

**Statement of
Investment Policies
and Goals**

Saskatchewan
Pension Plan
Contribution Fund

As of January 1, 2020

APPROVED on this 24th day
of December 2019

Tim Calibaba, Chair
on behalf of the Board of Trustees

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Section 1—Overview

1.01 Purpose of Statement

The purpose of this policy statement is to provide a framework for management of the pension assets within acceptable risk levels. The policy provides the investment managers with a written statement of specific quality, quantity and rate of return standards.

A major goal of this policy statement is to establish ongoing communication between the Board and the investment manager. Effective communication will contribute to management of the portfolios in a manner that is consistent with market conditions and with the objectives of the Board. Consultation between the parties will take the form of regular meetings supplemented, from time to time, by informal contact requested by either party.

This Policy is based on the “prudent person portfolio approach” to ensure the prudent investment and administration of the assets of the Plan, within the parameters set out in applicable legislation.

1.02 Background of the Plan

The Saskatchewan Pension Plan was established by the Government of Saskatchewan to provide a means of retirement income planning for all Saskatchewan residents, and particularly for those residents with little or no access to the Canada Pension Plan or other pension plans. The Plan was created by *The Saskatchewan Pension Plan Act* (the Act).

Section 5 of the Act authorizes the Board to invest the Plan's money in securities authorized for investment pursuant to *The Pension Benefits Act 1992*.

Section 5 of the Act requires the Board to develop and implement an investment policy for the Plan.

1.03 Plan Profile

In order to establish an appropriate Policy for the investment and administration of Plan assets, it is important to understand the nature of the Plan. Accordingly, this section of the Policy summarizes various aspects of the Plan that impact investment return requirements and risk tolerance.

The Saskatchewan Pension Plan is unique in its design. Non-Retired and variable benefit members have two options in which to invest their assets, the Balanced Fund and the Diversified Income Fund. These two funds are collectively known as the Contribution Fund. Assets of retired members can be held in the Annuity Fund or the Variable Benefit Fund. This policy sets the investment parameters for the Contribution Fund. A separate investment policy governs the Annuity Fund.

The Balanced Fund and Diversified Income Fund hold assets supporting members' pension credits prior to retirement and those who have chosen the variable benefit option. The assets are accumulated under a defined contribution (money purchase) arrangement. Under this arrangement, plan members bear the investment risk and reap the rewards of superior investment performance, as there is no guarantee of pension benefits by a plan sponsor.

Membership in the Plan is open to all individuals between the ages of 18 and 71. Members are allowed to contribute a maximum of \$6,300 per year, subject to an individual's RRSP contribution room. The maximum contribution is indexed to the change in the Year's Maximum Pensionable Earnings (YMPE) annually. The yearly maximum transfer-in from unlocked registered retirement vehicles is \$10,000. The average age of active members is 50 years, with 45% under the age of 50 and 57% under the age of 55.

Contributions and related earnings are locked in to age 55. Retirement options include purchase of an annuity from the Plan or an external provider, transfer to the Variable Benefit Fund or members may transfer assets to another financial institution for the purchase of a Prescribed Registered Retirement Income Fund (P-RRIF) or a Locked-in Retirement Account (LIRA). Benefit payments from Annuities must commence and transfers must take place no later than the end of the year the member turns 71 and can commence as early as age 55. The amount of funds available to a member to purchase pension benefits at retirement is equal to cumulative contributions and accumulated earnings.

In the Variable Benefit Fund (VBF), the member makes an election at the beginning of each year to use their own or their spouse's age for the minimum payment. There are no minimum payments required from the VBF until age 72. Participants may choose to receive funds monthly or annually and they may elect to take ad hoc payments throughout the year. VBF members are able to transfer in up to \$10,000 per year from existing RRSPs and RRIFs however other contributions are not permitted. Subsequent to the VBF election, members will be able to convert all of their remaining balance to an SPP annuity or transfer out to another locked-in vehicle.

1.04 Objective of the Funds

The purpose of the Saskatchewan Pension Plan Balanced Fund is to accumulate the assets of members and invest these assets in a prudent, risk-controlled manner to provide for long-term growth.

The purpose of the Diversified Income Fund is to provide members with an investment option designed to deliver low risk returns through investing in diversified sources of income.

1.05 Investment and Risk Philosophy

(a) Investment Philosophy

Plan Assets should be prudently managed.

The Balanced Fund balances the need for capital growth for younger members with the desire for capital preservation and income for older and retired members by targeting a well diversified portfolio with a slight bias to equities over fixed income investments.

The Diversified Income Fund is designed for members who are seeking a low risk option that offers income.

(b) Risk Philosophy

In order to achieve the long-term investment goals, the Balanced Fund invests in assets that may have uncertain returns, such as equities, alternatives and bonds. However, the Board attempts to reduce the overall level of risk by diversifying the asset classes, diversifying within each individual asset class and diversifying by manager style. Risk is also addressed through quality, quantity and diversification guidelines set out in this document. In addition, the Board further addresses risk by retaining an Investment Consultant who monitors investment performance and reports to the Board on Investment Manager related issues that may have an impact on performance. As a further risk control, management reviews compliance on a monthly basis of each of the managers with the quality and quantity guidelines contained in this policy. Finally, investment managers provide quarterly reports to the Board on compliance with the investment policy throughout the reporting period.

Investment Managers invest relative to a Benchmark Portfolio. The return from the benchmark portfolio represents an achievable return for the Balanced Fund given the capital market conditions in which it is invested. The specific weights for each asset class are set based on the risk tolerance of the Balanced Fund. Risk tolerance is assessed through a detailed review of the Plan and the investment markets that considers:

- Investment time horizon
- Liquidity needs
- Regulatory environment including tax issues
- Other unique plan-specific factors
- Historical and prospective risk (volatility) and return of various asset classes and benchmark portfolios.

The Diversified Income Fund reduces risk by investing in diversified sources of income that are expected to provide a measure of protection from interest rate and credit risks.

1.06 Administration

In accordance with *The Saskatchewan Pension Plan Act*, a Board of Trustees is established to administer the Plan and act as Trustee of the Funds.

Responsibility for safekeeping of the assets, income collection, settlement of investment transactions, and accounting for the investment transactions has been delegated to a trust company. Responsibility for investing the assets of the funds has been delegated to professional investment managers. The Board has a fiduciary responsibility to ensure the investments are managed prudently.

1.07 Distinction of Responsibilities

The Board is responsible for investment of Plan assets.

Duties of the Board as relates to Investments are to:

- Approve a Statement of Investment Policies and Goals;
- Set an appropriate investment structure;
- Appoint investment managers;

- Appoint the custodian;
- Monitor investment performance; and
- Review the investment policy on an annual basis.

Section 2—Asset Mix and Diversification Policy

2.01 Portfolio Return Expectations

2.01.1 Balanced Fund

The investment managers appointed by the Plan are directed to achieve a satisfactory long-term real rate of return through a diversified portfolio within their mandate, consistent with acceptable risks and prudent management. The long-term investment goal of the Balanced Fund is to achieve a minimum annualized rate of return of three percentage points in excess of the Canadian Consumer Price Index. This 3% real return objective is consistent with the overall investment risk level that the Balanced Fund could assume and normally will be assessed over annualized rolling four-year periods.

To achieve this long-term investment goal, the Balanced Fund has adopted an asset mix that has a bias to return seeking investments. The Balanced Fund employs a mix of active management styles. Active management provides the opportunity to outperform specific investment benchmarks.

2.01.2 Diversified Income Fund

The long-term investment goal of the Diversified Income Fund is to provide members with an investment option designed to deliver low risk returns through investing in diversified sources of income.

2.02 Expected Volatility

The volatility of the Balanced Fund and the Diversified Income Fund are directly related to the asset mix. Since the Investment Managers do not have the authority to make any type of leveraged investment, the volatility should be similar to the volatility of the Benchmark Portfolio set out in Section 4.02 (Performance Measurement).

2.03 Asset Mix

2.03.1 Balanced Fund Asset Mix

Taking into consideration the investment and risk philosophy of the Fund, the following asset mix has been established:

Assets (as a % of market value)	Minimum %	Interim Benchmark	Long Term Benchmark %	Maximum %
Equities				
Canadian equities	5.0	<u>12.5</u>	<u>10.0</u>	15.0
U.S. equities	15.0	20.0	20.0	25.0
Non-North American equities	15.0	<u>20.0</u>	<u>20.0</u>	25.0
Foreign equities	30.0	<u>40.0</u>	<u>40.0</u>	50.0
Total Equities	40.0	52.5	50.0	65.0
Alternatives				
Real estate	0.0	10.0	10.0	15.0
Infrastructure	0.0	<u>2.5</u>	<u>5.0</u>	10.0
Total Alternatives	0.0	12.5	15.0	20.0
Fixed Income				
Bonds	10.0	16.0	16.0	22.0
Mortgages	0.0	7.5	7.5	10.0
Multi-Credit	0.0	10.0	10.0	12.5
Short-term investments	0.0	<u>1.5</u>	<u>1.5</u>	10.0
Total Fixed Income	15.0	<u>35.0</u>	<u>35.0</u>	60.0
Total Fund		100.0	100.0	

The Interim Benchmark and ranges are effective January 1, 2020. The Board will review the Balanced Fund asset mix each quarter and determine the effective date of the Long Term Benchmark.

For purpose of the total asset mix described above, the Investment Managers' asset class funds are deemed to be 100% invested, even though these funds may contain a portion held in cash & cash equivalent instruments.

2.03.2 Diversified Income Fund Asset Mix

Taking into consideration the investment and risk philosophy of the Fund, the following asset mix has been established:

Assets (as a % of market value)	Minimum %	Benchmark %	Maximum %
Short-term investments	40.0	50.0	60.0
Core Plus Bonds	40.0	<u>50.0</u>	60.0
Total Fund		100.0	

The Benchmark is effective January 1, 2020.

For purpose of the Diversified Income Fund asset mix described above, the Investment Manager's asset class funds are deemed to be 100% invested, even though the fund may contain a portion held in cash & cash equivalent instruments.

2.04 Management Structure

(a) Philosophy

A balanced management structure has been adopted for management of the Balanced Fund assets, consisting of two active balanced managers with offsetting styles.

This structure employs active management, which provides the opportunity to outperform common market indices over the long-term, with a reasonable degree of excess risk.

A specialist management structure has been adopted for management of the Diversified Income Fund assets, consisting of a single specialist fixed income manager.

(b) Manager Allocation

The Board has established the following parameters for allocation of the Balanced Fund assets:

Assets (as a % of market value)	Interim Benchmark	Long Term Benchmark %
TDAM	55.0	56.0
Leith Wheeler	45.0	44.0

The Benchmark is effective January 1, 2020.

The Board shall consider the necessity to rebalance the Balanced Fund assets between managers on an ongoing basis.

Section 3—Permitted and Prohibited Investments

3.01 General Guidelines

The investments of the Plan must comply with the requirements and restrictions imposed by the applicable legislation, including but not limited to the requirements of *The Saskatchewan Pension Benefits Act, 1992*, which refers to the federal *Pension Benefits Standards Act, 1985* on investment related issues, the *Income Tax Act and Regulations*, and all subsequent amendments.

3.02 Permitted Investments

3.02.1 Balanced Fund and Diversified Income Fund

In general, and subject to the restrictions in this Section 3, an Investment Manager may within its mandate, as described within their specific appendix, invest the Plan assets in any of the following asset classes and in any of the investment instruments listed below:

(a) Canadian and Foreign Equities

- (i) Equity securities traded through a marketplace, as well as listed equity substitutes that are convertible into equities traded through those same marketplaces.
- (ii) Unlisted equity securities, such as private placement equities, where the investment manager determines the security will become eligible for trading through a marketplace within a reasonable and defined timeframe, not to exceed six months, and the issuing company is publicly listed through a marketplace.

(b) Fixed Income and Mortgages

- (i) Bonds, notes and other debt instruments of Canadian and foreign issuers.
- (ii) Mortgages on income producing commercial property and multi-unit residential properties in Canada, held in investment funds deemed permissible by the Board.
- (iii) Term deposits and guaranteed investment certificates.
- (iv) Private placements of bonds subject to Section 3.03(e).

(c) Cash and Short-Term Investments

- (i) Cash on hand and demand deposits.
- (ii) Treasury bills issued by the federal and provincial governments and their agencies.
- (iii) Obligations of trust companies and Canadian and foreign banks chartered to operate in Canada, including bankers' acceptances.
- (iv) Commercial paper and term deposits.

(d) Real Estate

Investment in real estate by way of participation in an investment fund is permissible, where the Board has provided explicit approval to the manager. While it is recognized any real estate fund in which the Plan participates is governed by its own investment policy, desirable traits in selection of a real estate manager and fund include:

- (i) An institutional investment focus;
- (ii) A core style of real estate investing that is predominately focused on developed income-producing properties;
- (iii) A well-diversified portfolio by property type and by region; and
- (iv) Modest use of leverage, not to exceed 75% on individual properties and 50% on Total Fund assets.

(e) Infrastructure

Infrastructure assets are permitted through holding units in open-or closed-ended investment funds, limited partnerships or other corporate structures designed to limit liability and achieve tax efficiency. These entities may be domestic or foreign domiciled. All structures must be permissible investments under *The Saskatchewan Pension Plan Act* and require prior approval by the Board.

Permitted investments in infrastructure will be governed by the terms and conditions set out in the respective investment fund contract, Offering Memorandum, Trust Agreement or similar document that is applicable to each Investment Manager.

(f) Other Investments

- (i) Units in open-or closed-ended investment funds provided that the assets of such funds are permissible investments under the Policy.
- (ii) Deposit accounts of the custodian can be used to invest surplus cash holdings.

(g) Derivatives

The use of derivatives (such as options, futures and forward contracts) is permitted for hedging movements in exchange rates and interest rates, and as a substitute for direct investment, where derivatives provide a more efficient alternative to direct investment. Derivatives are not to be used for speculative trading or to create a portfolio with leverage. Sufficient assets or cash must be held to cover commitments due to the derivatives transactions.

(h) Investment Funds

Holding units in investment funds is permissible. Investment funds are governed by the policies for each fund. The Board, in consultation with the investment consultant, has reviewed the guidelines for a number of funds, listed in the appendices, and determined they are appropriate investment vehicles for a portion of the Plan assets.

From time to time the Plan may acquire units in additional funds, or existing funds whose policies may have changed during the year, provided the Board has reviewed the fund guidelines for each and deemed them appropriate for the Plan.

Investment funds reviewed and deemed appropriate are to be added to the lists of eligible funds during the next investment policy review.

Investment Managers are required to notify the Board in writing immediately of any investment fund guideline changes.

3.03 Minimum Quality Requirements

3.03.1 Balanced Fund and Diversified Income Fund

In general, and subject to the restrictions in this Section 3, an Investment Manager may within its mandate, as described within their specific appendix, invest the Plan assets in securities that meet the following requirements.

(a) Quality Standards

Within the restrictions for individual manager portfolios, including investment funds, all portfolios should hold a prudently diversified exposure to the intended market.

- (i) The investment manager is expected to maintain relatively high quality portfolios. In general, equity investments should be limited to stocks that are publicly traded through a marketplace.
- (ii) Except for multi credit investment funds, the minimum quality standard for individual bonds and debentures is 'BBB' or equivalent as rated by a Recognized Bond Rating Agency, at the time of purchase (includes all sub-rating levels within the overall 'BBB' rating).
- (iii) The minimum quality standard for individual short-term investments is 'R-1' or equivalent as rated by a Recognized Bond Rating Agency, at the time of purchase.
- (iv) All investments shall be reasonably liquid (i.e., in normal circumstances they should be capable of liquidation within 1 month), except for real estate, infrastructure and mortgage investments.
- (v) Unrated bonds should be assigned a rating by the investment manager before purchase.
- (vi) The minimum quality standard for individual preferred shares is 'P-1' or equivalent as rated by a Recognized Bond Rating Agency, at the time of purchase.
- (vii) Asset-backed securities must have ratings from at least two Recognized Bond Rating Agencies.

(b) Split Ratings

In cases where the Recognized Bond Rating Agencies do not agree on the credit rating for a bond, preferred share or asset-backed security, the security will be classified according to the methodology used by FTSE for the Canada bond indices.

(c) Downgrades in Credit Quality

The Investment Manager will take the following steps in the event of a downgrade in the credit rating of a portfolio asset by a recognized bond rating agency to below the purchase standards set out in Section 3.03(a) Quality Standards:

- (i) The General Manager will be notified of the downgrade at the earliest possible opportunity;
- (ii) Within ten business days of the downgrade, the Investment Manager will advise the General Manager in writing of the course of action taken or to be taken by the Investment Manager, and its rationale; and
- (iii) The Investment Manager will provide regular reporting on the status of the asset until such time as it matures, is sold or is upgraded to a level consistent with the purchase quality standards as expressed in the above guidelines.

(d) Rating Agencies

For the purposes of this Policy, the following rating agencies shall be considered to be ‘Recognized Bond Rating Agencies’:

- (i) DBRS (Canadian issuers only);
- (ii) Standard and Poor’s;
- (iii) Moody’s Investors Services; and
- (iv) Fitch Ratings

(e) Private Placement Bonds

Private placement bonds and asset-backed securities, except for within multi credit investment funds are permitted subject to all of the following conditions:

- (i) The issues acquired must be minimum ‘BBB’ or equivalent rated.
- (ii) The Manager’s portfolio may not hold more than 5% of the market value of any one private placement.
- (iii) The Manager must be satisfied that there is sufficient liquidity to ensure sale at a reasonable price.

3.04 Maximum Quantity Restrictions

3.04.1 Balanced Fund and Diversified Income Fund

In general, and subject to the restrictions in this Section 3, an Investment Manager may within its mandate, as described within their specific appendix, invest the Plan assets in securities that adhere to the following restrictions.

(a) Combined Fund Level

The combined equity and debt holdings of a single corporation and its associated or affiliated companies, at the time of purchase, shall not represent more than 10% of the total market value of the assets of the Fund.

(b) Individual Investment Manager Level

The Investment Manager shall adhere to the following restrictions:

(i) Total Portfolio

(A) The combined equity and debt holdings of a single corporation and its associated or affiliated companies, at the time of purchase, shall not represent more than 10% of the total market value of the assets of the Manager.

(ii) Equities

(A) No one equity holding shall represent more than 10% of the market value of the Investment Manager's total equity portfolio.

(B) No one equity holding shall represent more than 10% of the voting shares of a corporation.

(C) No one equity holding shall represent more than 10% of the available public float of such equity security.

(D) The 10% limit referred to in 3.04(b)(ii)(B) does not apply to a corporation incorporated for the purpose of, and that limits its activities to, allowing a pension fund to avail itself of either:

- Expertise not otherwise available to the fund.
- An investment opportunity in real estate, resource property or venture capital.

(iii) Bonds and Short-Term

(A) Except for federal and provincial bonds (including government guaranteed bonds), no more than 10% of the market value of an Investment Manager's bond portfolio may be invested in the bonds of a single issuer and its related companies.

(B) Except for federal and provincial bonds, no one bond holding shall represent more than 10% of the market value of the total outstanding for that bond issue.

(C) Excluding multi credit investment funds, 'BBB' bonds may not be purchased if the purchase would raise the 'BBB' holdings to more than 20% of the market value of the bond portfolio.

(D) Excluding multi credit investment funds, no more than 30% of the market value of an Investment Manager's bond portfolio shall be invested in bonds of foreign issuers.

(E) Excluding multi credit investment funds, no more than 10% of the market value of an Investment Manager's bond portfolio shall be exposed to foreign currency movements.

- (F) No more than 20% of the market value of an Investment Manager's total portfolio shall be invested in a commercial mortgage investment fund.

(iv) Investment Funds

Holdings of a single investment fund should not exceed 10% of the market value of that fund, unless prior approval of the Board is obtained.

3.05 Prior Permission Required

The following investments are permitted provided that prior permission for such investments has been obtained from the Board:

- (a) Investments in private placement equities, other than those permitted in Section 3.02.1
 - (a) (ii)
- (b) Investments in private placement bonds with credit ratings lower than 'BBB';
- (c) Direct investments in venture capital financing;
- (d) Direct investments in resource properties;
- (e) Derivatives other than those otherwise permitted in Section 3.02.1(g) above;
- (f) Any other investments not expressly permitted by this policy statement.

3.06 Prohibited Investments

The Investment Managers shall not:

- (a) Invest in companies for the purpose of managing them;
- (b) Purchase securities on margin or engage in short sales;
- (c) Invest in securities that would result in the imposition of a tax on the Plan under the *Income Tax Act (Canada)* unless they provide a prior written acknowledgement to the Board that such investments will result in a tax and receive prior written permission for such investments from the Board; and
- (d) Make any investment not specifically permitted by this Policy.

3.07 Securities Lending

The securities of the Plan may be loaned by the custodian provided that:

- (a) The custodian provides indemnification against any and all losses related to counterparty risk and collateral risk;
- (b) The loans are secured by cash or readily marketable investments having a market value of at least 102% of the market value of the securities loaned;
- (c) The loans are marked to market daily to ensure the collateral continues to have a market value of at least 102% of the market value of the loaned asset; and
- (d) The securities are not loaned to facilitate a dividend rental arrangement.

Presently, the Plan has not engaged the custodian or a third party to provide securities lending services on segregated assets.

Holding units in an investment fund that permits securities lending is permissible. The investment fund manager shall disclose whether the fund uses securities lending.

3.08 Borrowing

The Contribution Fund shall not borrow money, except to cover short-term contingency and the borrowing is for a period that does not exceed ninety days. Also, any borrowing shall be made only in accordance with applicable legislation.

Section 4—Monitoring and Control

4.01 Delegation of Responsibilities

Overall responsibility for the Plans' assets rests with the Board. The Board is responsible for the investment policy, appointment of custodians, investment managers, actuarial and consulting services, and plan changes. The Board is also charged with ensuring the Plan conforms to legislation and monitoring investment performance.

In completing the above duties a number of responsibilities have been delegated:

(a) Investment Managers will:

- (i) Invest the assets of each Fund in accordance with this Policy;
- (ii) Notify the Board, in writing of any significant changes in the investment manager's philosophies and policies, personnel or organization and procedures;
- (iii) Notify the Board, in writing, of any legal or regulatory proceedings or charges of which the Investment Manager may be aware, against the Investment Manager's firm or investment personnel, or sub-advisors or that firm's investment personnel;
- (iv) Meet with the Board as required and provide quarterly written reports regarding their past performance, their future strategies and other issues as requested
- (v) Reconcile account records with the custodian account records monthly; and
- (vi) File quarterly compliance reports (see Section 4.03).

(b) The custodian will:

- (i) Maintain safe custody over the assets of each Fund;
- (ii) Execute the instructions of the Board, as communicated by Administration, and any Investment Manager appointed to manage the assets of each Fund; and
- (iii) Record income and provide monthly financial statements as required.

(c) The investment consultant will:

- (i) Assist in the development and implementation of this policy and provide related research;
- (ii) Monitor the investment performance of each Fund and the Investment Managers on a quarterly basis;

- (iii) Support the Board on matters relating to investment management and administration of each Fund;
- (iv) Evaluate the appropriateness of investment fund vehicles made available to each Fund by the Investment Managers; and
- (v) Meet with the Board and Administration as required.

(d) The General Manager:

- (i) Is appointed by the Board and is responsible for all investment matters of the Plan.

4.02 Performance Measurement

The performance of each Fund shall be measured quarterly and, in accordance with industry convention, return calculations shall be as follows:

- Time weighted rates of return.
- Total returns, including realized and unrealized gains and losses and income from all sources.

Measurement against performance objectives for the Investment Managers will normally be assessed over rolling four-year periods.

4.02.1 Balanced Fund Benchmark

The primary objective for the Balanced Fund is to earn a rate of return that exceeds the rate of return earned on a benchmark portfolio. The benchmark consists of the following market index total returns weighted as indicated:

Balanced Fund Benchmark	Interim Benchmark (%)	Long Term Benchmark (%)
S&P/TSX Capped Composite Index	12.5	10.0
S&P 500 Index (Cdn. \$)	20.0	20.0
MSCI EAFE Index (Cdn. \$)	20.0	20.0
MSCI/REALPAC Canada Quarterly Property Fund Index (PFI)	10.0	10.0
Consumer Price Index + 5.0%	2.5	5.0
FTSE Canada Universe Bond Index	16.0	16.0
60% FTSE Canada Short Term Bond Index + 40% FTSE Canada Mid Term Bond Index + 0.5%	7.5	7.5
BoA Merrill Lynch BB-B U.S. High Yield Constrained Index (hedged to Cdn. \$)	10.0	10.0
FTSE Canada 91-Day T-Bills	<u>1.5</u>	<u>1.5</u>
	<u>100.0</u>	<u>100.0</u>

The Interim Benchmark and ranges are effective January 1, 2020. The Board will review the Balanced Fund asset mix each quarter and determine the effective date of the Long Term Benchmark.

4.02.2 Diversified Income Fund Manager Benchmark

The primary objective for the Diversified Income Fund is to earn a rate of return that exceeds the rate of return earned on a benchmark portfolio. The benchmark consists of the following market index total returns weighted as indicated:

Diversified Income Fund Benchmark	%
FTSE Canada Universe Bond Index	50.0
FTSE Canada 91-Day T-Bill Index	50.0

Effective January 1, 2020

4.03 Compliance Reporting by Investment Manager

Each Investment Manager is required to complete and sign a compliance report each quarter. The compliance report should indicate whether or not the Investment Manager's portfolio was in compliance with this Policy, or the relevant investment fund policy, during the quarter. Copies of the compliance reports must be sent to the Board and to the investment consultant. Report formats for the compliance reports are included under the appendix.

In the event that an Investment Manager is not in compliance with this Policy, the Investment Manager is required to advise the Administration immediately, detailing the nature of the non-compliance and recommending an appropriate course of action to remedy the situation. If it is deemed to be in the best interest of the Plan, the Board may grant permission, on a temporary basis, for the Investment Manager to deviate from the guidelines.

If an Investment Manager believes the Asset Mix Guidelines are inappropriate for anticipated economic conditions, the manager is responsible for advising the Board that a change in guidelines is desirable and the reasons therefore.

4.04 Standard of Professional Conduct

Each Investment Manager is expected to comply, at all times and in all respects, with the Code of Ethics and Standards of Professional Conduct as promulgated by the CFA Institute.

Each Investment Manager will manage the assets with the care, diligence and skill that a prudent person skilled as a professional investment manager would use in dealing with pension plan assets. The Investment Manager will also use all relevant knowledge and skill that it possesses or ought to possess as a prudent investment manager.

4.05 Suppression of Terrorism

The Investment Managers must comply at all times and in all respects with the federal suppression of terrorism regulations.

Section 5—Administration

5.01 Conflicts of Interest

(a) Responsibilities

This standard applies to the members of the Board as well as to all agents employed by them, in the execution of their responsibilities to the Plan (the “Affected Persons”).

An “agent” is defined to mean a company, organization, association or individual, as well as its employees, who are retained by the Board to provide specific services with respect to the investment, administration and management of the Plan.

In carrying out their responsibilities, these parties must act at all times in the best interest of the Plan.

(b) Disclosure

In the execution of their duties, the Affected Persons shall disclose any material conflict of interest relating to them, or any material ownership of securities, which could impair their ability to render unbiased advice, or to make unbiased decisions, affecting the administration of the Plan.

Further, it is expected that no Affected Person shall make any personal financial gain (direct or indirect) because of his or her position. However, normal and reasonable fees and expenses incurred in the discharge of their responsibilities are permitted if documented and approved by the Board.

No Affected Person shall accept a gift or gratuity or other personal favor, other than one of nominal value, from a person with whom the individual deals in the course of performance of his or her duties and responsibilities for the Board.

It is incumbent on any Affected Person who believes that he/she may have a conflict of interest, or who is aware of any conflict of interest, to disclose full details of the situation to the attention of the Board immediately. The Board, in turn, will decide what action is appropriate under the circumstances but, at a minimum, will table the matter at the next regular meeting of the Board.

No Affected Person who has or is required to make a disclosure which is determined to be in conflict as contemplated in this Policy shall participate in any discussion, decision or vote relating to any proposed investment or transaction in respect of which he or she has made or is required to make disclosure.

5.02 Related Party Transactions

The administrator of the plan may not enter into a transaction with a related party unless:

- (a) The 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; or
- (b) The combined value of all transactions with the same related party is nominal or combined the transactions are immaterial, less than 0.5% of the Fund market value; or
- (c) The investment is exempted under Section 17 of Schedule III of the *Pension Benefits Standards Regulations*.

“Related party” is defined in section 1 of Schedule III to the *Pension Benefits Standards Regulations, 1985 (Canada)*. A related party is a person who is the administrator of the plan including any officer, director or employee of the administrator, or any person who is a member of the Board. It also includes the Investment Managers and their employees, a union representing employees of the employer, a member of the plan, a spouse or child of the persons named previously, or a corporation that is directly or indirectly controlled by the persons named previously, among others. Related party does not include government or a government agency.

Under the preceding conflict of interest guidelines, it is incumbent on any person to notify the Board if a conflict arises. Such conflict includes related party transactions.

5.03 Selecting Investment Managers

In the event that a new Investment Manager must be selected or additional Investment Manager(s) added to the existing Investment Managers, the Board will undertake an Investment Manager search. The criteria used for selecting an Investment Manager will be consistent with the investment and risk philosophy set out in Section 1.05 (Investment and Risk Philosophy), and the Management Structure Philosophy set out in Section 2.04(a).

5.04 Monitoring of Investment Managers

To enable the Board to fulfill its responsibility of monitoring and reviewing the Investment Managers, the Investment Consultant will assist the Board, on an ongoing basis, in considering:

- (a) Investment Manager’s staff turnover, consistency of style and record of service;
- (b) Investment Manager’s current economic outlook and investment strategies;
- (c) Investment Manager’s compliance with this Policy, where a manager is required to complete and sign a compliance report; and,
- (d) Investment performance of the assets of the Plan in relation to the rate of return expectations outlined in this Policy.

5.05 Performance Reporting by Investment Managers

On a calendar quarterly basis, the Investment Managers will provide written reports regarding their performance and portfolio, and in the case of the active Investment Managers, a strategy review for the portfolio under management.

Meetings between the Investment Managers and the Board will be scheduled as required. For each quarter, it is expected that the Managers will prepare a general economic and capital markets overview, which will be distributed to the board. In their report the Managers should address the following issues:

- (a) Review the previous period's strategy and investment results, including investment fund performance relative to the fund specific performance targets.
- (b) Discuss how the condition of the capital markets affects the investment strategy of their respective portfolios.
- (c) Economic and market expectations.
- (d) Anticipated changes in the asset mix within the limits provided in this Policy.
- (e) Discuss compliance and proxy deviations or exceptions.
- (f) Report material changes in personnel, firm structure and investment philosophy, style or approach.

An important element of the success of this policy is the link between the Investment Managers and the Board. It is expected that the Investment Managers will communicate with the Board, and/or Administration, and the Investment Consultant whenever necessary between regularly scheduled meetings.

5.06 Dismissal of an Investment Manager

Reasons for considering the termination of the services of an Investment Manager include, but are not limited to, the following factors:

- (a) Performance results, which over a reasonable period of time, are below the stated performance benchmarks;
- (b) Changes in the overall structure of a Fund such that the Investment Manager's services are no longer required;
- (c) Legal or regulatory proceedings against the Investment Manager or its investment personnel, or any sub-advisor firm or that firm's investment personnel;
- (d) Change in personnel, firm structure and investment philosophy, style or approach which might adversely affect the potential return and/or risk level of the portfolio; and/or
- (e) Failure to adhere to this Policy.

5.07 Voting Rights

The Board has delegated voting rights acquired through Plan investments to the custodian of the securities, to be exercised in accordance with the Investment Managers' instructions. Investment Managers are expected to vote all proxies in the best interests of the Plan members.

In exceptional circumstances, the Board may take back voting rights of assets held in segregated portfolios for specific situations.

The managers should disclose their proxy voting policies and report annually in the compliance report on (1) whether all eligible proxies were voted on the Plan's behalf and (2) if the proxy guidelines were followed and report on any deviations.

5.08 Soft Dollars

A variety of brokers should be used in order to gain maximum utilization of the services available. It is the responsibility of the Investment Manager to ensure that the commission distribution is representative of the services rendered.

The Board does not use soft dollars to pay for any goods or services. Managers may use soft dollars to pay for research and other investment-related services with disclosure to the Board, provided they comply with the Soft Dollar Standards promulgated by the CFA Institute.

5.09 Valuation of Investments not Regularly Traded

The following principles will apply for the valuation of investments that are not traded regularly:

(a) Equities

The most recent bid price available in the market.

(b) Bonds

The average of bid and ask price, as available from pricing sources. Where no market price is available, the last available market price is used.

(c) Mortgages

Unless in arrears, at the outstanding principal.

(d) Real Estate

A certified written appraisal from a qualified independent appraiser on each property annually. Newly acquired properties will be held at cost for a year, until the annual appraisal comes due.

(e) Infrastructure

A written internal appraisal performed by the Investment Manager, using industry standard methods, completed at least annually.

(f) Others

Securities that are not publicly traded and for which no external transaction or other evidence of market value exists, will be valued at cost.

5.10 Policy Review

This Policy may be reviewed and amended at any time, but it must be formally reviewed by the Board, at least once in every calendar year.

Appendix A—Balanced Manager A

A.01 Mandate

The Balanced Manager has been engaged to manage approximately half of Balanced Fund assets. The assets are to be actively managed using a combination of segregated and investment fund strategies, in a diversified portfolio.

A.02 Asset Mix

The following table presents the Balanced Manager benchmark and asset component ranges, based on market values.

Assets (as a % of market value)	Minimum %	Interim Benchmark %	Long Term Benchmark %	Maximum %
Equities				
Canadian equities	5	<u>11.25</u>	<u>9.00</u>	13
U.S. equities	13	18.25	17.75	23
Non-North American equities	13	<u>18.25</u>	<u>17.75</u>	23
Foreign equities	<u>26</u>	<u>36.50</u>	<u>35.50</u>	<u>46</u>
Total Equities	35	47.50	44.50	55
Alternatives				
Real Estate	0	18.25	17.75	30
Infrastructure	0	<u>4.50</u>	<u>9.00</u>	20
Total Alternatives	0	22.75	26.75	40
Fixed Income				
Bonds	7	14.25	14.25	20
Mortgages	0	13.75	13.25	20
Short-term investments	0	<u>1.50</u>	<u>1.25</u>	10
Total Fixed Income	7	29.50	28.75	50
Total Fund		100.00	100.00	

The Interim Benchmark and ranges are effective January 1, 2020. The Board will review the Balanced Fund asset mix each quarter and determine the effective date of the Long Term Benchmark.

A.03 Balanced Manager Benchmark

The performance of the Balanced Manager shall be measured quarterly and, in accordance with industry convention, return calculations shall be as follows:

- Time weighted rates of return.

- Total returns, including realized and unrealized gains and losses and income from all sources.

Measurement against performance objectives will normally be assessed over rolling four-year periods.

Balanced Benchmark A	Interim Benchmark %	Long Term Benchmark %
S&P/TSX Capped Composite Index	11.25	9.00
S&P 500 Index (Cdn. \$)	18.25	17.75
MSCI EAFE Index (Cdn. \$)	18.25	17.75
MSCI/REALPAC Canada Quarterly Property Fund Index (PFI)	18.25	17.75
Consumer Price Index + 5.0%	4.50	9.00
FTSE Canada Universe Bond Index	14.25	14.25
60% FTSE Canada Short Term Bond Index + 40%	13.75	13.25
FTSE Canada Mid Term Bond Index + 0.5%		
FTSE Canada 91-Day T-Bills	<u>1.50</u>	<u>1.25</u>
	<u>100.00</u>	<u>100.00</u>

The Interim Benchmark is effective January 1, 2020. The Board will review the Balanced Fund asset mix each quarter and determine the effective date of the Long Term Benchmark.

A secondary objective is to exceed the benchmark index in each of the asset classes in which the manager invests.

A.04 Permitted Investments

The Balanced Manager may be invested in securities issued by governments, corporations, trusts, and other commercial entities, located or whose business activities take place either in Canada or abroad. Holdings in such entities may be direct investment or indirect investment through approved funds whether or not the funds are publicly traded. All investments are subject to the guidelines found in Section 3 and the asset mix guidelines from Section A.03.

The Investment Manager must meet the requirements for eligible investments as outlined in *The Pension Benefits Act and Regulations (Saskatchewan)*, the *Income Tax Act and Regulations*, and all subsequent amendments.

A.05 Investment Funds

Holding units in investment funds is permissible. Investment funds are governed by the policies for each fund. The Board, in consultation with the Investment Consultant, has reviewed the guidelines for the following funds and determined they are appropriate investment vehicles for a portion of the Plan assets:

TD Greystone Canadian Equity Fund
 TD Greystone International Equity Fund
 TD Greystone Real Estate Fund
 TD Greystone Mortgage Fund
 TD Greystone Infrastructure Fund (Canada) LP

From time to time the Plan may acquire units in additional funds, or existing funds whose policies may have changed during the year, provided the Board has reviewed the fund guidelines for each and deemed them appropriate for the Plan.

Investment funds reviewed and deemed appropriate are to be added to the list of eligible funds during the next investment policy review.

A.06 Compliance Report

As specified in section 4.01 (a) (vi), a report on compliance with the investment policy should be completed quarterly. The report format is included on the following page.

Saskatchewan Pension Plan—Balanced Fund Management
Compliance Report for the Period From _____ to _____
(date) (date)

		Guidelines	Policy Complied With Yes/No*
		%	
Asset Mix (at Market Value)			
Equities	Canadian	5 - 13	
	U.S.	13 - 23	
	Non-North American	13 - 23	
	Total Foreign	26 - 46	
	Total	35 - 55	
Alternatives			
	Real Estate	0 - 30	
	Infrastructure	0 - 20	
	Total	0 - 40	
Bonds		7 - 20	
Mortgages		0 - 20	
Short-Term & Cash		0 - 10	
Permitted Investments		As per Section 3	
Constraints			
Equities	- Available for trading through a marketplace		
	- Diversification	Max 10% of the market value of a manager's total equity portfolio in any single holding	
	- Concentration	Max 10% of the voting shares of any corporation	
		Max 10% of available public float	
Bonds	- Quality	Min 'BBB'	
	- Quantity	Except for federal or provincial bonds, max 10% of market value in one issuer. Max 5% of market value in any one private placement.	
		Except for federal or provincial, max 10% of market value of a bond issue	
		Max 20% of bond portfolio market value in 'BBB' bonds at time of purchase	
	- Foreign Issuers	Max 30% of market value of bond portfolio in developed market foreign issuers	
	- Foreign Currencies	Max 10% exposure at market value to foreign currencies within the bond portfolio	
Short-Term Investments	- Minimum Quality	'R-1' rating	
Investment Funds	- Liquidity	Max 10% of the market value of the investment fund	
	- Compliance	Investment funds in compliance with fund policies	
	- Policy Changes	Board notified of policy changes during quarter	
Other Investments	- Prior Approval Required		
Other	- Statutory Requirements	Must meet requirements for eligible investments outlined in <i>The Pension Benefits Act</i> .	
		Must meet requirements for eligible investments outlined in <i>the Income Tax Act</i> .	
Conflicts of Interest	- Disclosure	Conflicts of interest (if any) disclosed to the Chairperson of the Board	

Saskatchewan Pension Plan—Balanced Fund Management
Compliance Report for the Period From _____ to _____
(date) (date)

Proxy Voting	Compliance	All proxies voted in compliance with disclosed proxy voting policy	
CFA Institute Code of Ethics and Standards of Professional Conduct	- Compliance	CFA Institute Code of Ethics and Standards of Professional Conduct complied with	
Suppression of Terrorism	- Compliance	Compliance with federal suppression of terrorism regulations	

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

I believe this to be a factual representation of compliance with the Statement of Investment Policies and Goals throughout the reporting period.

Signature and Title

TD Asset Management

Company Name

Saskatchewan Pension Plan – Balanced Fund Mandate

Compliance Reporting

On a calendar quarterly basis, the Balanced Fund manager, TD Asset Management, will complete and make available a signed compliance letter for the TD Greystone Canadian Equity Fund, TD Greystone International Equity Fund, TD Greystone Real Estate Fund, TD Greystone Mortgage Fund, and TD Greystone Infrastructure Fund (Canada) LP. The compliance letter should indicate whether the fund was in compliance with the internal investment fund policy guidelines through the period and confirm that any changes to the investment fund policy have been disclosed.

Appendix B—Balanced Manager B

B.01 Mandate

The Balanced Manager has been engaged to manage approximately half of Balanced Fund assets. The assets are to be actively managed using a combination of segregated and investment fund strategies, in a diversified portfolio.

B.02 Asset Mix

The following table presents the Balanced Manager benchmark and asset component ranges, based on market values.

Assets (as a % of market value)	Minimum %	Interim Benchmark %	Long Term Benchmark %	Maximum %
Equities				
Canadian equities	6	<u>14.00</u>	<u>11.25</u>	16
U.S. equities	18	22.25	23.00	28
Non-North American equities	18	<u>22.25</u>	<u>23.00</u>	28
Foreign equities	36	<u>44.50</u>	<u>46.00</u>	56
Total Equities	47	58.50	57.25	67
Fixed Income				
Bonds	12	18.00	18.25	25
Multi Credit	18	22.00	22.75	28
Short-term investments	0	<u>1.50</u>	<u>1.75</u>	10
Total Fixed Income	33	<u>41.50</u>	<u>41.50</u>	53
Total Fund		100.00	100.00	

The Interim Benchmark and ranges are effective January 1, 2020. The Board will review the Balanced Fund asset mix each quarter and determine the effective date of the Long Term Benchmark.

B.03 Balanced Manager Benchmark

The performance of the Balanced Manager shall be measured quarterly and, in accordance with industry convention, return calculations shall be as follows:

- Time weighted rates of return.
- Total returns, including realized and unrealized gains and losses and income from all sources.

Measurement against performance objectives will normally be assessed over rolling four-year periods.

Balanced Benchmark B	Interim Benchmark %	Long Term Benchmark %
S&P/TSX Capped Composite Index	14.00	11.25
S&P 500 Index (Cdn. \$)	22.25	23.00
MSCI EAFE Index (Cdn. \$)	22.25	23.00
FTSE Canada Universe Bond Index	18.00	18.25
BoA Merrill Lynch BB-B U.S. High Yield Constrained Index (hedged to Cdn. \$)	22.00	22.75
FTSE Canada 91-Day T-Bills	<u>1.50</u>	<u>1.75</u>
	<u>100.00</u>	<u>100.00</u>

The Interim Benchmark is effective January 1, 2020. The Board will review the Balanced Fund asset mix each quarter and determine the effective date of the Long Term Benchmark.

A secondary objective is to exceed the benchmark index in each of the asset classes in which the manager invests.

B.04 Permitted Investments

The Balanced Manager may be invested in securities issued by governments, corporations, trusts, and other commercial entities, located or whose business activities take place either in Canada or abroad. Holdings in such entities may be direct investment or indirect investment through approved funds whether or not the funds are publicly traded. All investments are subject to the guidelines found in Section 3 and the asset mix guidelines from Section B.03.

The Investment Manager must meet the requirements for eligible investments as outlined in *The Pension Benefits Act and Regulations (Saskatchewan)*, the *Income Tax Act and Regulations*, and all subsequent amendments.

B.05 Investment Funds

Holdings units in investment funds is permissible. Investment funds are governed by the policies for each fund. The Board, in consultation with the investment consultant, has reviewed the guidelines for the following funds and determined they are appropriate investment vehicles for a portion of the Plan assets:

- Leith Wheeler U.S. Equity Pension Pooled Fund
- Leith Wheeler International Equity Fund
- Leith Wheeler Core Active Bond Fund
- Leith Wheeler Multi Credit Fund
- Leith Wheeler Special Equity Fund
- Leith Wheeler Money Market Fund

From time to time the Plan may acquire units in additional funds, or existing funds whose policies may have changed during the year, provided the Board has reviewed the fund guidelines for each and deemed them appropriate for the Plan.

Investment funds reviewed and deemed appropriate are to be added to the list of eligible funds during the next investment policy review.

B.06 Compliance Report

As specified in section 4.01 (a) (vi), a report on compliance with the investment policy should be completed quarterly. The report format is included on the following page.

Saskatchewan Pension Plan—Balanced Fund Management
Compliance Report for the Period From _____ to _____
(date) (date)

		Guidelines	Policy Complied With Yes/No*
		%	
Asset Mix (at Market Value)			
Equities	Canadian	6 – 16	
	U.S.	18 – 28	
	Non-North American	18 – 28	
	Total Foreign	36 – 56	
	Total	47 – 67	
Bonds		12 – 25	
Multi Credit		18 – 28	
Short-Term & Cash		0 – 10	
Permitted Investments		As per Section 3	
Constraints			
Equities	- Available for trading through a marketplace		
	- Diversification	Max 10% of the market value of a manager's total equity portfolio in any single holding	
	- Concentration	Max 10% of the voting shares of any corporation Max 10% of available public float	
Bonds	- Quality	Min 'BBB'	
	- Quantity	Except for federal or provincial bonds, max 10% of market value in one issuer. Max 5% of market value in any one private placement. Except for federal or provincial, max 10% of market value of a bond issue Max 20% of bond portfolio market value in 'BBB' bonds at time of purchase	
	- Foreign Issuers	Max 30% of market value of bond portfolio in developed market foreign issuers	
	- Foreign Currencies	Max 10% exposure at market value to foreign currencies within the bond portfolio	
Short-Term Investments	- Minimum Quality	'R-1' rating	
Investment Funds	- Liquidity	Max 10% of the market value of the investment fund	
	- Policy Changes	Board notified of policy changes during quarter	
	- Compliance	Investment funds in compliance with fund policies	
Other Investments	- Prior Approval Required		
Other	- Statutory Requirements	Must meet requirements for eligible investments outlined in <i>The Pension Benefits Act</i> .	
		Must meet requirements for eligible investments outlined in the <i>Income Tax Act</i> .	
Conflicts of Interest	- Disclosure	Conflicts of interest (if any) disclosed to the Chairperson of the Board	
Proxy Voting	Compliance	All proxies voted in compliance with disclosed proxy voting policy	
CFA Institute Code of Ethics and Standards of Professional Conduct	- Compliance	CFA Institute Code of Ethics and Standards of Professional Conduct complied with	
Suppression of Terrorism	- Compliance	Compliance with federal suppression of terrorism regulations	

Saskatchewan Pension Plan—Balanced Fund Management
Compliance Report for the Period From _____ to _____
(date) (date)

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

I believe this to be a factual representation of compliance with the Statement of Investment Policies and Goals throughout the reporting period.

Signature and Title

Leith Wheeler Investment Counsel
Company Name

Appendix C—Diversified Income Fund

C.01 Mandate

An active manager has been engaged to manage the Diversified Income Fund option in the Plan. The assets are to be actively managed using a combination of two investment fund strategies.

C.02 Asset Mix

The following table presents the Diversified Income Fund manager benchmark and asset component ranges, based on market values.

Diversified Income Fund Benchmark and Asset Component Ranges

	Minimum %	Benchmark* %	Maximum %
Core Plus Bonds	40.0	50.0	60.0
Short-Term Investments	40.0	<u>50.0</u>	60.0
		100.0	

Effective January 1, 2020

Holdings in investment funds are deemed to be fully invested in that fund's asset class even though the fund may have cash reserves.

C.03 Short Term Manager Benchmark

The performance of the Short-Term Manager shall be measured quarterly and, in accordance with industry convention, return calculations shall be as follows:

- Time weighted rates of return.
- Total returns, including realized and unrealized gains and losses and income from all sources.

Measurement against performance objectives will normally be assessed over rolling four-year periods.

Diversified Income Fund Benchmark	%
FTSE Canada Universe Bond Index	50.0
FTSE Canada 91-Day T-Bill Index	<u>50.0</u>
	100.0

Effective January 1, 2020

A secondary objective is to exceed the benchmark index in each of the asset classes in which the manager invests.

C.04 Permissible Investments

The Diversified Income Fund Manager may be invested in securities issued by governments, corporations, trusts, and other commercial entities, located or whose business activities take place either in Canada or abroad, as well as commercial mortgages, within the approved investment funds. All investments are subject to the investment guidelines found in Section 3 and the investment fund's internal guidelines. Should a conflict arise between the provisions of this Policy, and the provisions of the investment fund's policy, the Manager is required to notify the Pension Board immediately in writing, detailing the nature of the conflict and the Manager's recommended course of action.

The Investment Manager must meet the requirements for eligible investments as outlined in *The Pension Benefits Act and Regulations (Saskatchewan)*, *the Income Tax Act and Regulations*, and all subsequent amendments.

C.05 Investment Funds

Holding units in investment funds is permissible. Investment funds are governed by the policies for each fund. The Board, in consultation with the Investment Consultant, has reviewed the guidelines for the following funds and determined they are appropriate investment vehicles for a portion of the Plan assets:

TD Greystone Money Market Fund
TD Greystone Bond Plus Fund

From time to time the Plan may acquire units in additional investment funds, or existing funds whose policies may have changed during the year, provided the Board has reviewed the fund guidelines for each and deemed them appropriate for the Plan.

Investment funds reviewed and deemed appropriate are to be added to the list of eligible funds during the next investment policy review.

C.06 Compliance Report

As specified in Section 4.01 (a) (vi), a report on compliance with the investment policy should be completed quarterly. The report format is included on the following page.

Saskatchewan Pension Plan— Diversified Income Fund Management
Compliance Report for the Period From _____ to _____
(date) (date)

		Guidelines	Policy Complied With Yes/No*
		%	
Asset Mix (at Market Value)			
Bond Plus	Bond Plus Fund	40 - 60	
Short-Term & Cash	Money Market Fund	40 - 60	
Investment Fund			
	- Liquidity	Max 10% of the market value of the investment fund	
	- Policy Changes	Board notified of policy changes during quarter	
	- Compliance	Investment funds in compliance with fund policies	
Other			
	- Statutory Requirements	Must meet requirements for eligible investments outlined in <i>The Pension Benefits Act</i> .	
		Must meet requirements for eligible investments outlined in the <i>Income Tax Act</i> .	
Conflicts of Interest			
	- Disclosure	Conflicts of interest (if any) disclosed to the Chairperson of the Board	
CFA Institute Code of Ethics and Standards of Professional Conduct			
	- Compliance	CFA Institute Code of Ethics and Standards of Professional Conduct complied with	
Suppression of Terrorism			
	- Compliance	Compliance with federal suppression of terrorism regulations	

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

I believe this to be a factual representation of compliance with the Statement of Investment Policies and Goals throughout the reporting period.

Signature and Title

TD Asset Management _____
Company Name

**Statement of
Investment Policies
and Goals**

Saskatchewan
Pension Plan
Annuity Fund

As of January 1, 2020

APPROVED on this 12th day
of December 2019

Tim Calibaba, Chair
on behalf of the Board of Trustees

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Section 1—Overview

1.01 Purpose of Statement

The purpose of this policy statement is to provide a framework for management of the pension fund within acceptable risk levels. The policy provides the investment managers with a written statement of specific quality, quantity and rate of return standards for the Annuity Fund.

A major goal of this policy statement is to establish ongoing communication between the Board and the investment manager. Effective communication will contribute to management of the portfolio in a manner that is consistent with market conditions and with the objectives of the Board. Consultation between the two parties will take the form of regular meetings supplemented, from time to time, by informal contact requested by either party.

This Policy is based on the “prudent person portfolio approach” to ensure the prudent investment and administration of the assets of the Plan, within the parameters set out in applicable legislation.

1.02 Background of the Plan

The Saskatchewan Pension Plan was established by the Government of Saskatchewan to provide a means of retirement income planning for all Saskatchewan residents, and particularly for those residents with little or no access to the Canada Pension Plan or other pension plans. The Plan was created by *The Saskatchewan Pension Plan Act* (the Act).

Section 5 of the Act authorizes the Board to invest the Plan's money in securities authorized for investment pursuant to *The Pension Benefits Act 1992*.

Section 5 of the Act requires the Board to develop and implement an investment policy for the Fund.

1.03 Plan Profile

In order to establish an appropriate Policy for the investment and administration of Plan assets, it is important to understand the nature of the Plan. Accordingly, this section of the Policy summarizes various aspects of the Plan that impact investment return requirements and risk tolerance.

The Saskatchewan Pension Plan is unique in its design. Non-Retired and variable benefit members have two options in which to invest their assets, the Balanced Fund and the Diversified Income Fund. These two funds are collectively known as the Contribution Fund. Assets of retired members can be held in the Annuity Fund or the Variable Benefit Fund. This policy sets out the guidelines for management of the Annuity Fund. A separate policy governs the Contribution Fund and the Variable Benefit Fund.

The Balanced Fund and Diversified Income Fund hold assets supporting members' pension credits prior to retirement and those who have chosen the variable benefit option. The assets are accumulated under a defined contribution (money purchase) arrangement. Under this arrangement, plan members bear the investment risk and reap the rewards of superior investment performance, as there is no guarantee of pension benefits by a plan sponsor.

The Annuity Fund holds assets transferred from the Contribution Fund at retirement. Assets in the Annuity Fund are used to provide annuity payments to retired members. The amount of the annuity is dependent on the balance in the member's account at the date of retirement, interest rates at the date the annuity is purchased, the type of annuity selected, and life expectancy of the member and the member's spouse, if applicable.

Subsection 7(3.2) of *The Saskatchewan Pension Plan Act* indicates that any amount by which the liabilities of the fund exceed the assets of the Annuity Fund is a charge on, and payable out of, the general revenue fund of the Government of Saskatchewan.

In the Contribution Fund, contributions and related earnings are locked in to age 55. Retirement options include purchase of an annuity from the Plan, or an external provider, transfer to the Variable Benefit Fund or members may transfer assets to another financial institution for the purchase of a Prescribed Registered Retirement Income Fund (P-RRIF) or a Locked-in Retirement Account (LIRA). Benefit payments from Annuities must commence and transfers must take place no later than the end of the year the member turns 71 and can commence as early as age 55. The amount of funds available to a member to purchase pension benefits at retirement is equal to cumulative contributions and accumulated earnings.

Subsequent to the Variable Benefit Fund election, members will be able to convert all of their remaining balance to an SPP annuity or transfer out to another locked-in vehicle.

1.04 Objective of the Plan

The purpose of the Saskatchewan Pension Plan Annuity Fund (the Fund) is to hold assets of retired members and provide annuity payments for the life of the member.

1.05 Investment and Risk Philosophy

(a) Investment Philosophy

Plan assets (Fund) required to support expected benefit payments and expenses (matching assets) should be invested in a diversified portfolio of fixed income assets in a manner that immunizes the Fund against interest rate movements through matching cash flows with expected benefit and expense payments, and earns a reasonable rate of return relative to the risk profile of the Fund. Any Plan assets in excess of the matching assets (surplus assets) should be invested in a portfolio of diversified assets.

(b) Risk Philosophy

Overall, the risk tolerance of the Annuity Fund can be considered low. The Fund cannot tolerate loss of principal. Risk is addressed through an investment approach that invests solely in high quality fixed income instruments. Interest rate risk is addressed by matching estimated future cash payments with interest and principal payments from the portfolio. As such, the Annuity Fund is immunized against changes in interest rates that may cause temporary differences between the asset and liability values.

1.06 Administration

In accordance with *The Saskatchewan Pension Plan Act*, a Board of Trustees is established to administer the Plan and act as Trustee of the Fund.

Responsibility for safekeeping of the assets, income collection, settlement of investment transactions, and accounting for the investment transactions has been delegated to a trust company. Responsibility for investing the assets of the fund has been delegated to a professional investment manager. The Board has a fiduciary responsibility to ensure the investments are managed prudently.

1.07 Distinction of Responsibilities

The Board is responsible for investment of Fund assets.

Duties of the Board as relates to investments are to:

- Approve a Statement of Investment Policies and Goals;
- Set an appropriate investment structure;
- Appoint investment managers;
- Appoint the custodian;
- Monitor investment performance; and
- Review the investment policy on an annual basis.

Section 2—Asset Mix and Diversification Policy

2.01 Long-term Mission Statement

The investment objectives are:

- To structure the investment portfolio so that the Annuity Fund's matching assets are immune to changes in the level of interest rates;
- To provide sufficient liquidity to ensure payment to retired members when due; and
- To ensure long-run solvency.

2.02 Portfolio Structure

To achieve the objectives cited in 2.01 above, the assets of the Fund should be invested so that:

- The duration of the investment portfolio at cost is matched with the duration of the liabilities at cost on an annual basis. The matching should fall within a band of -.5 to +.5 years of the duration target;
- Portfolio liquidity, including investment cashflows and short-term investments, is sufficient to meet annuity payments and avoid the liquidation of long term bonds; and
- The present value of the asset cash flow stream matches or exceeds the present value of expected liability payments
- After the above objectives have been achieved, surplus assets may be invested to enhance Fund performance.

2.03 Management Structure

Philosophy

A structure with a single manager has been adopted for management of Fund assets.

This structure employs cash flow matching, which reduces the possibility of the Fund not being able to achieve its long-term objective.

Section 3—Investment Guidelines

3.01 General Guidelines

The investments of the Fund must comply with the requirements and restrictions imposed by the applicable legislation, including but not limited to the requirements of The *Saskatchewan Pension Benefits Act*, which refers to the federal *Pension Benefits Standards Act* on investment-related issues, the *Income Tax Act and Regulations*, and all subsequent amendments.

3.02 Permitted Investments

In general and subject to the restrictions in this Section 3, the Fund may invest in any of the following asset classes and investment instruments:

(a) Bonds

- (i) Bonds, debentures, notes and other evidence of indebtedness of Canadian issuers denominated and payable in Canadian dollars.
- (ii) Mortgage-backed securities.
- (iii) Mortgages on income producing commercial property and multi-unit residential properties in Canada, held in investment funds deemed permissible by the Board.
- (iv) Term deposits and guaranteed investment certificates.
- (v) Private placements of bonds and asset-backed securities subject to Section 3.03(e).

(b) Cash and Short-term Investments

- (i) Cash on hand and demand deposits.
- (ii) Treasury bills issued by the federal and provincial governments and their agencies.
- (iii) Obligations of trust companies and Canadian and foreign banks chartered to operate in Canada, including bankers' acceptances.
- (iv) Commercial paper and term deposits.

(c) Other Investments

Deposit accounts of the custodian can be used to invest surplus cash holdings.

3.03 Minimum Quality Requirements

(a) Quality Standards

- (i) The minimum quality standard for government bonds and debentures is 'BBB' or equivalent as rated by a recognized bond rating agency, at the time of purchase (includes all sub-rating levels within the overall 'BBB' rating)
- (ii) The minimum quality standard for corporate bonds and debentures is 'A' or equivalent as rated by a recognized bond rating agency, at the time of purchase (includes all sub-rating levels within the overall 'A' rating)
- (iii) Callable bonds are not permitted, except for issues with a "doomsday" clause under which the issuer pays a redemption premium relative to current market prices, thus maintaining the Annuity Fund's capital
- (iv) The minimum quality standard for individual short-term investments is 'R-1' or equivalent as rated by a recognized bond rating agency, at the time of purchase
- (v) All investments shall be reasonably liquid (i.e., in normal circumstances they should be capable of liquidation within 3 months)
- (vi) Unrated bonds should be assigned a rating by the investment manager before purchase

(b) Split Ratings

In cases where the Recognized Bond Rating Agencies do not agree on the credit rating for a bond, preferred share or asset-backed security, the security will be classified according to the methodology used by FTSE for the Canada bond indices.

(c) Downgrades in Credit Quality

The Investment Manager will take the following steps in the event of a downgrade in the credit rating of a portfolio asset by a recognized bond rating agency to below the purchase standards set out in Section 3.03(a) Quality Standards:

- (i) The General Manager will be notified of the downgrade at the earliest possible opportunity;
- (ii) Within ten business days of the downgrade, the Investment Manager will advise the General Manager in writing of the course of action taken or to be taken by the Investment Manager, and its rationale; and
- (iii) The Investment Manager will provide regular reporting on the status of the asset until such time as it matures, is sold or is upgraded to a level consistent with the purchase quality standards as expressed in the above guidelines.

(d) Rating Agencies

For the purposes of this Policy, the following rating agencies shall be considered to be 'Recognized Bond Rating Agencies':

- (i) DBRS;
- (ii) Standard and Poor's;

(iii) Moody's Investors Services;

(iv) Fitch Ratings

(e) Private Placements

Private placement bonds and asset-backed securities are permitted subject to all of the following conditions:

(i) The issues acquired must be minimum 'A' or equivalent rated.

(ii) The portfolio may not hold more than 5% of the market value of any one private placement.

(iii) The Investment Manager must be satisfied that there is sufficient liquidity to ensure sale at a reasonable price.

(iv) The portfolio may not hold more than 5% of the portfolio market value in any one private placement.

3.04 Maximum Quantity Restrictions

The Investment Manager shall adhere to the following restrictions:

(a) The combined holdings of a single corporation and its associated or affiliated companies, at the time of purchase, shall not represent more than 10% of the total market value of the assets of the Fund.

(b) The combined market value of the corporate bond and mortgage holdings shall not exceed 10% of the Fund's market value, with the limit reviewed annually relative to the Fund's funding position.

(c) No one corporate bond holding shall represent more than 10% of the market value of the total outstanding for that bond issue.

(d) 'BBB' bonds may not be purchased if the purchase would raise the 'BBB' holdings to more than 15% of the market value of the bond portfolio.

3.05 Securities Lending

The securities of the Fund may not be loaned.

3.06 Prohibited Investments

The Investment Manager shall not make any investment not specifically permitted by this Policy.

3.07 Borrowing

The Fund shall not borrow money, except to cover short-term contingency and the borrowing is for a period that does not exceed ninety days. Also, any borrowing shall be made only in accordance with applicable legislation.

Section 4—Monitoring and Control

4.01 Delegation of Responsibilities

Overall responsibility for the Plans' assets rests with the Board. The Board is responsible for the investment policy, appointment custodians, investment managers, actuarial and consulting services, and plan changes. The Board is also charged with ensuring the Plan conforms to legislation and monitoring investment performance.

In completing the above duties a number of responsibilities have been delegated:

(a) The Investment Manager will:

- (i) Invest the assets of the Fund in accordance with this Policy;
- (ii) Notify the Board, in writing of any significant changes in the investment manager's philosophies and policies, personnel or organization and procedures;
- (iii) Meet with the Board as required and provide quarterly written reports regarding their past performance, their future strategies and other issues as requested;
- (iv) Reconcile account records with the custodian account records monthly; and
- (v) File quarterly compliance reports (see Section 4.03).

(b) The custodian will:

- (i) Maintain safe custody over the assets of the Fund;
- (ii) Execute the instructions of the Board, as communicated by Administration, and any Investment Manager appointed to manage the assets of the Fund; and
- (iii) Record income and provide monthly financial statements as required.

(c) The investment consultant will:

- (i) Assist in the development and implementation of this policy and provide related research;
- (ii) Monitor the investment performance of the Fund and the Investment Managers on a quarterly basis;
- (iii) Evaluate the appropriateness of investment fund vehicles made available to the Fund by the Investment Manager;
- (iv) Support the Board on matters relating to investment management and administration of the Fund; and

(v) Meet with the Board and Administration as required.

(d) The General Manager:

(i) Is appointed by the Board and is responsible for all investment matters of the Plan.

4.02 Performance Standards

- (a) Investment performance will be monitored and evaluated on a regular basis.
- (b) Portfolio risk will be monitored annually by measuring the duration gap between the assets and liabilities.
- (c) Long-term solvency will be monitored annually by comparing the present value of the asset cash flow stream to the present value of the estimated liability payments.
- (d) Performance review and investment strategy meetings will be held on a quarterly basis.

4.03 Compliance Reporting by Investment Manager

The Investment Manager is required to complete and sign a compliance report each quarter. The compliance report should indicate whether or not the Investment Manager's portfolio was in compliance with this Policy during the quarter. Copies of the compliance reports must be sent to the Board and to the Fund's investment consultant. Report formats for the compliance reports are included under the appendix.

In the event that an Investment Manager is not in compliance with this Policy, the Investment Manager is required to advise the Administration immediately, detailing the nature of the non-compliance and recommending an appropriate course of action to remedy the situation.

If an Investment Manager believes the Guidelines are inappropriate for anticipated economic conditions, the manager is responsible for advising the Board that a change in guidelines is desirable and the reasons therefore.

4.04 Standard of Professional Conduct

Each Investment Manager is expected to comply, at all times and in all respects, with the Code of Ethics and Standards of Professional Conduct as promulgated by the CFA Institute.

Each Investment Manager will manage the assets with the care, diligence and skill that a prudent person skilled as a professional investment manager would use in dealing with pension plan assets. The Investment Manager will also use all relevant knowledge and skill that it possesses or ought to possess as a prudent investment manager.

4.05 Suppression of Terrorism

The Investment Managers must comply at all times and in all respects with the federal suppression of terrorism regulations.

Section 5—Administration

5.01 Conflicts of Interest

(a) Responsibilities

This standard applies to the members of the Board as well as to all agents employed by them, in the execution of their responsibilities to the Fund (the “Affected Persons”).

An “agent” is defined to mean a company, organization, association or individual, as well as its employees, who are retained by the Board to provide specific services with respect to the investment, administration and management of the Fund.

(b) Disclosure

In the execution of their duties, the Affected Persons shall disclose any material conflict of interest relating to them, or any material ownership of securities, which could impair their ability to render unbiased advice, or to make unbiased decisions, affecting the administration of the Fund.

Further, it is expected that no Affected Person shall make any personal financial gain (direct or indirect) because of his or her position. However, normal and reasonable fees and expenses incurred in the discharge of their responsibilities are permitted if documented and approved by the Board.

No Affected Person shall accept a gift or gratuity or other personal favor, other than one of nominal value, from a person with whom the individual deals in the course of performance of his or her duties and responsibilities for the Board.

It is incumbent on any Affected Person who believes that he/she may have a conflict of interest, or who is aware of any conflict of interest, to disclose full details of the situation to the attention of the Board immediately. The Board, in turn, will decide what action is appropriate under the circumstances but, at a minimum, will table the matter at the next regular meeting of the Board.

No Affected Person who has or is required to make a disclosure which is determined to be in conflict as contemplated in this Policy shall participate in any discussion, decision or vote relating to any proposed investment or transaction in respect of which he or she has made or is required to make disclosure.

5.02 Related Party Transactions

The administrator of the plan may not enter into a transaction with a related party unless:

- (a) The 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; or
- (b) The combined value of all transactions with the same related party is nominal or the combined transactions are immaterial, less than 0.5% of the Fund's market value; or
- (c) The investment is exempted under Section 17 of Schedule III of *the Pension Benefits Standards Regulations*.

"Related party" is defined in section 1 of Schedule III to the *Pension Benefits Standards Regulations, 1985* (Canada). A related party is a person who is the administrator of the plan including any officer, director or employee of the administrator, or any person who is a member of the Board. It also includes, the Investment Managers and their employees, a union representing employees of the employer, a member of the plan, a spouse or child of the persons named previously, or a corporation that is directly or indirectly controlled by the persons named previously, among others. Related party does not include government or a government agency.

Under the preceding conflict of interest guidelines, it is incumbent on any person to notify the Board if a conflict arises. Such conflict includes related party transactions.

5.03 Selecting Investment Managers

In the event that a new Investment Manager must be selected or additional Investment Manager(s) added to the existing Investment Managers, the Board will undertake an Investment Manager search. The criteria used for selecting an Investment Manager will be consistent with the investment and risk philosophy set out in Section 1.05 (Investment and Risk Philosophy), and the Management Structure Philosophy set out in Section 2.03.

5.04 Monitoring of Investment Managers

To enable the Board to fulfill its responsibility of monitoring and reviewing the Investment Managers, the Investment Consultant will assist the Board, on an ongoing basis, in considering:

- (a) Investment Manager's staff turnover, consistency of style and record of service;
- (b) Investment Manager's current economic outlook and investment strategies;
- (c) Investment Manager's compliance with this Policy, where a manager is required to complete and sign a compliance report; and,
- (d) Performance standards of the assets of the Plan in relation to the expectations outlined in this Policy.

5.05 Dismissal of an Investment Manager

Reasons for considering the termination of the services of an Investment Manager include, but are not limited to, the following factors:

- (a) Performance standards, which over a reasonable period of time, are not in compliance with the stated performance benchmarks;
- (b) Changes in the overall structure of the Fund such that the Investment Manager's services are no longer required;
- (c) Change in personnel, firm structure and investment philosophy, style or approach which might adversely affect the potential return and/or risk level of the portfolio; and/or
- (d) Failure to adhere to this Policy.

5.06 Policy Review

This Policy may be reviewed and amended at any time, but it must be formally reviewed by the Board, at least once in every calendar year.

Appendix A—Compliance Report

**Saskatchewan Pension Plan
Annuity Fund**
Compliance Report for the Period From _____ to _____
(date) (date)

		Guidelines	Policy Complied With Yes/No*
		%	
Permitted Investments			
	- Per Section 3. Canada, provincial and corporate bond issues, strips, mortgage backed securities, and short-term investments are permissible. Equities, options, futures, and other derivative securities are not permissible.		
Constraints			
	- Duration	+/- 0.5 years of liability duration (annually) for the liability matching assets	
	- Matching	Present value of assets matches or exceeds present value of expected liability payments (annually)	
	- Quality	Min 'BBB' for government bonds	
		Max 10% of market value in combined corporate bonds and mortgages	
		Max 15% of market value of bond portfolio in 'BBB'	
		Min 'A' rating for bonds of corporate issuers	
		Min 'R-1' for short-term investments	
	- Currency Risk	Foreign debt issues and foreign pay securities not permitted	
	- Private Placements	Min 'A' rating for private placement issuers	
	- Callable Bonds	Callable bonds are not permitted, except for bonds containing a "doomsday" clause	
	- Statutory Requirements	Must meet requirements for eligible investments outlined in <u>The Pension Benefits Act</u>	
		Must meet requirements for eligible investments outlined in the <u>Income Tax Act</u>	
Conflicts of Interest	- Disclosure	Conflicts of interest (if any) disclosed to the Chairperson of the Board	
CFA Institute Code of Ethics and Standards of Professional Conduct	- Compliance	CFA Institute Code of Ethics and Standards of Professional Conduct complied with	
Suppression of Terrorism	- Compliance	Compliance with federal suppression of terrorism regulations	

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

I believe this to be a factual representation of compliance with the Statement of Investment Policies and Objectives throughout the reporting period.

Signature and Title

Company Name