Investment Benchmark Guidelines

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INTRODUCTION

The following document outlines the Investment Benchmark Selection and Management Guidelines used by Vestcor Inc. (Vestcor) to execute its fiduciary responsibilities with investment assets. This document also follows in the spirit of the CFA Institute's Global Investment Performance Standards Guidance Statements on Benchmarks[1].

The Guidelines will be reviewed and approved annually at a minimum by the Vestcor Board Investment Committee.

BENCHMARK SELECTION

The CFA Institute Global Investment Performance Standards suggest that a valid benchmark is one that is:

- specified in advance,
- relevant,
- measurable,
- unambiguous,
- representative of current investment options,
- accountable,
- investable, and
- complete.

Vestcor recognizes that not all of these characteristics may be achievable in all benchmarks, particularly those for alternative investments, but strives to ensure investment benchmarks satisfy as many of these qualities as possible.

Recommendations for the inclusion of new or modifications to previously approved benchmarks will be made by Management to the Investment Committee for approval for use in benchmarking Vestcor Investment Entities, and all Benchmarks for any Vestcor Investment Entities will be disclosed within Vestcor's Investment Entity Profiles document.[2]

SPECIFIC INVESTMENT BENCHMARKS

While traditional investment strategies have widely accepted and easily implemented benchmarks (e.g. domestic public market equities and bonds), certain strategies, such as alternative investments and factor strategies may require unique benchmarks (or no benchmark, in the case of certain market neutral strategies) for performance evaluation purposes. Cases where Vestcor has selected specialty benchmarking approaches for performance evaluation of alternative investment strategies or other portfolios where certain conditions require careful benchmark selection are described on the following page.

[1] CFA Institute Global Investment Performance Standards: Guidance Statement on Benchmarks for Firms (Revised: July 2023), https://www.gipsstandards.org/wp-content/uploads/2023/08/gs_benchmarks_firms.pdf

[2] Vestcor clients typically use Vestcor's selected benchmarks for investment entities but may choose to use alternative benchmarks in certain situations.

Absolute Return Strategies
Vestcor's absolute return strategies are pure market neutral and invest both long and short. As such, the benchmark for these strategies has been selected to be an appropriate money market rate on net cash invested. Specific benchmark details for Vestcor's absolute return funds are disclosed within Vestcor's Investment Entity Profiles.

Private Real Estate Investments
Vestcor's private real estate funds are benchmarked against the MSCI/REALPAC Canada Quarterly Property Fund Index (Levered), Net.

Private Infrastructure Investments
Private Infrastructure investments are benchmarked against a 4% real return benchmark in Canadian dollars, using inflation defined as the percentage change in the twelve-month average CPI-Canada All Items Index.

Private Equity Investments
Vestcor's Private Equity investments are global in nature and are benchmarked to the MSCI World Total Return Index.

Private Debt & Alternative Fixed Income Investments
Similar to Vestcor's approach to benchmarking private equity, private debt and alternative fixed income portfolios are benchmarked against comparable risk matched public fixed income benchmarks. The combined strategy presently features a composite benchmark with components that include a blend of the FTSE Canada All Government Bond Index, FTSE Canada All Corporate Bond Index, FTSE Canada 365 Day T-Bill Index and the Bloomberg Barclays Global High Yield Total Return Index Hedged $C.

Included benchmarks may be matched to the duration characteristics of the specific investment (e.g. short, mid, long or overall index variants), and are selected prior to the initiation of a specific investment strategy from a list of benchmarks previously approved for consideration within this strategy.

International Equity Portfolios
Global investing often results in tax consequences with respect to the treatment of dividends. Specifically, certain classes of investors may be required to pay dividend taxes in the normal course of investing outside their home countries. As a result, many index providers publish indexes that are calculated both net and gross of dividend withholding taxes. For Vestcor, investment entities where reclamation of all dividend withholdings is guaranteed (by investor class or tax treaty status), Vestcor uses the index variant that is calculated gross of withholding taxes. In cases where the ultimate reclamation of dividend withholdings is uncertain with respect to timing or amount, the net variant of an international equity index is used. Net vs. gross benchmark selection is disclosed within Vestcor's Investment Entity Profiles.

Low Volatility Equity Strategies
Low Volatility Equity strategies have risk profiles materially different from standard market capitalization weighted equity benchmarks. In order to facilitate proper performance evaluation of low volatility equity portfolios, Vestcor uses region-match minimum volatility benchmarks published and calculated by MSCI.

LIST OF APPROVED BENCHMARKS AND BENCHMARK PROVIDERS

Vestcor uses benchmarks provided by globally recognized benchmark providers including Bloomberg, FTSE Canada, MSCI, and S&P. All standard benchmarks calculated and published by these four providers are assumed to be approved for use by Vestcor in the normal course of portfolio benchmarking activities once recommended for use by a specific investment entity and approved by the Vestcor Board Investment Committee.

Additional benchmark providers may be utilized only following a counterparty selection review process resulting in approval by the Investment Committee.

Benchmarks currently in use within Vestcor Investment Entities are the following:

4% Real Return
Bloomberg Barclay's U.S. Aggregate Total Return Index, Hedged $C
Bloomberg Barclays Global High Yield Total Return Index Hedged $C
FTSE Canada 365 Day T-Bill Index
FTSE Canada 91 Day T-Bill Index
FTSE Canada All Corporate Bond Index
FTSE Canada All Government Bond Index
FTSE Canada Real Return Bond Index
MSCI Canada Minimum Volatility Total Return Index, Gross
MSCI EAFE Total Return Index in $C, Net
MSCI Emerging Markets Minimum Volatility (USD) Total Return Index in $C, Net
MSCI Emerging Markets Total Return Index in $C, Net
MSCI USA IMI REIT Index in $C, Gross
MSCI USA IMI REIT Index in $C, Net
MSCI USA Total Return Index in $C, Gross
MSCI USA Total Return Index in $C, Net
MSCI World (ex Canada) Minimum Volatility Total Return Index in $C, Net.
MSCI World (ex Canada) Small Cap Total Return Index in $C, Net
MSCI World (ex. Canada) Total Return Index in $C, Net
MSCI World Infrastructure Index (USD) in $C, Net
MSCI World Total Return Index in $C, Net
MSCI/REALPAC Canada Quarterly Property Fund Index (Levered), Net Total Return
One-day Canadian Call Loan Rate
Russell 2000 Net Total Return Index (USD Base) in $C
S&P/TSX Capped REIT Total Return Index
S&P/TSX Composite Total Return Index
S&P/TSX Smallcap Total Return Index