

# Statement of Investment Policies and Procedures – RCA

## RISK MANAGEMENT



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Effective  
January 1, 2026

### OVERALL PRINCIPLES

This Policy sets out how the assets of the RCA are invested by OMERS Administration Corporation (“AC”). Investments will be selected and held in accordance with the objectives, requirements and limitations described in this Policy.

**The Policy applies to the investments of the Retirement Compensation Arrangement for the OMERS Primary Pension Plan (“RCA”).**

Next renewal date:	January 2027
Frequency of review:	Every year

### RCA Description

The RCA funding arrangement provides the pension benefits that are set out in the Primary Plan but which are in excess of the Primary Plan’s maximum levels as imposed by the ITA. Governed by the *OMERS Act, 2006* and the ITA, the RCA is a trust arrangement, separate from the Primary Plan. The RCA is not registered as a pension plan under either the PBA or the ITA.

One half of contributions are required to be deposited into a non-interest-bearing Refundable Tax Account (“RTA”) administered by CRA and the remainder are deposited to the RCA Investment Fund. Concurrent with an annual tax filing, one-half of investment earnings realized in the RCA Investment Fund minus one-half of benefits paid to members out of the RCA Investment Fund is transferred from the RCA Investment Fund to the RTA, or, if benefits paid exceed investment earnings, transferred from the RTA to the RCA Investment Fund. The RCA Fund includes both the RCA Investment Fund and the RTA.

The RCA Fund is segregated and invested separate and apart from the Primary Plan. The RCA Fund is subject to the RCA Declaration of Trust.

### Funding of the RCA

The RCA is funded by equal member and employer contributions, collected on contributory earnings in excess of the annual earnings threshold set by the OMERS Sponsors Corporation (“SC”), and the investment earnings of the RCA Fund.

The RCA is not subject to the minimum funding standards under the PBA. Funding is a joint responsibility of the AC and SC, and principles and protocols OMERS follows are described in SC’s *RCA Funding Mechanism Policy* and AC’s *Funding Policy* –

RCA. The RCA is partially funded, operating on a modified pay-as-you-go basis.

## Objectives of the RCA Fund

**Return Expectations:** Investing activities in the RCA Investment Fund are informed by the long-term strategic asset mix, which based on the last completed asset-liability study is designed to deliver approximately 4.25% average annual net real returns over the long-term. In estimating long-term return expectations there is risk that actual results may be different. The RTA is assumed to earn a negative real return equivalent to the rate of inflation and a nominal return of zero.

**Long-term Strategic Asset Mix:** The long-term strategic asset mix has been developed taking into account multiple factors such as the RTA, ease of administration, economic factors, the investment environment and cash flow projections.

Given the ITA requirements for regular transfers of certain amounts to and from the RTA, the RTA will typically represent approximately 50% of the RCA Fund.

The remainder of the RCA Fund is held in the RCA Investment Fund.

Implementation of the long-term strategic asset mix is carried out in a prudent manner subject to market conditions and investment opportunities. AC implements the long-term strategic asset mix through its Global Multi-Asset Strategies Business Unit and through external service providers or other entities (including, without limitation, external professional investment advisors, third-party managed funds, pooled funds, unit trusts and similar vehicles).

**Performance Measurement:** Investment performance is evaluated against performance targets / benchmarks that are approved annually by the AC Board. The investment performance of the RCA Fund is reported to the Investment Committee of the AC Board, separate from the Primary Plan investment performance, both before and after management expenses incurred. Performance reporting is consistent with industry recognized practices.

## Categories of Investments

The RCA Investment Fund is invested directly and indirectly in Public Equities and Cash investments described below.

### Cash

Cash investments consist of cash, related interest, money market investments as well as equivalent short-term investments and are used primarily for cash management purposes.

### Public Equities

Public equities are securities that represent ownership in a reporting issuer and include securities listed on recognized exchanges. Public equities include domestic and global equities and pooled funds which primarily invest in equities such as Exchange Traded Funds.

## RCA Governance

**Delegation of Authority:** In fulfilling its duties, the AC Board may delegate responsibilities for the investment of the RCA Fund to the CEO and provide the CEO with the power to sub-delegate.

**Annual Review and Filing Requirements:** This Policy is reviewed and approved by the AC Board at least once annually and a copy of this Policy is delivered to AC's external actuary within 60 days of any amendment thereto.

**Delegation of Voting Rights:** AC retains overall responsibility for voting proxies related to securities owned by the RCA Investment Fund. AC exercises voting rights in a manner that is consistent with its *Proxy Voting Guidelines*. AC exercises judgment in connection with the voting of any proxy on a case-by-case basis and may also engage a proxy voting service provider.

**Consideration of Environmental, Social and Governance Factors:** Consistent with its *Sustainable Investing Policy*, AC believes that well run organizations with sound environmental, social and governance practices will perform better, particularly over the long-term.

AC integrates environmental, social and governance factors, including climate change, into its investment decision-making process and asset management practices, as such factors could have a material impact on investment performance. Approaches to integrating these factors vary by investment strategy, in a manner consistent with applicable AC policies, procedures and guidelines. There may be some strategies (e.g. broad-based equity index ETFs) where this analysis on the underlying component parts is not undertaken. AC may assess industries, sectors, jurisdictions, markets, or companies against environmental, social and governance related factors to determine whether to

exclude them from investment portfolios. AC exercises voting rights in respect of its public equity portfolio in a manner consistent with its *Proxy Voting Guidelines*.

AC believes that the consideration of environmental, social and governance factors is both prudent and consistent with its objective to meet its financial obligations and fulfill the pension promise.

## Valuation of Investments

Investments are stated at fair value. Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The most reliable evidence of fair value is a quoted market price in an active market, if one exists. AC uses quoted prices in an active market for the valuation of its investment assets and investment liabilities wherever such quoted prices are readily available. All assets held by the RCA Investment Fund are priced using quoted market prices. The RTA balance is based on amounts annually reported by the CRA, adjusted for contribution remittances.

## Other Investment Matters

**Exposure to Foreign Assets:** Foreign investments are permitted as they provide the benefit of diversification to the RCA Fund.

**Currency Hedging:** The RCA Fund does not engage in currency hedging for its foreign investments.

**Use of Derivatives:** The RCA Fund may not engage in derivative transactions.

**Short Selling:** The RCA Fund may not engage in short selling.

**Securities Lending:** The RCA Fund may not engage in securities lending activities.

**Repurchase Transactions:** The RCA Fund may not engage in repurchase transactions.

**Related Party Transactions:** AC may enter into a transaction with a related party of the Primary Plan or RCA Fund, as determined under the applicable legislation (i.e., PBA or ITA) and in accordance with the requirements of the *Related Party Transactions Review Policy*.

For the purposes of the applicable legislation, a transaction will be considered by AC to be nominal or immaterial if its value is no more than 3% of the market

value of the RCA Fund at the time the transaction is entered into or completed.

**Collateral:** Considering its categories of investments, the RCA Fund does not pledge, charge or otherwise grant a security in assets or post margin. The pledging or granting of a security interest in assets of the RCA Fund is not permitted.

**Borrowing:** Borrowing or providing guarantees on behalf of the RCA Fund is not permitted.

With respect to the above Other Investment Matters, while the RCA does not directly engage in currency hedging, use of derivatives, short selling, repurchase transactions, exchange of collateral or borrowing securities, the ETFs (or other pooled funds such as mutual funds) that the RCA might invest in may engage in such activities as described in their prospectus or other offering documentation.

## Risk Management

The RCA Fund is exposed to a variety of investment risks. These include but are not limited to:

- Market risk (e.g. interest rate risk; foreign currency risk);
- Liquidity risk; and
- Credit risk.

These risks are measured and managed using systematic quantitative and qualitative approaches that assist AC in assessing the total risk associated with the RCA Fund's investment activities. The risk management function assesses key investment risks across the enterprise.

An overview of funding risk and funding risk management mechanisms are provided in the *Funding Policy - RCA*. To manage funding risk and investment risk, periodic asset mix and annual cash flow projection studies will be conducted.

## Diversification

Diversification is an important risk management tool because it reduces the variability of returns by distributing the RCA Fund's exposure among:

- countries and sectors;
- currencies; and
- securities.

AC regularly reviews the composition of its portfolios and adjusts its exposures based upon its risk appetite.

## Exceptions

The Policy Sponsor may grant non-substantive exceptions to this Policy. The reasons for granting an exception should be recorded in writing and communicated annually to the AC Board.

## Monitoring and Reporting

AC has various functions and processes that monitor, and report on investment activity under this Policy. These functions include investment operations, risk management and compliance. These functions collectively monitor investment activities to ensure that Business Units operate within all limits established by the organization and in accordance with this and other applicable policies.

### ROLES & RESPONSIBILITIES

Policy Approver	AC Board	Responsible for approving the Policy
Policy Sponsor	Chief Risk Officer	Ultimately accountable for the Policy, including its development, implementation and administration
Policy Manager and Monitor	SVP, Total Plan Risk Management	Responsible for the design and operational effectiveness of the day-to-day administration of the Policy, and for its monitoring, compliance and reporting functions of the Policy