Healthcare Employees' Pension Plan - Manitoba

Statement of Investment Policies and Procedures

Approved: December 11, 2025
Effective: January 1, 2026

Section 1 – Purpose

1.1 - Description of the Plan

The Healthcare Employees' Pension Plan – Manitoba (the "Plan") was established by a trust agreement between various signatory boards, signatory unions and an initial board of Trustees (the "Board") effective January 1, 1997. The Plan is subject to the terms of the trust agreement, the Plan text, the Pension Benefits Act of Manitoba (the "PBA") and the Income Tax Act (the "ITA").

The Board has the authority to amend the Plan text subject to the terms of the trust agreement, the PBA and the ITA.

The Plan is a multi-employer plan which provides defined benefits to plan members upon retirement or other cessation of employment as described in the Plan text. The Plan is contributory for all members and employers. Retirement benefits are based on the best 5 of the last 11 years of average earnings as well as years of credited service of Plan members. The Plan may also provide discretionary ad hoc cost-of-living adjustments to pensions in payment, subject to approval by the Board. Contribution rates can only be changed by the signatories to the trust agreement.

1.2 – Description of the Board of Trustees

Under the terms of the trust agreement and the PBA, the Board is the administrator of the Plan. The trust agreement signatory boards and signatory unions have the authority to appoint an equal number of members of the Board of Trustees of the Plan.

1.3 – Purpose of SIPP

This Statement of Investment Policies and Procedures (SIPP) has been prepared to outline how the assets of the Plan will be invested. The SIPP establishes investment policies giving particular consideration to the type of pension plan, its characteristics, financial obligations and risk profile. All investments undertaken by the Plan shall be made in accordance with this SIPP and all relevant legislation.

Section 2 – Fund Governance

2.1 - Responsibilities of the Board

The Board is responsible for the overall management of the Fund. Under the terms of the trust agreement and the PBA, the Board may delegate certain duties and responsibilities to committees of the Board (Committees), employees ("Management") and other agents with the power to sub-delegate.

The Board is required to establish, approve and review annually this SIPP.

The Board, its delegates and sub-delegates shall exercise the care, diligence and skill in the investment of the Fund as provided for in the trust agreement and the PBA.

All Committee members, employees and agents shall be subject to the same fiduciary standards as the Board.

The Board has established an Investment Committee to oversee the implementation of the SIPP and has established Terms of Reference for the Committee outlining its duties and responsibilities. The Board has established an Investment Authority Delegation Policy which details the roles and responsibilities for the Board, Committee and Management in implementing the SIPP.

2.2 – Responsibilities of Management

Management shall be responsible for the day-to-day operations of the Fund including adherence to Board policies, applicable legislation and the supervision of employees and agents.

Management shall actively monitor investments to ensure compliance with this Policy and shall report any breaches to the Board along with an appropriate plan for resolution.

Section 3 - Plan Overview and Investment Implications

The Plan is a multi-employer plan which provides defined benefits to plan members upon retirement or other cessation of employment as described in the Plan Text. The Plan is contributory for all members and employers. Retirement benefits are based on the best 5 of the last 11 years of average earnings as well as years of credited service of Plan members. The Plan may also provide discretionary ad hoc cost-of-living adjustments to pensions in payment, subject to approval by the Board.

Under the terms of the Plan, the contribution rates are fixed and cannot be changed by the Board. Under the provisions of the PBA, the participating employers' liability for funding the benefits of the Plan is limited to the amount the employer is required to contribute under the terms of the Plan Text. There is no provision for automatic increases in member contributions in the event of an unfunded liability.

Because of the above design and financing features, members' benefits have a direct exposure to risk in investment returns. As long as the Fund's assets are sufficient to meet the present value of the accumulated benefits earned to date, the members' benefits are secure. The Board is intent on managing the Fund to ensure that sufficient assets are in place to meet the obligations of the Plan. Additionally, the Board is intent on managing the Fund to ensure that a surplus of assets over liabilities exists to further provide for a margin of safety for adverse or unexpected investment experience. This surplus may also allow the Board to consider benefit improvements for the Plan.

Ongoing liabilities for active employees are related to inflation by virtue of the highest average earnings nature of the benefit formula. The liabilities for retirees are essentially fixed except to the extent of any ad hoc pensioner increases that are granted in the future; to this extent they may also be considered as partially sensitive to future inflation. The present value of all liabilities is also sensitive to changes in long-term interest rates.

The minimum long term total rate of return necessary to fund the benefits of the Plan, net of all investment management and custodial expenses is 5.90%, which is the current going-concern funding discount rate. This objective should be viewed as an average annual compound rate to be sought over 4 year moving average periods. The minimum long term rate of return target does not include an allowance for material changes to the liabilities of the Plan based on factors such as demographics, potential benefit improvements, contribution rate shortfalls or changes to key assumptions such as retirement, mortality and salary escalation rates.

The Plan has 2 fundamental investment risk exposures: (1) that the Fund will not earn the long term expected return required to fund the benefits accrued and (2) and that short term capital market volatility will negatively impact the fully funded status of the Plan. The Board will, from time to time, undertake asset/liability reviews and believes that the Plan's asset mix will generate sufficient return to meet the minimum return required to fund the obligations of the Plan. The asset mix of the Plan reflects an average level of market volatility over the long term, as it relates to the required rate of return. Short term market conditions may create greater levels of volatility which may negatively impact the Plan's return in the short run.

Under the PBA, the Plan is subject to a going-concern valuation. The asset mix of the Plan has been established primarily based on a going-concern basis, which emphasizes the sustainability of benefits over the life of the Plan.

The Board has established a Funding Policy and a Benefits Policy which summarizes funding objectives and risks and assists the Board in its decision making process.

4.1 - Diversification

The Board follows a policy of asset diversification which is designed to reduce the expected volatility of the Fund while maintaining the opportunity to achieve the return necessary for the Plan to meet its objectives.

In addition to asset diversification, the Board also undertakes diversification to offset other investment risks such as specific security risk, geographic market risk, sector risk, currency risk, investment manager risk and investment style risk.

All possible asset allocations have a risk that the expected return to fund the benefits of the Plan may not be met in a given year.

In identifying the Asset Mix as set out in Section 4.2 that would best meet the objectives identified in this Policy, consideration was given to:

- the factors outlined in Plan Overview and Investment Implications,
- the long-term nature of the liabilities,
- the going-concern financial position of the Plan,
- the degree of inflation-sensitivity of the liabilities for active and inactive members,
- the long-term return expectations and the risks associated with key asset classes, as well as the relationships of their returns with each other, inflation and interest rates, and practical considerations.

4.2 – Asset Mix

	Target	Minimum	Maximum
Fixed Income	20%	0%	30%
Private Debt	5%	0%	5%
Equities	50%	45%	60%
Real Estate	10%	8%	15%
Infrastructure	10%	3%	15%
Private Equity	5%	0%	5%
Short Term	0%	0%	30%

The implementation of the target asset mix will be completed in a prudent manner subject to market conditions and investment opportunities.

Foreign currency hedging may be employed subject to internally established policy guidelines.

A policy has been established to undertake Asset/Liability studies to assist the Board in assessing the future risks to the Plan's financial status by reviewing the relationship between sustainability and volatility. The Study reviews short and long term risks to both the liabilities of the Plan and its assets.

The Board has established a Responsible Investing Statement.

4.3 – Implementation Policy

A policy has been established for implementing the asset mix and rebalancing the assets allocated to each asset class or investment manager. The decision to allocate or rebalance assets shall specifically recognize the nature, cost, liquidity and market impact of frequent changes to the asset mix.

Section 5 - Investment Objectives and Performance Measurement

5.1 - Total Fund Performance

The primary investment objective is to ensure that the assets of the Fund shall be sufficient to meet the Plan's obligations. This can be achieved by earning the minimum long term return objective which is the going concern funding discount rate. This objective should be viewed as an average annual compound rate to be sought over 4 year moving average periods.

The fund also is expected to earn a return in excess of the Total Fund benchmark referenced in Section 5.3 over 4 year moving average periods.

An investment performance report shall be prepared quarterly, which will compare the performance of the Fund and each manager/asset class relative to their respective benchmarks.

5.2 - Investment Managers' Performance

Investment performance standards have been established with each Investment Manager. The primary focus of performance measurement will be on a moving 4 year basis, but performance over shorter time periods will also be considered. Consideration will also be given to asset classes whose capital markets cycle may be in excess of 4 years.

5.3 – Benchmarks

The performance of each asset class and investment manager shall be measured relative to the performance of a benchmark. These benchmarks normally represent the return of market indices from each of the asset classes. If an investment is made where these benchmarks are not considered appropriate, then a customized benchmark shall be established for this purpose. The Total Fund benchmark is a composite of these indices based on target weights for each asset class. A Benchmark Policy has been established detailing benchmarks for each asset class and investment manager.

Section 6 - Liquidity Requirements

The Fund's investments shall be made to ensure that sufficient liquidity is maintained to meet the financial obligations of the Plan as they occur. When undertaking investments, the marketability of the investments and the income they derive will be considered within the Plan's overall liquidity requirements.

Section 7 - Permitted Categories of Investments

The Fund assets shall be invested in the following asset categories:

7.1 - Equities:

(a) equity investments shall include securities which have equity like characteristics and may include common stocks, income trusts, convertible debentures, subscription receipts, warrants and preferred securities listed for trading on a recognized stock exchange or similar organization, or private placement securities which have equity like characteristics that are not listed for trading on a stock exchange or similar organization;

(b) interests in mutual, pooled, commingled or segregated funds, incorporated or unincorporated partnerships, trusts, and similar investment vehicles, which may invest in any or all of the instruments or assets described in this section;

(c) derivative instruments such as options, futures, warrants, rights or other securities where the underlying assets are described in this section;

(d) private equity consisting of common shares, convertible debentures, debentures, preferred securities, and equity-like securities, interests in mutual, pooled, commingled or segregated funds, incorporated or unincorporated partnerships, trusts, and similar investment vehicles that are not listed for trading on a recognized stock exchange or over the counter market and have a time frame for value realization measured over a period of 5 –10 years.

A Private Equity Strategy Statement has been established for this asset class.

7.2 – Infrastructure:

Infrastructure investments are long-life, physical assets that provide essential services for the economy or society. Infrastructure assets often exhibit the following traits:

(a) predicable and reliable cash flows often linked to inflation, GDP, population growth or secured by long-term contracts;
(b) are capital intensive and have significant barriers to entry;

(c) have monopolistic or quasi-monopolistic characteristics where pricing and/or service levels are regulated.

Investments in infrastructure may be realized through equity, fixed income or real estate investments as more fully described herein.

An Infrastructure Strategy Statement and an Infrastructure Co-Investment Policy has been established for this asset class.

7.3 - Fixed Income & Private Debt:

(a) fixed income investments shall include securities which have fixed income like characteristics and may include bonds, debentures, loans, notes, asset backed securities, mortgage loans, mortgage backed securities, guaranteed investment contracts, annuities, term deposits or other debt instruments;

(b) interests in mutual, pooled, commingled or segregated funds, incorporated or unincorporated partnerships, trusts, and similar investment vehicles which may invest in any or all of the instruments or assets described in this section;

(d) derivative instruments such as options, futures, warrants, rights or other securities where the underlying assets are described in this section;

(e) private debt consisting of bonds, debentures, loans, notes, asset backed securities, mortgage loans, mortgage backed securities, guaranteed investment contracts, annuities, term deposits or other debt instruments, convertible debentures, preferred securities, and equity-like securities, interests in mutual, pooled, commingled or segregated funds, incorporated or unincorporated partnerships, trusts, and similar investment vehicles that are not listed for trading on a recognized stock exchange or over the counter market.

A Private Debt Strategy Statement has been established for this asset class.

7.4 - Real Estate:

(a) interests in real property;

(b) mortgage loans arising in the course of the sale of real estate owned by the Fund;

(c) interests in mutual, pooled, commingled or segregated funds, incorporated or unincorporated partnerships, trusts, and similar investment vehicles formed specifically to invest in real estate;

(d) securities which have equity like characteristics such as common stocks, convertible debentures and preferred securities of entities formed specifically to invest in real estate;

(f) securities which have fixed income like characteristics such as bonds, debentures, notes or other debt instruments of entities formed specifically to invest in real estate.

7.5 - Short Term Investments:

(a) cash, money market securities or similar instruments of less than one-year term to maturity;

(b) interests in mutual, pooled, commingled or segregated funds, incorporated or unincorporated partnerships, trusts, and similar investment vehicles which may invest in any or all of the instruments or assets described in this section;

(c) derivative instruments such as options, futures, warrants, rights or other securities where the underlying assets are described in this section;

7.6 - Currency:

(a) cash and other short term deposits;

(b) interests in mutual, pooled, commingled or segregated funds, incorporated or unincorporated partnerships, trusts, and similar investment vehicles which may invest in any or all of the instruments or assets and trusts described in this section;

(c) derivative instruments such as options, futures, forwards or other securities where the underlying assets are described in this section;

Section 8 - Portfolio Constraints

Within each asset class, there will be a prudent level of diversification subject to the following percentage limits, based on market value.

8.1 – Equity:

With respect to the total equity content of the Fund, not more than 10% shall be invested in the securities of any one corporation based on market value.

8.2 – Fixed Income:

References to credit ratings shall refer to the Dominion Bond Rating Service (DBRS), Standard & Poor's (S&P), Moody's, or Fitch.

In respect of the total fixed income content of the Fund:

(a) not more than 10% shall be invested in the debt issues of any issuer, except for securities of or fully guaranteed by the Government of Canada or a Province of Canada with at least an "A" rating;

(b) quality standards for fixed income investments shall be as follows:

Debt Rating	Maximum % of Fixed Income Portfolio
Investment grade	no limit
Below investment grade and unrated	50%

8.3 – Private Debt:

Private debt shall consist of investment grade, below investment grade and unrated securities without specific limits.

8.4 - Real Estate:

In respect of the total real estate content of the Fund:

(a) properties shall be broadly diversified by location and type of use;

(b) not more than 20% shall be invested in non-income producing property;

(c) not more than 10% shall be invested in a single property;

(d) mortgage loans may be secured on specific income-producing real estate holdings. The principal amount of such loans shall not exceed 50% of the aggregate market value of all real estate holdings.

8.5 - Short Term Investments:

(a) any short term portion of a portfolio shall be invested in liquid securities with an initial term to maturity (or in the case of floating rate securities, to interest rate re-establishment) of not more than one year, or held in cash;

(b) all short-term investments or issuers shall be rated at least "R-1 (low)" by DBRS, "A-1" by S&P, "P-1" by Moody's, or "F1" by Fitch.

(c) short-term investments held by an investment manager within their respective mandate should be considered to be part of the manager's asset class as provided within their mandate.

8.6 - Derivative Instruments:

(a) Derivative instruments are futures contracts, forward contracts, options, rights, warrants and other securities on which the underlying securities are acceptable Fund investments pursuant to this SIPP.

(b) Derivative instruments may be employed only when their use will not involve the use of leverage.

(c) The Committee shall clearly establish the use and restrictions of all derivative instruments used by the Fund and each of its managers.

(d) Derivative instruments may only be used to:

(i) hedge Fund investment exposures, or achieve prudent diversification of currency exposures;

(ii) replicate the investment performance of a recognized market index or that of a customized market index;

(iii) facilitate the timely and economical achievement of the desired level of exposure to any asset class;

(iv) replicate the investment performance of an underlying security where the investment in that security is allowable under the terms of the SIPP.

8.7 - Mutual, Pooled, Commingled, Segregated Funds, Trusts and Partnerships

It is recognized that the standards as set out in the SIPP cannot necessarily be adhered to within a pooled fund. The Board shall monitor the mutual, pooled, commingled, segregated funds, trusts and partnerships for their degree of compliance with the SIPP.

Section 9 - Related Party Transactions

No part of the Fund shall be loaned or invested with a "related person" as defined in the PBA and ITA. Where a transaction is required for the operation or administration of the Plan and the terms and conditions of the transaction are not less favourable to the Plan than market terms and conditions, the Plan may enter into such transactions.

Section 10 - Loans and Borrowing

The lending of securities shall be allowed, subject to applicable legislation and provided that a minimum collateral coverage of at least 102% of the current market value of the loaned securities is maintained on a daily basis in cash or readily marketable securities, consistent with normal industry practice at the time of the transaction. The Plan must retain the ability to recall loaned securities to exercise its proxy voting rights.

The Plan may pledge, hypothecate or otherwise grant a security interest in the Fund's assets to effect investment transactions or secure a borrowing or guarantee. Any arrangements involving borrowed funds shall be documented within a specific investment mandate.

The Trustees may from time to time, borrow money on a short term basis on such terms and conditions as may be necessary and appropriate in the circumstances, provided that such borrowing shall only be for the purposes of: (a) providing for the payment of any Benefit authorized by the Trustees; or (b) permitting the orderly disposition of investments and the acquisition of new investments during the planned conversion of any investments; in order to avoid a distress sale of investments of the Trust Fund that would otherwise be necessary to pay such Benefits or acquire new investments.

Section 11 - Valuation of Investments

Investments in publicly traded securities shall be valued by the Fund custodian no less frequently than monthly at their market value.

Investments in mutual, pooled, commingled or segregated funds, incorporated or unincorporated partnerships and trusts shall be valued by the trustee/administrator of these vehicles.

If a market valuation of the investment is not readily available from regular trading in the public markets, then a fair value shall be determined by the appropriate Investment Manager or a qualified third party. For each such non-traded investment, an estimate of fair value shall be supplied by a third party no less frequently than quarterly, which may be determined by reference to the most recent independent expert appraisal or by other means such as risk-adjusted discounted cash flows or comparison with similar assets which are publicly traded. In all cases the methodology should be applied consistently over time.

The Fund shall be subject to an audit annually.

Section 12 - Voting Rights

Voting rights shall be exercised in the manner that most enhances the long term value of the Plan's investments. An independent proxy voting service has been appointed that votes proxies on behalf of the Fund. HEPP follows the recommendations of the proxy voting agent for all votes cast on behalf of the Fund. The proxy voting guidelines are reviewed annually.

The Board shall receive annually a report on all proxies voted.

It is recognized, however, that the above constraints and policy on voting rights are not enforceable to the extent that the Fund is invested in mutual, pooled, commingled, segregated funds, trusts and partnerships.

Section 13 - Conflicts of Interest

The Board has established a conflicts of interest policy covering Board and Committee members and employees of the Fund.

For all Plan agents and delegates, a conflict of interest, whether actual, perceived or potential, is defined for the purposes of this SIPP as any event in which the agent, delegate or any party directly related to any of the foregoing, may benefit materially from knowledge of, participation in, or by virtue of, an investment decision, holding or activity of the fund, or a decision of the Board with respect to any agent, delegate or any other supplier of service.

Should a conflict of interest arise, the party in the actual, perceived or potential conflict, or any person who becomes aware of a conflict of interest situation, shall immediately disclose the conflict to the Chair and Vice-Chair of the Committee. The Chair and Vice-Chair will immediately advise all members of the Committee that a conflict has been registered and that all details will be provided at the next Committee meeting. Any such party will thereafter abstain from decision making with respect to the area of conflict, and a written record of the conflict shall be maintained by the Committee.

In the event of a conflict of interest as defined above, it shall be declared to the Board.

Each Investment agent or delegate shall maintain an appropriate policy regarding conflicts of interest and shall supply a copy of their policy annually and any corresponding violations. As a minimum, the Code of Ethics and Standards of Professional Conduct adopted by the CFA Institute shall apply to every Investment Manager.

Section 14 - Investment Managers

Insurance companies, trust companies, banks, investment counsellors, other organizations licensed by a recognized authority to provide investment management services as well as HEPP Management shall be eligible for consideration as an Investment Manager of the Fund.

All Investment Managers are required to provide a written report to the Board, at least on a quarterly basis. This report shall include written confirmation as to the Investment Manager's compliance with relevant contractual obligations.

It is recognized, however, that the above requirements are not necessarily applicable to private market investments that are undertaken through limited partnership structures.

Section 15 – Soft Dollar Practices

The use of the Fund's brokerage commissions to obtain products or services to aid in the investment decision making process shall be, at a minimum, subject to the CFA Institute Soft Dollar Standards or a relevant regulatory body.