouver Group and other public bodies, or the involvement of the Chief Purchasing Official in procurement by other public bodies on behalf of the Vancouver Group.

**Department Head:** Any of the following officials:

- A. any General Manager, including the City Engineer, Director of Finance, General Manager of Community Services, Chief Constable, Fire Chief, Chief Librarian, Park Board General Manager;
- B. the City Solicitor;
- C. a Deputy City Manager;
- D. any director or executive director reporting to the City Manager;
- E. the City Clerk.

**Director of Finance:** The person appointed by Council pursuant to section 210 of the Vancouver Charter as the Director of Finance.

**Economic Sustainability:** Providing and enhancing the services, infrastructure and conditions that sustain healthy, diverse and resilient local economy in which businesses of all sizes, and their employees, can flourish.

**Environmental Sustainability:** Protecting and enhancing the climate, ecology and natural resources for future generations through approaches that reduce carbon dependency, enhance energy resilience, conserve energy and resources and reduce waste and toxins.

**Fire Chief:** The person appointed by Council pursuant to section 309 of the Vancouver Charter as the City's fire chief.

**Funding Approval:**

- A. In relation to a capital project:

The Director of Finance provides written confirmation that the:

- entire capital expenditure for the project is identified in the budget at an appropriate project or subproject level; and
  - project's cash flow funding is available in an appropriate account.
- B. In relation to other than a capital project where the cost is provided in an interim or final operating budget adopted by the applicable Council or Board:
- The Director of Finance provides written confirmation that the funding of the commitment, or the first year of a multi-year commitment, is available in an appropriate account.
- C. In relation to other than a capital project where the cost is not provided in an interim or final operating budget adopted by the applicable Council or Board:
- The written confirmation of a Department Head that the commitment is in respect of necessary current and ongoing operations and that the subject matter of the commitment was contained in a program that had funding approval in the prior year; and
  - The written confirmation of the Director of Finance that the funding of the commitment can be undertaken.

**Park Board General Manager:** The person appointed as the General Manager of the Vancouver Park Board.

**Public Body:** Any local board and commission and any non-profit corporation or municipal or government body carrying out a public function and, in addition, any corporation of which the City is a controlling shareholder.

**Reduced Carbon Dependency:** Reduction in the amount of carbon emitted in the operation, maintenance and disposal of goods and services purchased.

**Response:** The submission of a bid in response to a call.

**Social Sustainability:** Cultivating and sustaining vibrant, creative, safe, affordable and caring communities for the wide diversity of individuals and families who live in, work in and visit Vancouver and beyond. For a community to be socially sustainable the basic needs of its residents must be met, it must be able to maintain and build on its own resources and prevent and/or address problems as they arise.

**Solicitation:** The process of communicating the call to prospective bidders.

**Sustainability:** Meeting the social, environmental and economic needs of the present without compromising the ability of future generations to meet their needs.

**Total Purchase Price:** The total purchase price payable for all goods, services, and construction under the contract over the entire term of the contract (but not including options to purchase additional goods or services during the term which may or may not be exercised and not including GST, PST, or HST).

**Total Cost of Ownership:** The direct social, environmental and financial costs and benefits to the City of products, construction and services during their acquisition, use and end-of-life phases including factors such as transportation emissions, training, economic development impacts, energy consumption, disposal and other related costs after taking into account sustainability, reduced carbon dependency, and zero waste.

**Zero Waste:** Resource life cycles that ensure all products are reused. Any trash sent for disposal is considered for energy recovery and residual waste is minimal.

## POLICY STATEMENTS

### 1 Goals

- 1.1 An open, transparent, competitive procurement process that:
  - provides best value for the Vancouver Group and its citizens;
  - minimizes total cost of ownership;
  - incorporates wherever possible, sustainability, reduced carbon dependency, zero waste, and ethical considerations as integral evaluation components in supply selection;
  - applies best practices and strong financial controls to the procurement process.
- 1.2 Ensure compliance with the City's policies and by-laws, the Vancouver Charter, collective agreements, and all other provincial and federal laws and regulations that apply to the procurement of goods, services and construction.

### 2 References

- 2.1 This policy incorporates the following:
  - Council/Board delegated authority to Vancouver Group staff to call for bids, award contracts, sign contracts, issue change orders/amendments, and renewals and extensions to contracts for goods, services, and construction for a defined range of operating or capital accounts within a defined dollar limit;
  - An Employee Guide to Contracting and Procurement Procedures that establishes the procedures that must be followed when procuring goods, services and construction;
  - The Energy Efficiency Purchasing Policy ([AF-013-01](#))
  - The Ethical Purchasing Policy ([AF-014-01](#)) - demonstrates a commitment to sustainability by seeking to ensure safe and healthy workplaces for the people who make products for the City, where human and civil rights are respected; and
  - The [Supplier Code of Conduct](#) - sets the minimum performance standards for the City's suppliers.
  - The Corporate Purchasing Cards Policy and Procedure ([AF-010-01](#))

### 3 Legal Requirements

- 3.1 All contracts, call documents, addenda and amendments to call documents, notices of awards, bonds, letters of credit, notices of intent to contract, change orders, purchase orders, renewals, extensions, and any other forms of commitments and contracts will be on terms and conditions approved by the City Solicitor. Any material deviation from the approved terms and conditions of any document requires the prior approval of the City Solicitor.
- 3.2 The concurrence of the City Solicitor is required on the award of any contract which is procured by way of a formal invitation to tender and which has a total purchase price in excess of \$2,000,000.
- 3.3 Any continuous or repetitive series of contracts that appear to be structured so as to avoid the contracting authority limits set out in this policy will be reviewed by the Chief Purchasing Official and reported to the Director of Finance and City Manager.

### 4 Competitive Bidding - When Required

#### 4.1 *General Policy is Open, Public Competitive Procurement*

Except where otherwise permitted in this policy, the Vancouver Group will endeavor to procure all contracts through an open, public, competitive procurement process.

#### 4.2 *No Public Call on Purchases \$75,000 (\$200,000 for Construction) or Less*

The Chief Purchasing Official will endeavor to obtain at least three bids for contracts that are expected to have a total purchase price of no more than \$75,000 for goods and services and no more than \$200,000 for construction. The Chief Purchasing Official's office will obtain prices from internal price records or solicit prices by telephone or in writing from known suppliers depending on the value of the purchase. Records of prices solicited will be available on request.

#### 4.3 *Public Calls for Purchases over \$75,000*

The Chief Purchasing Official will endeavor to procure contracts that are expected to have a total purchase price of more than \$75,000 for goods and services and more than \$200,000 for construction through a public call for responses. Solicitation will be by way of posting the call particulars on the BC Bid website with links to the City's website. In addition to posting on the BC Bid website, local advertising will be carried out at the discretion of the Chief Purchasing Official where it is deemed appropriate.

### 5 Contract Authority Limits

- 5.1 Except where otherwise indicated, only the Council or Board having jurisdiction has the authority to award a contract under this policy.

- 5.2 Unless otherwise authorized by the City Manager, all calls must be issued by the Chief Purchasing Official's office.
- 5.3 Each of the following members or committee of the Vancouver Group has the authority to award contracts in response to a call issued by the Chief Purchasing Official's office, subject to the following conditions:
  - (a) The contract does not exceed the total purchase price indicated below for the member or committee.
  - (b) The contract term does not exceed the maximum contract term.
  - (c) The contract has approved funding.
  - (d) The member or committee has determined in good faith that the contract represents best value to the Vancouver Group based on the criteria set out in the call documents.
  - (e) For bid committee awards (but only where it is a formal invitation to tender over \$2,000,000), the City Solicitor has concurred on the award.

Category Manager: \$75,000

Chief Purchasing Official: \$250,000

Department Head: \$500,000

Bid Committee: \$2,000,000

Bid Committee plus City Council: Greater than \$2,000,000

- 5.4 Contract awards that do not meet the criteria set out in section 5.3 above must be approved by the City Manager if \$500,000 or less and by Council if over \$500,000.

## 6 Signing Authority

- 6.1 All contracts awarded by a Category Manager, General Manager, or the Bid Committee, must be signed by both that person as well as the Chief Purchasing Official, and all contracts authorized by the Chief Purchasing Official must be signed by both the Chief Purchasing Official and the applicable Category Manager.
- 6.2 All contracts that have been awarded by the Bid Committee plus Council will be signed by the Director of Legal Services.
- 6.3 All contracts that required the approval of the City Solicitor pursuant to section 3 [Legal Requirements] of this policy, must be signed by the City Solicitor in addition to the authorized signatories referred to in section 6.1 above.

## 7 Change Orders

7.1 General Managers will have the authority to approve change orders up to the project budget. All change orders are conditional on the following;

- (a) there are sufficient uncommitted funds within the existing project budget for that project to cover the cost of the change order, and
- (b) the change order does not materially alter the scope of work of the project.

7.2 If the project budget is exceeded or the adjusted (by transfer) project budget is exceeded by 15% or less than \$50,000 (whichever is less) the change order proposal is forwarded to Council for approval.

## 8 Renewals/Extensions

8.1 The Chief Purchasing Official will endeavor to ensure that contracts are not renewed or extended past the maximum contract term except where expressly authorized by the sole source provisions of this policy and that in all other cases there is a new call for the goods or services which are the subject of the expiring contract.

8.2 In the event that the sole source provisions of this policy do not apply to a renewal or extension, only Council or the City Manager (on the request of the Chief Purchasing Official in a City Manager's minute) may approve such renewal or extension.

## 9 Exceptions - Sole Sourcing, Consulting, Credit Card Purchases, Etc.

### 9.1 Sole Source Contracts

Despite section 4 above, competitive bidding is not required and a contract may be sole sourced in the following circumstances. (Procurement of 'goods via auction', used goods or distress sale goods, will also be considered to be sole source purchases and may only be authorized in accordance with this section):

#### (a) Small Value Contracts

Where the contract does not exceed \$5,000 and the Vancouver Group member is satisfied that the contract price is best value.

### 9.2 Emergency

Where goods, services or construction are urgently required and delay would be injurious to the public interest, provided

- the City Manager has so determined this to be the case, where the required sole source contract total purchase price is in excess of \$250,000

- the Chief Purchasing Official has so determined this to be the case if the required sole source contract total purchase price is not in excess of \$250,000
- the sole source contract is signed by both the City Manager and Director of Legal Services if in excess of \$250,000 and signed by both the Director of Finance and Chief Purchasing Official if not in excess of \$250,000
- the Chief Purchasing Official promptly issues a public notice so as to give the vendor community notice of the contract and an opportunity to comment on same

### 9.3 Single Supplier

Where, to the best of the Chief Purchasing Official's knowledge, only one supplier is available and capable of performing the contract, and it would not be practical and expeditious to enter into a competitive process, provided

- the sole source contract is not signed until after the Chief Purchasing Official has posted (for at least 14 days) a Notice of Intent to Contract on the BC Bid web-site or such other public forum as the Chief Purchasing Official may deem appropriate, advertising the City's intent to enter into a contract without a public competitive procurement process
- no complaints or concerns have been lodged in response to the Notice of Intent to Contract (or if there have been any such communications, the Chief Purchasing Official has relayed these to the City Manager and the City Manager has authorized the sole source to proceed)
- the sole source contract is signed by both the City Manager and Director of Legal Services if in excess of \$250,000 and signed by both the Director of Finance and Chief Purchasing Official if not in excess of \$250,000

#### (d) City Manager Authorization

Where the circumstances set out in paragraphs (a), (b) and (c) above do not or may not apply, then the City Manager may authorize a sole source contract provided such contract is signed by the City Manager and another member of the Vancouver Group and the total purchase price does not exceed \$500,000, and the contract is then promptly reported on (i) to Council (if the contract is of a confidential or sensitive nature) or (ii) the Chief Purchasing Official for prompt issuance of a public notice so as to give the vendor community notice of the contract and an opportunity to comment on same.

### 9.4 Employee Credit Card Purchases

Vancouver Group employees who have been issued an authorized employee credit card are authorized to purchase goods and services, provided all purchases are made in strict accordance with the Vancouver Group's policy on the use of such credit cards. See the Corporate Purchasing Cards Policy ([AF-010-01](#)).

### 9.5 Transactions Not Subject to Procurement Process

The following contracts and types of transactions are not covered by this policy (but may be governed by other applicable Council policies):

- Purchase of regulated tariffed services (eg. Electricity, transmission portion of natural gas, cable, tariff portion of non-wireless telecommunications services)
- Inter-Governmental grants/transfers
- Tax rebates
- Real property transactions (including leases, licences, purchases, sales, easements, rights of way)
- Library media including books
- Transactions specifically authorized by City's "Transaction-Specific" Standing Authorities

#### 9.6 Other Exceptions

All other exceptions to this policy must be approved by request to the Chief Purchasing Official and then documented by the Chief Purchasing Official with a City Manager's minute signed by the City Manager.

### 10 Monitoring and Review

- 10.1 Application of the City's Procurement Policy will be monitored and reviewed by the Chief Purchasing Official who will annually report to the Corporate Management Team and City Council on implementation progress, financial implications, procurements that appear to avoid proper authorizations, supplier compliance, supplier feedback, surplus asset sales, and other stakeholder input. As part of this review, the Chief Purchasing Official will report specifically on application of the sustainable and ethical procurement standards (section 11). Where the City has knowingly entered into, or maintained, contracts with suppliers and their subcontractors who do not fully comply with the [Supplier Code of Conduct](#) or the sustainable and ethical standards of this policy, these exceptions will be reported to Council along with a rationale for maintaining the relationships and plan for improving the performance of the supplier or achieving compliance.

### 11 Sustainable and Ethical Procurement

- 11.1 Sustainable and Ethical Procurement aligns the Vancouver Group's overall approach to procurement with its Corporate Long-Term Priorities related to people, prosperity and the environment as expressed in the Corporate Strategic Business Plan.
- 11.2 The Vancouver Group intends to formally recognize and reward within the supplier selection process excellence and innovation among suppliers who demonstrate leadership in sustainability, environmental stewardship and fair labour practices.
- 11.3 The Vancouver Group is committed to safe and ethical workplaces, where human and civil rights are respected. The Vancouver Group will endeavor to ensure that all its suppliers meet and where possible, exceed the performance standards outlined in the [Supplier Code of Conduct](#).

- 11.4 The Vancouver Group is committed to maximizing benefits to the environment and minimizing costs to the Vancouver Group through product and service selection. The Vancouver Group will set minimum specifications for goods and services that achieve environmental benefits such as increased energy and resource efficiency, reduced toxicity and pollution, reduced carbon dependency, zero waste and other environmental attributes. Minimum specifications for key product and services categories will be maintained and updated and periodically presented to Council for endorsement.
- 11.5 The Vancouver Group will use, where appropriate, an evaluation model that incorporates the Total Cost of Ownership of products and services including environmental, social and economic costs and benefits (where reasonably quantifiable). These costs will be factored into the vendor pricing, evaluation and selection process.
- 11.6 The Vancouver Group will give preference where feasible, to products and services that represent a non-carbon alternative, are carbon neutral or that minimize green house gas emissions and thereby contributes to reducing the carbon footprint of the Vancouver Group.
- 11.7 The Vancouver Group will work collaboratively with suppliers to advance environmental performance of products and services and ensure compliance with the Vancouver Group's [Supplier Code of Conduct](#).
- 11.8 The Vancouver Group will select suppliers based on best value both in terms of the supplier's overall social and environmental performance and the social and environmental attributes of the goods and/or services. Efforts to reduce the overall environmental impacts of their operations and any efforts to advance sustainable and ethical purchasing in the marketplace, above and beyond the minimum requirements of this policy and the [Supplier Code of Conduct](#), will be taken into consideration.
- 11.9 Within the limits set out by applicable trade and investment legislation, and the Vancouver Charter, the Vancouver Group will seek to identify opportunities where procurement activities may serve to leverage the Vancouver Group goals related to local economic development and, in particular, support the development of an environmentally sustainable local economy. The Vancouver Group will actively work with the supplier community and economic development agencies to identify and capitalize on such opportunities and catalyze industry relationships through hosting supplier forums, creating opportunities for dialogue with existing and potential suppliers and related outreach programs.
- 11.10 Where opportunities exist, the Vancouver Group will work with other organizations (e.g. municipalities) on monitoring and verification processes to ensure suppliers adhere to all applicable legal requirements and trade agreements.

## 12 Bid Committee/Chief Purchasing Official/Category Manager

### 12.1 Establishment of the Bid Committee

The Bid Committee will be established which will consist of the following representation:

- (a) The City Manager
- (b) The Director of Finance
- (c) Any Department Head whose budget will be totally or partially funding the award that is before the Committee at any given meeting (in this section 12 a “Voting Department Head”).

12.2 A Voting Department Head referred to in subsection 12.1 © is only entitled to vote in respect of an award referred to in that subsection 12.1©.

12.3 A quorum of the Bid Committee will be two voting members.

12.4 All business and decisions of the Bid Committee will be posted on a publicly available source subject to the confidentiality provisions of the call documents, the Freedom of Information and Protection of Privacy Act, and any other applicable law.

### 12.5 Authority of the Bid Committee

Subject always to the limits set out in section 5 above, the Bid Committee is authorized to make an award in respect of a bid call, if all of the following conditions are met:

- The Chief Purchasing Official, after consulting with the Voting Department Head(s) has recommended the award in the report submitted as being in compliance with the terms of the call;
- All voting members of the Bid Committee who are present at the meeting vote in favor of the award.

### 12.6 Extended Authority of Bid Committee

The Bid Committee is authorized to exercise the power of Council or Board to make an award in the following circumstances:

- If a regularly scheduled meeting of Council/Board to which the bid would be normally reported for award is cancelled for whatever reason, including labour disruption, and there is no meeting of Council/Board scheduled either prior to or within the week following the cancelled Council/Board meeting to which the bid could be reported; or
- If, during the summer recess of Council/Board or during the period between the last scheduled meeting of Council/Board and the first meeting of a new Council/Board after an election, no Council meetings are scheduled or held; and

- The goods, services or construction are urgently required and delay would be injurious to the public interest as determined by the City Manager; and
  - the total purchase price of the contract is greater than \$2,000,000.
- 12.7 If the Bid Committee makes an award under subsection 12.6, the award will be reported by the Chief Purchasing Official to Council/Board at the next Council/Board meeting.
- 12.8 The Bid Committee will meet on an as needed basis to make vendor selection decisions. Any award may be referred to Council/Board at any time in the Bid Committee's sole discretion.
- 12.9 Chief Purchasing Official

The Chief Purchasing Official will have the authority and be responsible for:

- Determining, in accordance with policies and directives as may be adopted or provided from time to time by Council, the appropriate form and method by which all goods, services and construction will be procured on behalf of the City, including the form of any call document or contract, the circumstances and means for the pre-selection of equipment and materials, the pre-qualification of bidders, and the delegation to any Vancouver Group member of any aspect of the procurement process.
- Compiling and maintaining a compendium of all policies adopted by the Vancouver Group from time to time affecting the procurement process and communicating such policies to bidders and all staff involved in the procurement process.
- The solicitation of goods, services or construction.
- Determining the method and scope of solicitation, including, without limitation, by public advertising, mailing invitations, posting notices, telecommunicated messages or any combination or all of these.
- Scheduling the place, date and time for the receipt and opening of responses.
- Determining whether recommendations for an award should appropriately go to the Bid Committee or Council or Board as the case may be and as determined by this policy.
- Reporting to the Bid Committee on all bids where the Bid Committee has authority to make an award.
- Providing advice and support to the Bid Committee.
- Reporting on, along with the Voting Department Head, all bids which must be reported to Council or the appropriate Board.
- Generally monitoring, supervising and reporting to the Corporate Management Team as required from time to time, on the procurement process.
- Acting on behalf of other public bodies when requested to do so by such bodies and where authorized by this policy or Council.
- Drafting and finalizing procedures and guidelines in respect of any aspect of the procurement process, including any of the listed responsibilities of the Chief Purchasing Official in this section, and ensuring appropriate

communication of such procedures and directives to staff and to the public.

- Undertaking a comprehensive review of this policy and all policies affecting the procurement process every five years.

#### 12.10 Authority of Chief Purchasing Official to Pre-Select and to Pre-Qualify

The Chief Purchasing Official will be authorized to determine:

- The selection of specified equipment and materials, if required in the opinion of the department head, for incorporation in any call; and
- In consultation with the Voting Department Head, those bidders meeting the requirements of any pre-qualification call as a basis for the issuance of any subsequent call for the submission of bids.

#### 12.11 Chief Purchasing Official and Opening of Responses

- Responses received by the Chief Purchasing Official in the location specified in the call before the time stipulated for receipt will be opened by the Chief Purchasing Official or designate at the time and location specified in the call, and the names of the bidders will be recorded.
- The prices contained in bids will also be recorded but only where deemed appropriate in the sole discretion of the Chief Purchasing Official.

#### 12.12 Cancellation of Calls

The Chief Purchasing Official will be authorized to cancel any call where:

- (a) There is a request by the Voting Department Head and responses are greater than the funding approval for the award in respect of the call; or
- (b) In the opinion of the Chief Purchasing Official or the Voting Department Head:
  - (i) A change in the scope of work or specifications is required and therefore a new call should be issued; or
  - (ii) The goods, services or construction to be provided by the call no longer meet the Vancouver Group's requirements; or
- (c) In the opinion of the Chief Purchasing Official the integrity of the call process has been compromised.

#### 12.13 Category Managers

Category Managers are responsible for managing a portfolio of spend categories as assigned by the Chief Purchasing Official. This includes strategic sourcing initiatives, vendor management, reviewing and seeking out new technologies and processes that will optimize value for the Vancouver Group and incorporating sustainability as an integral component products/services provided to the City.

### 13 Surplus Asset Disposal

- 13.1 If any materials or equipment owned by the Vancouver Group are declared by the department head having control over them to be surplus to present and future department requirements, and are declared by the Chief Purchasing Official to be surplus to present and future corporate requirements, the Chief Purchasing Official may either dispose of the materials or equipment by public auction or solicitation deemed appropriate by the Chief Purchasing Official in the circumstances.
- 13.2 Funds received for the disposal of surplus materials and equipment will be credited back to the Vancouver Group cost center where the asset originated from prior to being declared surplus.
- 13.3 In exceptional circumstances, surplus assets may be transferred gratuitously to a not-for-profit organization or public agency or sold at less than fair market value when, in the opinion of the Chief Purchasing Official, such action serves the public interest better than sale on the open market, provided always that the contract transferring the asset is signed by the City Manager and Director of Legal Services.
- 13.4 Surplus assets will be segregated for reuse or recycling and those, which are classified as electronic waste, will be recycled according the appropriate governing guidelines for e-waste and in a manner that ensures that toxic products are not sent to landfill.

### 14 Co-operative Purchasing

- 14.1 The Chief Purchasing Official may participate with public bodies in co-operative purchasing.
- 14.2 Participation in co-operative purchasing will be in compliance with the provisions of this policy in proportion with the Vancouver Group's participation in the co-operative purchasing.

#### RELATED POLICIES

- |                           |                                     |
|---------------------------|-------------------------------------|
| <a href="#">AF-013-01</a> | Energy Efficiency Purchasing Policy |
| <a href="#">AF-014-01</a> | Ethical Purchasing Policy           |
| <a href="#">AF-010-01</a> | Corporate Purchasing Cards Policy   |

APPROVAL HISTORY

ISSUED BY:	Director of Finance	APPROVED BY:	Council	DATE:	2009/12/15
AMENDED BY:	Director of Finance	APPROVED BY:	Director of Finance	DATE:	2010/02/26
AMENDED BY:	Director of Supply Chain Management	APPROVED BY:	City Manager	DATE:	2010/06/08

# **UNEP Statement of Commitment by Financial Institutions (FI) on Sustainable Development**

We members of the Financial Services Sector recognize that economic development needs to be compatible with human welfare and a healthy environment. To ignore this is to risk increasing social, environmental and financial costs. We further recognize that sustainable development is the collective responsibility of governments, businesses and individuals. We are committed to working collectively toward common sustainability goals.

## **1. Commitment to Sustainable Development**

**1.1** We regard sustainable development - defined as development that meets the needs of the present without compromising the ability of future generations to meet their own needs - as a fundamental aspect of sound business management.

**1.2** We believe that sustainable development is best achieved by allowing markets to work within an appropriate framework of cost efficient regulations and economic instruments. Governments have a leadership role in establishing and enforcing long-term priorities and values.

**1.3** We regard financial institutions to be important contributors to sustainable development, through their interaction with other economic sectors and consumers and through their own financing, investment and trading activities.

**1.4** We recognize that sustainable development is an institutional commitment and an integral part of our pursuit of both good corporate citizenship and the fundamentals of sound business practices.

**1.5** We recognize that the sustainable development agenda is becoming increasingly inter-linked with humanitarian and social issues as the global environment agenda broadens and as climate change brings greater developmental and security challenges.

## **2. Sustainability Management**

**2.1** We support a precautionary approach to environmental and social issues, which strives to anticipate and prevent potential negative impacts on the environment and society.

**2.2** We will comply with all applicable local, national and international regulations on environmental and social issues. Beyond compliance, we will work towards integrating environmental and social considerations into our operations and business decisions in all markets.

**2.3** We recognize that identifying and quantifying environmental and social risks should be part of the normal process of risk assessment and management, both in domestic and international operations.

**2.4** We will endeavor to pursue the best practice in environmental management, including energy and water efficiency, recycling and waste reduction. We will seek to form business relations with customers, partners, suppliers and subcontractors who follow similarly high environmental standards.

**2.5** We intend to update our practices periodically to incorporate relevant developments in sustainability management. We encourage the industry to undertake research accordingly.

**2.6** We recognize the need to conduct regular internal reviews and to measure our progress against our sustainability goals.

**2.7** We recognize the need for the financial services sector to adapt and develop products and services which will promote the principles of sustainable development.

### **3. Public Awareness and Communication**

**3.1** We recommend that financial institutions develop and publish a statement of their sustainability policy and periodically report on the steps they have taken to promote the integration of environmental and social considerations into their operations.

**3.2** We are committed to share relevant information with customers, as appropriate, so that they may strengthen their own capacity to reduce environmental and social risk and promote sustainable development.

**3.3** We will foster openness and dialogue relating to sustainability matters with relevant stakeholders, including shareholders, employees, customers, regulators, policy-makers and the public.

**3.4** We will work with the United Nations Environment Programme (UNEP) to further the principles and goals of this Statement, and seek UNEP's active support in providing relevant information relating to sustainable development.

**3.5** We will encourage other financial institutions to support this Statement. We are committed to share with them our experiences and knowledge in order to extend best practices.

**3.6** We recognize the importance of other initiatives by the financial services sector in forwarding the aims and objectives of sustainable finance and will seek to assist such initiatives in an appropriate manner.

**3.7** We will work with UNEP periodically to review the success in implementing this Statement and expect all Signatories to make real progress.

27 April 2006



# Secretary-General

SG/2111  
ECO/106

Department of Public Information • News and Media Division • New York

## **SECRETARY-GENERAL LAUNCHES 'PRINCIPLES FOR RESPONSIBLE INVESTMENT'**

### **BACKED BY WORLD'S LARGEST INVESTORS**

#### **International Funds Worth \$2 Trillion Announce Endorsement at New York Stock Exchange**

NEW YORK, 27 April (UN Global Compact Office) — In a historic development for global financial markets, United Nations Secretary-General Kofi Annan was today joined by a group of the world's largest institutional investors at the international launch of the Principles for Responsible Investment.

The heads of leading institutions from 16 countries, representing more than \$2 trillion in assets owned, officially signed the Principles at a special launch event at the New York Stock Exchange. The Principles were developed during a nearly year-long process convened by the United Nations Secretary-General and coordinated by the UN Environment Programme Finance Initiative (UNEP FI) and the United Nations Global Compact.

"These Principles grew out of the understanding that while finance fuels the global economy, investment decision-making does not sufficiently reflect environmental, social and corporate governance considerations — or put another way, the tenets of sustainable development", the Secretary-General said.

He added: "Developed by leading institutional investors, the Principles provide a framework for achieving better long-term investment returns and more sustainable markets. I invite institutional investors and their financial partners everywhere to adopt these Principles."

In joining with institutional investors to develop the Principles, the United Nations collaborated with some of the world's most influential institutions — many of them public pension funds — involved in investment activities worldwide. It is estimated that pension funds alone — public and private — account for up to 35 per cent of total global investment.

More than 20 pension funds, foundations and special government funds, backed by a group of 70 experts from around the world, held meetings in Paris, New York, Toronto, London, and Boston over an eight-month period to craft the Principles.

"We are proud to endorse the Principles, which recognize that social and environmental issues can be material to the financial outlook of a company and therefore to the value of our shares in that company", said Denise Nappier, Treasurer of the State of Connecticut, who is the principal fiduciary of \$23 billion in pension fund assets. "Financial markets tend to focus too heavily on short-term results at the expense of long-term and non-traditional financial fitness factors that could affect a company's bottom line. For many institutional investors it is the long-term that matters and in this context environmental, social and governance issues take on new meaning."

The six overarching Principles, which are voluntary, are underpinned by a set of 35 possible actions that institutional investors can take to integrate environmental, social and corporate governance (ESG) considerations into their investment activities. These actions relate to a variety of issues, including investment decision-making, active ownership, transparency, collaboration and

gaining wider support for these practices from the whole financial services industry.

“We manage assets for future generations and acknowledge the link between long-term return and the governance of companies, markets and economies”, said Knut N. Kjaer, Executive Director of the Norwegian Government Pension Fund, which holds assets of more than \$250 billion. “We engaged in developing these Principles to help broaden the understanding of what drives long-term fund performance. Investors must collaborate to support well-regulated markets and sustainable development” Kjaer said.

#### Editor's Note

While access to the event is restricted, a live webcast of the Secretary-General's remarks, the signing ceremony and the subsequent panel discussion will be available from 9:45 a.m. to 11 a.m. on 27 April at [www.nyse.com/events/1145959807704.html](http://www.nyse.com/events/1145959807704.html).

The full text of the Principles for Responsible Investment, as well as an updated list of asset owner signatories is available on <http://www.unpri.org>.

Additional resources from the event, including high resolution photographs, video coverage, additional quotes from investor signatories will also be available on [www.unpri.org](http://www.unpri.org).

#### UN Global Compact

Launched by United Nations Secretary-General Kofi Annan in 2000, the United Nations Global Compact brings business together with United Nations agencies, labour, civil society and governments to advance ten universal principles in the areas of human rights, labour, environment and anti-corruption. Through the power of collective action, the Global Compact seeks to mainstream these ten principles in business activities around the world and to catalyze actions in support of broader United Nations goals. With over 2500 participating companies from more than 90 countries, it is the world's largest voluntary corporate citizenship initiative. For more information, please visit [www.unglobalcompact.org](http://www.unglobalcompact.org).

#### UNEP Finance Initiative

The United Nations Environment Programme Finance Initiative (UNEP FI) is a unique global partnership between United Nations Environment Programme (UNEP) and the financial services sector. UNEP FI works with 160 financial institutions — banks, insurers, asset managers, and pension funds -- to develop and promote linkages between sustainability and financial performance. UNEP FI is the oldest and largest partnership between the United Nations and the global financial sector. UNEP FI promotes the adoption of best environmental and sustainability practice at all levels of financial institution operations. For more information on UNEP FI, see: <http://www.unepfi.org>

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**For information media • not an official record**



# Municipal Pension Plan

STATEMENT OF  
INVESTMENT  
POLICIES AND  
PROCEDURES

As Amended: November 29, 2012

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### APPENDICES

Appendix A: Participating Pooled Funds

Appendix B: Asset Class Policies-Legislative Constraints

## **Section 1: Overview / Purpose**

- 1.1 The purposes of this Statement of Investment Policies and Procedures (the “Statement”) are:
- (i) To ensure compliance with the British Columbia *Pension Benefits Standards Act*, as amended from time to time or replaced (“PBSA”), the *Pension Benefits Standards Regulation* (“PBSR”), which requires a written statement of investment policies and procedures, as well as the *Income Tax Act*.
  - (ii) To set investment guidelines and direction for the British Columbia Investment Management Corporation (“bcIMC”) that are consistent with the investment policies and objectives established by the Municipal Pension Board of Trustees (the “Board”) for the Municipal Pension Plan (the “Plan”).
  - (iii) To provide objectives, policies and principles for the management of the assets of the Municipal Pension Fund (the “Fund”).
  - (iv) To set forth investment performance objectives and other criteria to be used by the Board to review and evaluate the investment results of the Fund.
- 1.2 The Plan is continued and maintained under the Municipal Pension Plan Joint Trust Agreement (“JTA”) and the Municipal Pension Plan Rules (the “Rules”). The purpose of the Plan is to provide pension benefits to eligible employees of a local government, hospital or other health employer, school district, college, social service agency or other employer in British Columbia.
- 1.3 The Board is responsible for the administration of the Plan and of this Statement. The members of the Board are the trustees of the Fund.
- 1.4 The Board is responsible for ensuring that all investments of the Fund are managed prudently and in accordance with the PBSA, the PBSR, the *Income Tax Act* and this Statement.
- 1.5 The Board has adopted this Statement after considering the benefits obligations of the Plan and a risk profile that the Board believes to be appropriate.
- 1.6 The Board shall review and confirm or amend this Statement at least annually, as required by the PBSA or PBSR, but it can be amended at any time by a Board resolution.
- 1.7 bcIMC is required to have more detailed investment policies and procedures that detail their specific mandate, and they shall acknowledge that these policies and procedures conform to this Statement.
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**Section 2: Plan Structure and Funding / Plan Description**

2.1 The Plan is a hybrid of a contributory defined benefit final average earnings pension plan and negotiated cost arrangements for providing contingent inflation adjustments. It is funded by plan member and employer contributions. Benefit entitlement is based on the provisions of the JTA and the Rules.

Normal retirement age is 65 for all members except police officers, firefighters and a closed group of female members (last contribution prior to April 1, 1971) who have a normal retirement age of 60.

The unreduced lifetime monthly pension payable to a member who terminated employment after April 1, 2000, in the form of a single life annuity with no guarantee, is calculated as the sum of:

- a) 2% of the member's highest average salary (5-year average) multiplied by the number of years of pensionable service accrued before January 1, 1966,
- b) 1.3% of the lesser of:
  - i) the member's highest average salary, and
  - ii) 1/12 of the Year's Maximum Pensionable Earnings ("YMPE") for the calendar year immediately before the effective date of the pension, multiplied by the number of years of pensionable service accrued on and after January 1, 1966 not exceeding 35 years, and
- c) 2% of the excess of the member's highest average salary over the amount determined under paragraph (b) (ii), multiplied by the number of year's of pensionable service accrued on and after January 1, 1966 not exceeding 35 years.

2.2 For the purposes of the calculation referred to in section 2.1, in respect of any period of pensionable service for which contributions have been made at the rate applicable for group 5, the percentage referred to in subsection b) shall be 1.63% and the percentage referred to in subsection c) shall be 2.33%.

2.3 The Plan is not subject to solvency tests but is required to meet the going concern funding requirements of the PBSA or PBSR.

2.4 The Rules establish three accounts for the Plan: a Basic Account, an Inflation Adjustment Account, and a Supplemental Benefits Account.

- 2.4.1 The “Basic Account” provides the non-indexed portion of the pension and any cost of living increases that have been granted, based on the provisions in the JTA and the Rules.
- 2.4.2 The “Inflation Adjustment Account” was established in 1982 and provides cost of living increases for retired members. The Inflation Adjustment Account is funded through a portion of ongoing contributions from employers and members, from investment income earned on its own assets, and from excess interest earnings in the Basic Account. Since its inception, the Inflation Adjustment Account has provided full indexing of members' pensions. However, this is not a guaranteed benefit. The increases may not exceed the annual increase in the Consumer Price Index (CPI) as at the previous September 30, and are subject to availability of funds in the Inflation Adjustment Account.
- 2.4.3 The “Supplemental Benefits Account” does not hold any investment funds.
- 2.4.4 Effective January 1, 2010, the Basic Account and Inflation Adjustment Account are managed as a single account for investment purposes. However, separate accounting records will continue to record the balances and transactions in each account.

### ***Section 3: Plan Governance***

- 3.1 In accordance with the JTA, the Board has 16 members with equal representation from Plan members and the employers. The parties required by section 4.1 of the JTA to appoint Trustees may also appoint an alternate Trustee for each member of the Board.
- 3.2 The Board is responsible for the management of the Fund and the establishment of the investment policies. The Board has a legal obligation to act in the best financial interest of the beneficiaries of the trust and exercise a high standard of care in protecting the Fund and its assets. This must override all other considerations.
- 3.3 bcIMC and the Plan Administrative Agent (British Columbia Pension Corporation) are agents of the Board. They must act in accordance with the direction and policies of the Board, subject to their fiduciary duty to the Plan beneficiaries and in the case of bcIMC, other pooled funds participants.
- 3.4 The Fund is managed by bcIMC and other investment management firms contracted through bcIMC. In all cases, bcIMC and other investment managers shall comply with this Statement, their internal policies, as well as the relevant laws and regulations governing pension fund management in the respective jurisdiction.

3.5 The following outlines the roles and responsibilities of parties involved with the Plan:

bcIMC:

- is an agent of the Board, and is responsible for day-to-day investment management of the Fund;
- ensures that the Fund is managed in accordance with this Statement and the directions of the Board;
- hires and manages contract arrangements with the Custodian and other external providers of related services (e.g., external managers, data service providers, etc.) on behalf of the Board;
- is responsible for fulfilling all reporting requirements outlined in section 8 of the Statement; and
- has a role that goes beyond that of a typical fund manager, effectively functioning as the Board's internal investment staff. This is set out in greater detail in the Board's Funds Investment and Management Agreement with bcIMC.

Custodian:

- is responsible for fulfilling all their duties as outlined in their service agreement with bcIMC;
- fulfills the regular duties of a Custodian as required by law.

Auditor:

- audits the Plan's assets to produce audited financial statements reporting on the Plan's finances.

Actuary:

- is responsible for assessing the financial status of the Plan, including the adequacy of contribution rates;
- fulfills the regular duties of an Actuary as required by law.

British Columbia Pension Corporation ("Pension Corporation"):

- is an agent of the Board and is responsible for ensuring that contributions and payments are made in accordance with the Plan rules;
- prepares financial statements, annual reports and other Plan documents;
- maintains accounting records for the Basic Account and the Inflation Adjustment Account;
- establishes and manages contracts with external administrative service providers on behalf of the Board; and
- has a role that goes beyond that of a typical administrative agent, effectively functioning as the Board's internal staff. This is set out in greater detail in the Board's Service Agreement with Pension Corporation.

#### **Section 4: Investment Beliefs**

- 4.1 The purpose of investing the Fund is to grow the asset base and to generate a cash flow to help satisfy the Plan's current and future payment obligations. As such, understanding the nature and variability of the Plan's liabilities is critical to devising an appropriate investment strategy.
  - 4.2 The Plan has a long-term investment time horizon and the Fund is managed accordingly. It is extremely difficult to forecast short-term investment returns. However, over the long-term, capital markets are more predictable and investors should receive additional compensation for taking investment risks. Therefore, it is expected that, over the long-term, equities (including public equities, real estate, private placements and infrastructure as referred to in 5.2) will outperform debt instruments.
  - 4.3 Managing investment risks is just as important as generating returns. Maintaining a well-diversified portfolio is the cornerstone of the Fund's risk management program.
  - 4.4 Active management generally entails higher costs than passive investing, so active management should only be undertaken when there is a reasonable expectation of generating higher returns than a passive investment alternative for that asset class. The more efficient a market is, the more difficult it is for active managers to add value. The Board believes that bclMC is in the best position to make the decision on the weightings between active and passive strategies and has delegated this decision to bclMC.
  - 4.5 When the Plan invests outside of Canada, it is subject to the risk of currency fluctuations which impact the value of any gains or losses for foreign investments. The Board believes that foreign currency exposure provides important diversification benefits and that systematic hedging of the Plan's foreign currency exposures would result in higher transaction costs and reduced diversification benefits. However, given the material impact that unhedged currency exposures can have on the Plan's return and volatility of return, the Board authorizes bclMC, under section 7.5, to engage in currency hedging for defensive purposes, when it is concerned about the risks associated with a specific currency.
  - 4.6 The Board believes that currency markets are inefficient and that managers can generate positive returns through active currency management. Therefore, the Board may elect to participate in currency overlay programs that take trading positions in foreign currencies with the objective of adding value.
  - 4.7 The Board recognizes the Fund's asset mix as the primary determinant of the risk and return of its investments, and this also has an impact on the costs of its investments. The Board has identified two types of asset allocation: policy and tactical.
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- 4.7.1 Policy asset allocation is set by the Board and establishes the general framework for managing the Fund. This includes determining ranges for the debt and equity portions of the portfolio, as well as general ranges for individual asset classes (e.g., bonds). Policy asset allocation also establishes the amount of discretion provided to bcIMC and establishes the total fund market benchmark.
- 4.7.2 Tactical asset allocation focuses on short-term conditions and attempts to increase investment return through opportunistic shifts in the portfolio's asset class weighting. Tactical asset allocation decisions depend on shorter term market conditions, and, as such, are delegated to bcIMC. However, these asset allocation shifts must be within the policy ranges specified by the Board in this Statement.
- 4.8 The Board believes that, over the long term, the best performing and most profitable companies in the Canadian and world economies maintain sound corporate governance practices and high ethical standards, comply with environmental regulations, have a track record of progressive labour relations, do not have business dealings with countries where human rights are violated, and do not have the production of armaments as their primary activity.

### ***Section 5: Asset Allocation***

- 5.1 Meeting the pension benefits promise is the primary objective of the Board. Managing the volatility of contribution rates and providing non-guaranteed benefits are additional objectives of the Board. To achieve these objectives, the Board has adopted the following long-term asset mix and allowable ranges.

- 5.2 Policy asset mix and policy ranges for the Fund, effective November 29, 2012 , are:

Asset Class <sup>1</sup>	Policy Range		Policy Asset Mix
	Minimum	Maximum	
Short Term	0	10	2
Mortgages	0	11	6
Nominal Bonds	5	20	12
Real Return Bonds	0	10	5
<b>Fixed Income Sub-total</b>	<b>15</b>	<b>35</b>	<b>25</b>
Canadian Equities	6	20	13
Global Equities <sup>2</sup>	10	32 <sup>3</sup>	17
Emerging Markets Equities <sup>4</sup>	3	15	10
<b>Public Equity Sub-total</b>	<b>30</b>	<b>55<sup>5</sup></b>	<b>40</b>
Real Estate <sup>6</sup>	10	25	18
<b>Real Estate Sub-total</b>	<b>10</b>	<b>25</b>	<b>18</b>
Private Placements <sup>6, 7</sup>	1	13	7
Infrastructure and Renewable Resources <sup>6</sup>	2	16	10
<b>Sub-total</b>	<b>5</b>	<b>24</b>	<b>17</b>

1 Refer to Eligible Pooled Funds table (Appendix A) for asset classification by pool.

2 Global equities may include some exposure to Canada and emerging markets

3 The maximum range for Global Equities will be 32% from November 29, 2012 until September 30, 2014. On October 1, 2014, it will revert to 30%.

4 Emerging Market Equities may include some exposure to developed markets.

5 The maximum range for Total Public Equity will be 55% from November 29, 2012 until September 30, 2014. On October 1, 2014, it will revert to 50%.

6 Due to the illiquid nature of these assets, the upper limit may be exceeded on a temporary basis. bcIMC shall use cashflow to rebalance as soon as is practical and shall continue to report any breach of the policy ranges in the quarterly compliance report.

7 Private Placements may be either debt or equity.

- 5.3 The Board recognizes that an appropriate implementation period is required to transition to the new policy asset mix identified in section 5.2. This implementation timeframe is reflected in section 8.3 for the purpose of the performance measurement framework.
- 5.4 The Fund may be invested in the pooled funds listed in Appendix A, segregated funds, mutual funds, unit trusts, limited partnerships and similar vehicles, provided that they conform to this Statement.
- 5.5 The Fund may loan its securities, or participate in pooled funds that lend securities provided that:
- as a minimum, the market value of collateral must be equal to 105 percent of the market value of the lent securities;
  - the loan and collateral are valued daily on a “mark-to-market” basis;
  - the collateral consists of highly liquid and marketable securities; and
  - both the collateral and borrowers have been approved by bcIMC.

## **Section 6: Asset Class Policies**

The following asset classes are permitted to be held in the Fund, subject to the investment policies established below for each asset class and any applicable legal constraints, including the constraints imposed by the PBSA, the PBSR and the *Income Tax Act*, as outlined in Appendix B.

### **6.1 Money Market Short-Term Policies**

- 6.1.1 Short-term holdings include money market instruments and bonds with a term to maturity of 15 months or less.
- 6.1.2 Corporate money market securities should be rated A-1(Low) or better by Standard & Poor's (S&P) or have an equivalent rating from another credit rating agency.
- 6.1.3 Short term corporate bonds should be rated A- or higher by S&P or have an equivalent rating from another credit rating agency.
- 6.1.4 Not more than 10 percent of the total short term holdings shall be in the money market instruments and bonds of any one corporation unless the corporation is a Schedule One bank.
- 6.1.5 Up to 1 percent of short-term holdings can be in non-rated debt issued by financial institutions (e.g., credit unions)

### **6.2 Mortgage Policies**

- 6.2.1 The portfolio shall consist of a broad range of mortgage products, diversified by geographic location, type of mortgage, size of mortgage, and type of real estate. It may include direct mortgage loans and mortgage instruments (e.g., mortgage bonds). All mortgage loans must be eligible investments under the PBSA and PBSR.

### **6.3 Fixed Income/Bond Policies**

- 6.3.1 Fixed income portfolios shall consist of debt securities other than money market.
- 6.3.2 Publicly traded corporate bonds and other non-government debt securities when purchased must be rated BBB- or higher by S&P or have an equivalent credit rating from another credit rating agency. If any holdings are downgraded to below a BBB- rating, bcIMC shall immediately review the downgraded security and determine whether to sell this security immediately or hold to sell at a more appropriate time.

- 6.3.3 Not more than 10 percent of the total fixed income holdings shall be in the debt securities of any one corporation.
- 6.3.4 Individual bond portfolios, other than real return bonds, must be managed within  $\pm$  20 percent of the duration of their respective performance benchmark.
- 6.3.5 Investments in private placements (as part of the bond allocation) are permitted provided they meet the same credit quality standards imposed on other bond investments, and are expected to be readily marketable within 6 months.
- 6.3.6 Illiquid private placements, in addition to 6.3.5, are permitted within the limits of the policy set out in 5.2.

**6.4 *Equity Policies***

- 6.4.1 Equity investments consist of common and preferred shares, common stock equivalents (such as, convertible debentures, convertible preferred shares, instalment receipts, equity warrants, and share rights), income trusts, exchange traded funds, depository receipts, and equity derivatives (e.g., futures, options, equity swaps).
- 6.4.2 Not more than 10 percent of the total equity holdings shall be in the shares of any one corporation or its related companies.
- 6.4.3 Equity private placements are permitted within the limits set out in the policy as specified in 5.2.

**6.5 *Real Estate Policies***

- 6.5.1 Real estate investments consist of direct real estate holdings, units in real estate pooled funds, and real estate securities including trust units, shares in real estate companies, and debt.
- 6.5.2 Not more than 20 percent of the real estate portfolio by appraised value shall be invested outside of Canada.
- 6.5.3 Real estate investments shall be well diversified by property type, property location and property risk.
- 6.5.4 No debt shall be assumed or created if, as a result, it causes the debt to market value of the overall real estate portfolio to exceed 25 percent. However, another 5 percent is allowed for the assumption or renewal of existing debt.

6.5.5 No direct investment in real estate shall be made without the benefit of a professional opinion regarding known or possible environmental contamination of the property.

**6.6 *Private Placement Policies***

6.6.1 Private placement investments are long-term debt or equity investments that are made primarily outside of the public market. Investments may be made directly by bcIMC or indirectly through external managers. These are long-term commitments made on behalf of the Fund.

**6.7 *Infrastructure and Renewable Resources Policies***

6.7.1 Infrastructure and Renewable Resource investments are tangible long-life assets with potential for strong cash flows and favourable risk-return characteristics that provide an attractive match with pension liabilities. Infrastructure investments typically include physical assets that provide essential services such as utilities and transportation systems. Renewable Resource investments typically include timberland, farmland, and energy production assets such as wind and solar.

***Section 7: Use of Derivative Instruments***

7.1 The use of derivatives is only permitted for the following purposes:

- (i) Synthetic Indexing - Passively investing in an attempt to replicate the returns of an index.
- (ii) Risk Control - Managing interest rate, equity or currency market risk through the use of hedging strategies.
- (iii) Lower Transaction Costs and Liquidity Management- Reducing the transaction costs on trading, custody and brokerage costs through use of index futures. Substituting one combination of securities for another with the same net exposure to market variables for the purposes of exploiting pricing inefficiencies.
- (iv) Asset Mix Shifts - Reduce market movement and transaction costs of shifting asset weights or rebalancing by allowing instantaneous implementation of the shift through derivatives.
- (v) Their use within the Currency Overlay Program.

- 7.2 All derivative uses are to be structured to ensure that the aggregate amount of market exposure of the Fund does not increase as a result of derivative transactions.
- 7.3 Derivatives include: forward contracts, futures, options, and swaps. The above derivatives can have equities, interest rates and currencies as underlying instruments.
- 7.4 When a swap or an option contract is entered into with a counterparty (e.g. a financial institution), the counterparty shall have at least an AA- credit rating by S&P or an equivalent credit rating from another credit rating agency, unless otherwise approved by the Board. Forward contracts are restricted to financial institutions having a credit rating of A- or higher by S&P or an equivalent credit rating from another credit rating agency.
- 7.5 bclMC may use derivatives to hedge the Plan's exposure to a specific foreign currency for defensive purposes. This hedging is independent of the Plan's participation in the Currency Overlay Program.
- 7.6 The use of any additional derivative products other than that stated above, shall require the prior written consent of the Board.

### ***Section 8: Performance Objectives and Reporting***

- 8.1 The long-term (10 years) investment objective of the total fund is to meet or exceed, net of all expenses incurred in the investment process:
  - (i) the annual rates of return used in the actuarial report (CPI + 3.5 percent and 6.5 percent nominal); and
  - (ii) the rate of return that would have been achieved if the Fund had held its policy asset mix and each asset class had earned the return of their respective market index as outlined in Table 1 below.
- 8.2 The short-term investment objective (5 years) is to earn the rate of return, net of all expenses incurred in the investment process, for the liquid assets (i.e., excluding real estate, private placements, infrastructure, and renewable resources), assuming that each liquid asset class had earned the return of its respective market index as outlined in Table 1 below
- 8.3 The primary investment return objective of individual asset classes is for the rate of return, net of all expenses incurred in the investment process, to meet or exceed the respective market indices over 5-year periods. However, certain asset classes such as real estate, private placements, infrastructure and renewable resources do not lend themselves to good market indices, and it is more appropriate to evaluate

their performance over longer periods such as 10 years. The benchmarks (indices) used for each asset class are listed in Table 1 that follows.

Table 1													
Asset Classes	October 1, 2012		October 1, 2013		October 1, 2014		October 1, 2015		October 1, 2016		October 1, 2017		Benchmarks
	Total Fund	Liquid Asset Classes											
Short Term	2	2.6	2	2.8	2	2.9	2	3.0	2	3.0	2	3.1	DEX 91 Day Treasury Bill Index
Mortgages Fixed Term	4	5.4	5	6.9	5	7.2	5	7.5	5	7.6	5	7.7	DEX Short Term Bond Index + 100 bps
Mortgages Construction	1	1.3	1	1.4	1	1.4	1	1.5	1	1.5	1	1.5	DEX One Year Treasury Bill Index + 100 bps
Nominal Bonds	16	21.3	14	19.5	12	17.1	12	17.9	12	18.2	12	18.5	DEX Universe Bond Index
Real Return Bonds	5	6.7	5	6.9	5	7.1	5	7.5	5	7.6	5	7.7	DEX Real Return Bond Overall Index
Canadian Equities	15	20.0	13	18.1	13	18.6	13	19.4	13	19.7	13	20.0	S&P / TSX Composite Index
Global Equities	26	34.7	24	33.3	22	31.4	19	28.3	18	27.3	17	26.1	Morgan Stanley Capital International (MSCI) World ex-Canada Net Index
Emerging Markets	6	8.0	8	11.1	10	14.3	10	14.9	10	15.1	10	15.4	MSCI Emerging Markets Net Index
Real Estate	15	0	16	0	17	0	18	0	18	0	18	0	CPI plus 4%
Private Placements	5	0	6	0	6	0	7	0	7	0	7	0	MSCI All Country World Net Index plus 2%
Infrastructure and Renewable Resources	5	0	6	0	7	0	8	0	9	0	10	0	8% nominal return

- 8.4 The returns of the Fund are calculated using market values derived from independent pricing sources. Returns are time-weighted so that cash flows have a minimal effect on return numbers. All income is included on an accrued basis. Return calculations follow the standards established by the CFA Institute. This includes using internal rates of return for private placements and similar type investments.
- 8.5 The return from foreign indices or benchmarks applicable to asset classes shall be calculated in Canadian dollar terms on an unhedged basis.
- 8.6 bcIMC shall provide the Board with periodic<sup>1</sup> reports on the performance of the Fund. These periodic reports shall include the following information:
- net cash flows;
  - Fund values;
  - investment returns for the total Fund and individual pooled funds as well as all stated benchmarks;
  - signed compliance certificate confirming compliance with this Statement;
  - key changes in investment personnel;
  - investment strategy for the next quarter; and
  - investment management fees (including external manager fees, custodial, legal, and audit fees).

The compliance certificate shall report any breaches of this Statement as well as any material breaches of bcIMC's internal pooled fund policies.

- 8.7 The Board shall compare the pooled fund's investment performance relative to the appropriate index return, and where appropriate shall compare actively managed asset classes to a universe of managers with similar mandates, at least once a year. It is recognized that manager universe comparisons must be interpreted with caution as there can be key differences in the nature of the portfolios (e.g., size) included in the universe. bcIMC shall advise the Board periodically<sup>2</sup> of the portion of total public equities and of each equity asset class that are managed under active, indexed, and enhanced indexed strategies. bcIMC shall advise the Board periodically of the return of each equity asset class relative to its policy benchmark.
- 8.8 Once a year, bcIMC shall provide the Board with a more comprehensive report outlining the performance of the Fund. This annual review shall include an attribution analysis. Attribution analysis quantifies the impact of specific active management decisions (including security selection and tactical asset allocation) for the liquid assets relative to the liquid asset benchmark.
- 8.9 bcIMC shall advise the Board periodically of the diversification of the mortgage, real estate and private placement pools in which the Fund participates.

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<sup>1</sup> For the purpose of section 8.6, "periodic" means not less than twice each year.

<sup>2</sup> For the purpose of section 8.7, "periodically" means not less than twice each year.

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- 8.10 Real Estate is valued less frequently than liquid assets due to cost and complexity of valuation. At least once a year, bcIMC shall provide the Board with a report on the domestic and international real estate programs in which the Fund participates.
- 8.11 Private Placements, Infrastructure, and Renewable Resources investment programs are valued less frequently than liquid assets due to cost and complexity of valuation. At least once a year, bcIMC shall provide the Board with a report examining the performance of the pools in which the Fund participates.
- 8.12 bcIMC shall inform the Board of any substantial change in the investment policy underlying any pooled fund in which the Plan is invested.
- 8.13 bcIMC shall report to the Board annually on whether its securities lending policies adhere to the OSFI guidelines and whether it has made any changes to its securities lending policies.

### ***Section 9: Risk Management***

- 9.1 The Board seeks to mitigate risk exposure of the Fund by maintaining a well-diversified portfolio.
- 9.2 The Fund may not sell short or borrow securities or purchase securities on margin.
- 9.3 The Board, or Pension Corporation, shall inform bcIMC at least annually of anticipated liquidity requirements. The Fund shall maintain sufficient liquidity to meet its financial obligations as they come due. In the event of unanticipated withdrawals or cashflows, bcIMC may run a temporary overdraft, rather than liquidate investments, if it is considered to be in the best financial interest of the Fund.

### ***Section 10: Valuation of Assets***

- 10.1 As a general rule, all investments should be priced based on external sources on an ongoing basis. However, in some cases, obtaining on-going market pricing may be prohibitively expensive (e.g. certain illiquid investments such as real estate and private placements). These assets shall be valued less frequently, but at a minimum, at least once a year.
- 10.2 Any assets that cannot be marked-to-market on a regular basis (e.g., real estate and private placements) shall have their value determined in accordance with the valuation policies established by the external managers, in accordance with standard industry practices. These values shall be reviewed by bcIMC.

### **Section 11: Responsible Investing & Voting Rights**

- 11.1 At all times, this policy shall be conducted within the framework of fiduciary responsibility. It shall therefore be implemented in a manner which does not interfere with the efficient investment of the Fund's assets to achieve investment return objectives, which are in the best interests of the Plan's current and future beneficiaries.
- 11.2 Pursuant to section 4.8 and subject to section 11.1, favourable consideration is to be given by bcIMC and its investment managers to investment opportunities in corporations which maintain high ethical standards, comply with environmental regulations, have a track record of progressive labour relations, do not have business dealings with countries where human rights are violated, and do not have the production of armaments as their primary activity.
- 11.3 In keeping with the Board's fiduciary responsibilities and framework, the Board believes that environmental, social, and corporate governance (ESG) issues can affect investment performance to varying degrees across companies, sectors, regions, asset classes and through time. In this regard, the Board supports the UN-led Principles for Responsible Investment, introduced in April 2006 (<http://www.unpri.org/principles/>). By doing so, the Board recognizes that applying these Principles may better align investors with the broader objectives of society.
- 11.4 The Board delegates its voting rights to bcIMC and instructs bcIMC to act in the best financial interests of the Fund. The goal of this proxy voting process is to influence corporate behaviour and encourage change to their practices when they do not meet the expected standards as outlined in 11.2.
- 11.5 bcIMC shall provide the Board with copies of its corporate governance guidelines and at least once a year the Board shall review bcIMC's voting record.

### **Section 12: Conflict of Interest and Code of Ethics**

- 12.1 Members of the Board (whether appointed as a Trustee or as an Alternate Trustee) are subject to the Municipal Pension Plan Trustee Code of Conduct, including the conflict of interest provisions contained in part V of the Code.
- 12.2 Because bcIMC and its investment managers are involved in the ongoing management of the Fund, they are required to have a more comprehensive and thorough conflict of interest policy, which shall meet or exceed the standards established for the investment industry by the CFA Institute. bcIMC shall make disclosure in accordance with section 12.3 if any of its employees or agents materially breach their internal conflict of interest guidelines.

12.3 Procedure on Disclosure of Conflict of Interest

Members of the Board shall disclose the nature and extent of their actual or perceived conflict of interest in accordance with part V of the Municipal Pension Plan Trustee Code of Conduct.

bcIMC shall disclose any conflict of interest in accordance with the provisions of its service agreement with the Board and its own conflict of interest policy referred to in section 12.2.

***Section 13: Implementation***

The Board has decided to implement the investment policy through investments managed by bcIMC, in accordance with section 5. The pooled funds in which the Board has agreed to participate are listed in the attached Appendix A. By participating in a particular pooled fund, the Board acknowledges that it has reviewed the pooled fund's internal investment policy and finds it acceptable. If bcIMC makes any material change to the investment policy of a particular internal pooled fund listed in Appendix A, they shall disclose the change to the Board and, subject to the pooled portfolio rules, the Board shall decide whether it wishes to remain invested in that pooled fund.

**Appendix A**  
**Eligible Pooled Funds – Effective November 29, 2012**

Asset Class Categories Under Section 5.2	Eligible Pooled Funds	Benchmarks
Short Term	Canadian Money Market Fund (ST1)	DEX 30 Day Treasury Bill Index
	Canadian Money Market Fund (ST2)	DEX 91 Day Treasury Bill Index
	US Dollar Money Market Fund (ST3)	Citigroup 30 Day Treasury Bill Index
	Short Term Bond Fund	DEX Short Term Government Bond Index
Mortgages	Fixed Term Mortgage Fund	DEX Short Term Bond Index + 100 bps
	Construction Mortgage Fund	DEX One Year Treasury Bill Index + 100 bps
	Mezzanine Mortgage Fund	DEX One Year Treasury Bill Index + 250 bps
Nominal Bonds	Indexed Government Bond Fund	DEX Universe Government Bond Index
	Long Term Bond Fund	DEX Long Term Government Bond Index
	Canadian Universe Bond Fund	DEX Universe Bond Index
	Global Government Bond Fund	JP Morgan Government Bond Index (GBI) Global (Hedged CAD)
Real Return Bonds	Canadian Real Return Bond Fund	DEX Real Return Bond Overall Index
Canadian Equities	Indexed Canadian Equity Fund	S&P / TSX Composite Index
	TSX Ex Equity Fund	S&P/TSX Composite Index less the return of any excluded companies
	Enhanced Indexed Canadian Equity Fund	S&P / TSX Capped Composite Index
	Active Canadian Equity Fund	S&P / TSX Capped Composite Index
	Active Canadian Small Cap Equity Fund	S&P / TSX Small Cap Index
Global Equities	Indexed U.S. Equity Fund	S&P 500 Total Return Index
	Indexed U.S. Value Equity Fund	S&P/ Citigroup Value Index
	U.S. Social Index Fund	MSCI KLD 400 Social Index
	Enhanced Indexed U.S. Equity Fund	S&P 500 Total Return Index
	Active U.S. Equity Fund	Russell 1000 Total Return Index
	Active U.S. Small Cap Equity Fund	Russell 2000 Total Return Index
	Indexed EAFE Equity Fund	MSCI Europe, Australasia and Far East Net Index
	Enhanced Indexed EAFE Equity Fund	MSCI Europe, Australasia and Far East Net Index
	Active EAFE Equity Fund	MSCI Europe, Australasia and Far East Net Index
	Indexed European Equity Fund	MSCI Europe Net Index
	Enhanced Indexed European Equity Fund	MSCI Europe Net Index
	Active European Equity Fund	MSCI Europe Net Index
	Indexed Asian Equity Fund	MSCI Pacific Net Index
	Active Asian Equity Fund	MSCI All Country Asia Pacific ex-Japan Net Index
	Indexed Global Equity Fund	MSCI World ex-Canada Net Index
	Indexed Global ESG Equity Fund	MSCI World ESG Net Index
Enhanced Indexed Global Equity Fund	MSCI World ex-Canada Net Index	
Active Global Equity Fund	MSCI World ex-Canada Net Index	
Thematic Public Equity Fund	MSCI World ex-Canada Net Index	
Emerging Markets Equities	Indexed Emerging Markets Equity Fund	MSCI Emerging Markets Net Index
	Active Emerging Markets Equity Fund	MSCI Emerging Markets Net Index
Real Estate	Realpool Investment Fund	CPI plus 4 %
	Realpool International Vintage Funds	CPI plus 7 %
Private Placements	Private Placement Vintage Funds	MSCI All Country World Net Index plus 2%
Infrastructure and Renewable Resources	Strategic Investments and Infrastructure Funds	8% nominal return
	Renewable Resource Investment Funds	7% nominal return
Other	Currency Hedging Funds	Not applicable
	Currency Overlay Fund	1.5 percent per annum, on the notional value of the program

The Currency Hedging Funds and Currency Overlay Fund do not represent separate asset classes and are therefore not reflected in section 5.2.

**APPENDIX B****Asset Class Policies – Legislative Constraints****Federal Pension Benefits Standards Act, 1985 Constraints**

The PBSR requires investments to be made in accordance with the federal *Pension Benefits Standards Regulations, 1985*, which include the following quantitative rules:

- |    |  |                                   |
|----|--|-----------------------------------|
| 1. | Maximum investment in one company's securities         | 10% of the book value of the Fund |
| 2. | Maximum proportion of the voting shares of any company | 30%                               |

**Income Tax Act and Canada Revenue Agency Constraints**

1. No money is to be borrowed by the Fund, except for the purpose of acquiring real property or occasionally for 90 days or less as provided in *Income Tax Regulation 8502(i)*.
2. No prohibited investment (see *Income Tax Regulation 8514*) may be purchased, such as the securities of a participating employer, if the shares of that employer are not listed on one of the stock exchanges prescribed in *Income Tax Regulations 3200 or 3201*.

These tables are important because they show the holdings where the Plan has invested the largest amount of its assets.

### Top Ten Holdings as at December 31, 2011

#### Total Canadian Equities

Company	Market value (\$ Thousands)	Per cent of Total Canadian Equities
Toronto Dominion Bank	\$ 216,743	5.1%
Royal Bank of Canada	212,133	5.0%
Bank of Nova Scotia	151,956	3.6%
Suncor Energy	150,087	3.5%
Canadian Natural Resources	131,462	3.1%
Barrick Gold Corp	131,370	3.1%
BCE Inc	118,761	2.8%
Canadian National Railway	115,131	2.7%
Goldcorp Inc	110,110	2.6%
Potash Corp of Saskatchewan	108,864	2.6%
<b>Total Top 10</b>	<b>1,446,617</b>	<b>34.0%</b>
<b>Total Canadian Equities</b>	<b>\$ 4,250,017</b>	<b>100.0%</b>

#### Total Global Equities

Company	Market value (\$ Thousands)	Per cent of Total Global Equity
Apple Inc	\$ 114,740	1.6%
Exxon Mobil Corp	110,408	1.6%
IBM	71,466	1.0%
Microsoft	70,192	1.0%
Google Inc	67,529	1.0%
Procter & Gamble Co	65,271	0.9%
Royal Dutch Shell	62,122	0.9%
Johnson & Johnson	59,064	0.8%
Chevron	58,223	0.8%
General Electric Co	52,912	0.7%
<b>Total Top 10</b>	<b>731,927</b>	<b>10.3%</b>
<b>Total Global Equities</b>	<b>\$ 7,093,421</b>	<b>100.0%</b>

#### Total Emerging Markets Equities

Company	Market value (\$ Thousands)	Per cent of Total Emerging Markets Equity
Petroleo Brasileiro	\$ 36,955	3.1%
British American Tobacco	33,982	2.8%
Samsung Electronics	31,567	2.6%
Vale Sa	27,647	2.3%
Housing Development Finance Corp	24,707	2.1%
ITAU Unibanco Holdings	23,752	2.0%
HDFC Bank	22,066	1.8%
TATA Group	21,350	1.8%

Fomento Economico Mexicano	20,355	1.7%
Taiwan Semiconductor	19,672	1.6%
<b>Total Top 10</b>	<b>262,053</b>	<b>21.9%</b>
<b>Total Emerging Markets Equities</b>	<b>\$ 1,193,932</b>	<b>100.0%</b>

# **City of Vancouver Investment Policy**

**Approved by:**

**Director of Finance**

**Date: September 2010**

# City of Vancouver Investment Policy

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## 1. SCOPE & CONTEXT

This policy applies to the investment of the cash assets of the City of Vancouver ("the City"). These assets are held in the various funds of the City including the Revenue Fund, Capital Fund, Property Endowment Fund, Capital Financing Fund and Sinking Fund. This policy also applies to those cash assets held in trust for external entities although these funds may be managed separately from City funds.

The funds invested by the City belong to its taxpayers or are held in trust for others. Income received from investment of these resources accounts for a significant share of the City's operating revenues and can be directly translated into lower demand for taxation revenue in a given year. However, in investing these assets, the City has an obligation to first, preserve the invested capital and second, to maximize the rate of return on these funds.

The policy contained herein is designed to allow the City to fulfill these overall responsibilities to its taxpayers.

## 2. INVESTMENT OBJECTIVES

The objective of the City of Vancouver is to invest its funds in a manner that provides the maximum investment return, consistent with the preservation of capital while meeting the City's ongoing cash requirements. In order of priority, these objectives can be described in terms of investment safety, liquidity and yield.

**Safety.** Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of all funds invested. The objective will be to mitigate credit risk and interest rate risk by investing only in creditworthy institutions and instruments, and by maintaining portfolio diversification. Diversification is required to maximize the yield from a blend of financial products and terms.

**Liquidity.** The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets.

**Yield.** The investment portfolio shall be designed with the objective of attaining at a minimum a market rate of return, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above.

A full discussion of mitigating these risks is found in Section 5.

### **3. AUTHORITY TO INVEST FUNDS**

The City operates under consent of the Legislative Assembly of the Province of British Columbia, under the Vancouver Charter, RSBC, 1953.

Sections 210 to 213 of the Vancouver Charter provide the authority under which investment activities are managed.

**Section 210.** *There shall be a Director of Finance appointed by the Council who shall have such duties and powers in addition to those provided by this Act as the Council may from time to time prescribe.*

**Section 211.** *The Director of Finance may, whenever he thinks fit, and shall, whenever required by the Council so to do, advise the Council on the financial position of the city or any phase thereof and make recommendations with respect to the administration, co-ordination, and efficiency of the city's affairs and the systems under which they are carried on.*

**Section 212.** *The Director of Finance shall exercise a general control and supervision:*

- (a) over the collection and application of the revenues of the city of every description, and over the lawful expenditure thereof;*
- (b) over the sale, realization, and redemption of debentures of the city, and over the sinking funds of the city;*
- (c) [Repealed 1985-89-2.]*
- (d) over all other financial affairs of the city.*

**Section 213.** *No money shall be disbursed by the city except on the warrant of the Director of Finance, to be drawn upon the Treasurer, specifying the fund out of which payment is to be made. Such warrant need not be signed by the Director of Finance if it is initialed by him, or by some person authorized by him for the purpose.*

Authority to manage the investment program on a day to day basis is granted to the designate of the Director of Finance (the "Investment Officer" in this policy) and is derived from the sections of the Vancouver Charter listed above.

The role of the Investment Officer shall normally be delegated to the City Treasurer but can also be fulfilled by the Deputy City Treasurer or another designated individual where circumstances require. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures approved by the Director of Finance.

In managing the investment program, the Investment Officer shall act in accordance with established written procedures and internal controls consistent with this investment policy and approved by the Director of Finance.

### **4. ETHICS & CONFLICT OF INTEREST IN THE MANAGEMENT OF THE INVESTMENT PROGRAM**

It is the policy of the City to ensure that employees involved in management of the City's investment program are the subject of the appropriate financial, credit and criminal checks as may be required by the City's recruitment policies.

Employees involved in the investment process shall conduct themselves in accordance with the provisions of the current *City of Vancouver Conflict of Interest Policy* (Appendix I).

The Investment Officer shall refrain from personal business activity that could conflict with the proper execution and management of the City's investment program or that could impair the ability to make impartial decisions relating to the City's investment program.

The Investment Officer(s) shall disclose to the Director of Finance:

- any personal financial interests in financial institutions and/or investment dealers that conduct business with the City.
- any material personal financial/investment positions that could be related to the performance of the City's investment portfolio.

The Investment Officer shall make investments with the judgment and care of a prudent investment banker, experienced and skilled in investing funds on behalf of a municipal client, within the terms of this City of Vancouver Investment Policy. Without derogating from the generality of this standard, the Investment Officer must ensure that investment decisions meet the short term and long term investment objectives of the City.

## **5. ALLOWABLE INVESTMENTS UNDER THE VANCOUVER CHARTER**

### **Investment Types**

The following is a summary of the investments permitted by this policy, as specified by the *Vancouver Charter* (see Appendix II). Section 201, section 259 and Section 260 list permitted investments for general funds, debenture proceeds and sinking funds, respectively:

- Securities of or guaranteed by the Government of Canada
- Securities of or guaranteed by any province of Canada
- Securities of or guaranteed by a chartered bank in Canada
- Securities of a regional district in Canada
- Securities of a municipality in Canada
- Securities of the Greater Vancouver Water district or the Greater Vancouver Sewerage and Drainage District
- Securities of the City of Vancouver
- Securities of the Municipal Finance Authority of British Columbia
- Securities or Deposits of a credit union

### **Conditions for Pre-Approval of Investment Decisions**

The following investment decisions must be pre-authorized by the Director of Finance.

- The purchase of equity securities of a Canadian Chartered bank.
- The purchase of equity linked notes.

- The purchase of repurchase or reverse repurchase agreements.
- The purchase of securities with a maturity term of 5 years or longer.
- The sale of securities prior to maturity.

### **Sale of Investments Prior to Maturity**

It is the objective of the City to purchase securities with maturities that match the cash requirements of the City. The Investment Officer will seek the approval of the Director of Finance, in advance, supported by an analysis on the rate of return of the investment, and the reason for the sale of the investment prior to maturity.

Transfer of investments among the City's various funds at current market value do not constitute a "sale" for the purposes of this policy and may be completed on the authority of the Director of Finance.

## **6. PROTECTION OF PRINCIPAL AND ELIMINATION OF RISK**

The City will minimize exposure to credit risk by limiting investments to the safest types of securities, by investing in financial institutions and doing business with broker/dealers, intermediaries and advisers that are selected on the basis of the highest credit ratings, and by adequately diversifying the investment portfolio. The investment officer is not permitted to invest beyond the allowable limit for each issuer without the prior approval of the Director of Finance.

In addition to in-house credit analysis, the City shall rely on the credit analysis of two or more of the recognized credit rating agencies:

- The primary credit rating agency shall be Dominion Bond Rating Service (DBRS) given their prominence in the Canadian market.
- The other shall be Standard and Poor's (S&P) or Moody's Investor Services, if available, given the scope and international reputation of these credit rating agencies.

It is recognized that the use of in-house or rating agency credit analysis information provides a measure of the safety of principal but is not a guarantee of the creditworthiness of individual issuers or investment instruments.

It is the responsibility of the Investment Officer to maintain ratings information, exercise due diligence and advise the Director of Finance in a timely manner of any real or potential problems related to the credit risk of issuers and their impact on the investment portfolio as this information becomes available.

### **Managing Credit Risk**

Investment purchases by the City will be limited to those with the following Dominion Bond Rating Service (DBRS) ratings.

#### Allowable DBRS Credit Ratings: Short-Term Debt (up to 1 year)

- R-1 Prime Credit Quality

- High - Investments of highest credit quality, unquestionable ability to repay
- Mid - Investments of superior credit quality, above average strength
- Low - Investments of satisfactory credit quality, overall favourable strength

Allowable DBRS Credit Ratings: Long-Term Debt ( exceeding 1 year)

- AAA Highest Credit Quality
- AA Superior Credit Quality
- A Satisfactory Credit Quality

The City also relies on independent analysis to gauge the credit risk of issuers. Although the DBRS credit rating is the primary credit measure used by the City, it is incumbent on the Investment Officer to augment the DBRS rating with other material. The Investment Officer is expected to keep up to date with the credit rating of issuers. It is the responsibility of the Investment Officer to inform the Director of Finance of real or potential problems related to the credit of particular issuers and the impact on the investment portfolio on a timely basis. Any investment with a rating downgraded to below the minimum levels set out in the Investment Credit Risk Limits outlined in this policy should be disposed of as expeditiously as possible without compromising the integrity of the portfolio. The Director of Finance may grant exceptions for strategic reasons.

Securities of British Columbia Credit Unions

The Vancouver Charter authorizes the City to invest in deposits in a savings institution, or non-equity or membership shares in a credit union. It is the City's practice to restrict its investments to securities of British Columbia Credit unions. As British Columbia Credit Unions are not rated by any institutional credit agencies these investments are permitted as long as each of the following safety measures remains in place:

- The credit unions from which the City purchases investments are regulated by the British Columbia Ministry of Finance and Corporate Relations and are under the supervision of the Superintendent of Financial Institutions.
- The Superintendent of Financial Institutions monitors credit union performance monthly, and examines each credit union annually.
- Credit unions are required to meet regulatory, statutory and capital liquidity requirements under the *Financial Institutions Act* of British Columbia and the *Credit Union Incorporation Act* of British Columbia.
- The Province of British Columbia maintains credit union deposit insurance funds to sufficient levels to support the liquidity of BC credit unions.

**Managing Interest Rate Risk**

The City will minimize exposure to changes in the market value of securities that result from changes in general interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and capital requirements, thereby avoiding the need to sell securities on the open market prior to maturity.

## **Diversification**

Diversifying the portfolio through terms to maturity, issuer and category of issuer can mitigate the risk to safety and liquidity. Assets held in investment portfolios shall be diversified to maximize the yield from a blend of financial products and to eliminate exposure resulting from the concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. Investments shall be diversified by:

- limiting investments to avoid overconcentration in securities from a specific issuer or category of issuer, excluding securities of or guaranteed by the Government of Canada,
- investing in securities with varying maturities to provide for income stability and reasonable liquidity, and
- continuously investing a portion of the portfolio in readily available, liquid money market products.

## **Liquidity**

To the extent possible, the City shall attempt to match its investments with anticipated cash flow requirements.

- *Capital and Revenue Funds Required for Normal Operations.* To ensure that appropriate liquidity is maintained to meet ongoing obligations of the Revenue and Capital Funds, a portion of the portfolio should be continuously invested in instruments with maturities generally falling within one year.
- *Longer Term Investment Horizons.* Cash assets not required in the short term are available for investment for periods of up to five years. Longer term investments require the approval of the Director of Finance.
- *Sinking Fund Funds.* The cash in the City's Sinking Fund will be invested according to projected sinking fund requirements, and may exceed the term limits specified in Appendix 1 of the Investment Procedures, except that terms exceeding five years require prior approval of the Director of Finance.

The Director of Finance may authorize, prior to the purchase, investment terms beyond the limits established in this policy and the accompanying investment procedures. Investment terms in excess of five years will be used primarily in circumstances where the maturity is tied to a specific purpose or an identifiable cash requirement, however, this will not limit the ability of the Director of Finance to approve investments beyond five years. Decisions regarding the use of terms beyond 5 years will be made during the quarterly investment strategy meetings held between the City Treasurer, Deputy City Treasurer and Director of Finance.

## **Yield**

Subject to the requirements to secure principal and maintain liquidity, the City will utilize competitive bidding among authorized dealers, brokers and investment instruments in seeking to achieve investment income and obtain, on average, yields that are equal to or better than market returns. The Investment Officer maintains for audit purposes a daily file of bids quoted by various dealers as indication that the best yield was attained on the purchase or sale made on a particular day.

## **Investment Dealers**

Investment dealers with which the City transacts investment activities must be member of the Investment Industry Regulatory Organization of Canada (a full listing is available at [www.iiroc.ca](http://www.iiroc.ca)). The City restricts its investment activities to dealers whose primary business is institutional in nature.

The Investment Officer will maintain a list of approved investments (Investment Procedures Appendix I), as well as investment dealers authorized to provide investment services to the City (Investment Procedures Appendix II). Changes to these lists require the approval of the Director of Finance.

Investment dealers with which the City does business are expected to have internal conflict of interest guidelines in place that prohibit dealing with the City's Investment Officer on any but City business.

The Investment Officer will ensure that the dealers and custodians with whom the City regularly does business receive written notice under the signature of the Director of Finance of current investment authorities, including a list of the individuals at the City who have the authority to invest and the City's investment limits and constraints and a current copy of the City's investment policy.

Investment dealers are expected to disclose to the Investment Officer potential risks and credit changes of the issuers that are included in the City's investment list. Investment dealers are to advise the City in writing of any changes in their key contacts with the City. The list of dealers will be regularly reviewed by the Investment Officer to ensure that the City is receiving the best available service, being offered a wide range of products and achieving the highest possible yield. Any proposed changes to the list of dealers will be submitted to the Director of Finance for approval.

## **7. SAFEKEEPING & CUSTODY**

### **Custody**

The City shall maintain safekeeping and custody with a third-party custodian that is a financial institution with a credit rating equal to or greater than those of the major Canadian chartered banks. Selection of the City's custodian will be by competitive bidding.

The services to be provided by the Custodian and the price of the services offered are to be contained in a written contract duly signed by the Custodian and the Director of Finance.

Securities to be held by the third-party custodian should be evidenced by regular safekeeping receipts and reports.

### **Internal Controls**

The Investment Officer is responsible for establishing and maintaining an internal control structure and written procedures designed to provide reasonable assurance that the assets of the City are protected from loss, theft or misuse. The controls will be to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees and officers of the City.

Written procedure shall address the following points:

- Prevention of collusion
- Segregation of authorities for approvals and transactions
- Separation of transaction authority from accounting and record-keeping
- Custodial safekeeping and communication of instructions to the custodian
- Cash management techniques

- Clear delegation of responsibility & authority to Investment Officer
- Supervisory control of employee actions
- Minimizing the number of authorized investment officials
- Effective data management and reporting system for investment activities
- Documentation of transactions and strategies.
- Written confirmation of authorities from Director of Finance to dealers as provided for in Section 6 of this policy document

There will be an annual independent review by the City's internal auditors to assure compliance with policies and procedures. The outcome of this review is to be reported to the Director of Finance & the Audit Committee.

## **8. REPORTING**

### **Monthly Reporting**

The Investment Officer shall prepare an investment report that is made available to the Director of Finance, Director of Financial Services and City Clerk monthly, within fifteen days of month-end.

Reporting shall include a management summary that provides an analysis of the status of the current investment portfolio. This will be prepared in a manner that allows readers to ascertain whether investment activities during the reporting period have conformed to the investment policy.

Reporting on cash assets of the City shall be separate and distinct from assets managed by the City for external entities.

### **Year End Reporting: Mark to Market**

The market value of the portfolio shall be calculated annually at December 31 by the Investment Officer and a statement will be provided to the Director of Finance. This valuation will be obtained from a reputable and independent source.

The market value report should include the current market value of the portfolio, the book value and any unrealized gains or losses.

## **9. POLICY REVIEW**

This policy shall be reviewed at least annually by the Investment Officer to ensure congruence with the changing activities of the City, market conditions, technology, evolving regulatory standards and private sector best practices.

The Director of Finance will approve any changes to the policy.

## **Appendix I**

### **Conflict of Interest Policy**

A Copy of the City's conflict of interest policy is included in this appendix.

## Appendix II

### Permitted Investment Types, Vancouver Charter, Chapter 55

#### Funds Not Immediately Required to Meet Expenditures of the City

##### **Section 201.**

(1) Money held by the city that is not immediately required may be invested or reinvested by the Council in one or more of the following:

- (a) securities of Canada or of a province;
- (b) securities guaranteed for principal and interest by Canada or by a province;
- (c) securities of a municipality, including the city, or a regional district;
- (d) securities of the Greater Vancouver Water District or the Greater Vancouver Sewerage and Drainage District;
- (e) securities of the Municipal Finance Authority;
- (f) securities of or investments guaranteed by a chartered bank;
- (g) deposits in a savings institution, or non-equity or membership shares of a credit union;
- (h) pooled investment funds under section 16 of the *Municipal Finance Authority Act*;
- (i) any of the investments permitted for the Municipal Finance Authority under section 16 (3) of the *Municipal Finance Authority Act*, including pooled investment portfolios under the *Financial Administration Act*.

(2) Section 16 (4) of the *Municipal Finance Authority Act* applies for the purposes of subsection (1) (i) of this section.

#### Funds From the Sale of Debentures, Until Required by Appropriate Capital Projects

##### **Section 259.**

(1) Until such time as the proceeds from the sale of debentures are expended, the Council may

- (a) invest the funds in accordance with section 201 [*investment of city funds*], or
- (b) temporarily use all or part of the funds for other expenditures of the city pending the collection of current taxes each year.

(2) As limits on the authority under subsection (1) (b),

- (a) funds may only be used under that subsection during the period from January 1 to July 15 in each year, and
- (b) the funds shall be returned to Capital Account on or before July 15 in the year they are so used.

#### Sinking Fund Investments

##### **Section 260.**

(1) If money in a sinking fund account is invested under section 201 [*investment of city funds*], the securities and their revenues shall be held to the credit of the applicable sinking fund account.

(2) If more than one sinking fund account is involved, the securities and revenues referred to in subsection (1) shall be allocated in proportion to the money from the accounts used for the investment.