

**Statement of
Investment Policies
and Procedures**

University of
Saskatchewan and
Federated Colleges

Non-Academic
Pension Plan

As of April 2021

APPROVED on this 13th day
of May, 2021
on behalf of the Board of Governors



For Chair



For Secretary

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Section 1—Overview

1.01 Definitions

For the purposes of this document the following words, phrases and abbreviations are assigned:

- | | | |
|-----|-----------------------|---|
| (a) | Actuary | Actuarial firm hired by the Plan to provide actuarial valuations and other advice regarding Plan funding and contribution rates |
| (b) | Administrator | The Board of Governors of the University of Saskatchewan and its committees |
| (c) | Board | The Board of Governors of the University of Saskatchewan |
| (d) | Custodian | Trust Company responsible for safekeeping of the assets, income collection, settlement of investment transactions, and accounting for the investment transactions |
| (e) | Fund | Investment assets of the Plan |
| (f) | Investment Consultant | Consulting firm retained by the Plan to provide strategic advice regarding the Plan's investment policy, investment managers and investment performance issues. |
| (g) | Investment Managers | Professional investment managers hired to manage the assets of the Fund |
| (h) | Plan | University of Saskatchewan and Federated Colleges Non-Academic Pension Plan |

- (i) Prudent Person Portfolio Approach As defined by the Office of the Superintendent of Financial Institutions (OSFI), the Prudent Person Portfolio Approach requires the Board to establish, and the Fund to adhere to, “investment and lending policies, standards and procedures that a reasonable and prudent person would apply in respect of a portfolio of investments and loans to avoid undue risk of loss and obtain a reasonable return”.
- (j) Related Party "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. It also includes, the Investment Managers and Investment Consultant 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. A Related Party does not include government or a government agency.

1.02 Purpose of the Investment Policy

The purpose of this policy statement is to provide a framework for management of the Fund within levels of risk acceptable to the Administrator and the Board.

This policy statement provides the Investment Managers with a written statement of specific quality, quantity and rate of return standards for the Plan. A major goal of this policy statement is to establish ongoing communication between the Administrator and the Investment Managers. Effective communication will contribute to management of the portfolio in a manner that is consistent with market conditions and with the objectives of the Plan. 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, subject to applicable legislation.

1.03 Background of the Plan

The Plan is registered under the Saskatchewan Pension Benefits Act and the Income Tax Act, and as a registered pension plan is required to prepare a Statement of Investment Policies and Procedures.

1.04 Nature of the Obligations Being Funded

The Plan is a defined benefit pension plan which is closed to new entrants effective September 1, 2019.

The primary purpose of the Plan is to provide retirement and related benefits for members after retirement in respect of service up to August 31, 2019 as employees of the non-academic staff of the University of Saskatchewan.

Effective September 1, 2019, the Plan's members are no longer required to make contributions. The University of Saskatchewan will be required to make contributions to meet the regulatory minimum funding requirements.

Pension benefits are equal to years of pensionable service times 2.0% of the average best four years' earnings. Effective September 1, 2019 pensionable service accruals ceased.

As per the December 31, 2019 Actuarial Valuation Report, the Plan had a going concern unfunded liability (including 5% margin) of \$3.5 million based on assets of \$395.4 million and liabilities of \$398.9 million. The Plan's funded ratio (including 5% margin) was 0.99 as of December 31, 2019. The Plan's solvency ratio was 0.68 as of December 31, 2019. As a consequence of the going concern unfunded liability, monthly contributions of \$63,800 (based upon the December 31, 2019 actuarial valuation) for subsequent years are required until such time as a new valuation is filed with the regulators and new going concern payments are determined.

Plan membership as of December 31, 2019 was 2,498; 1,200 actives, 1,066 pensioners and beneficiaries, and 232 other members.

1.05 Objective of the Plan

The purpose of the Plan is to provide for the accumulation of pension assets on behalf of the Plan's participants and provide members of the Plan with retirement benefits prescribed under the terms thereof.

1.06 Investment and Risk Philosophy

(a) Investment Philosophy

Plan assets should be prudently managed to assist in managing funding volatility and excessive volatility in annual rates of return. The Plan uses a number of investment strategies to achieve the relative and absolute performance objectives set by the Administrator.

The Plan employs a mix of active management styles. Active management provides the opportunity to outperform common market indices over the long-term, with minimum degree of excess risk. Specialty managers have been employed to achieve style offsets and diversification within asset classes, further mitigating risk.

(b) Risk Philosophy

In order to achieve the long-term investment goal, the Plan invests in assets that have uncertain returns, such as Canadian equities, foreign equities, real estate and non-government bonds. However, the Administrator attempts to reduce the overall level of risk by diversifying the asset classes and further diversifying within each individual asset class.

The investment risk level is discussed and assessed by the Administrator on an annual basis during the policy review. Factors considered include funded status, cash flow needs, risk and return of the capital markets and risk preference of the Board and Administrator. Based on the assessment, the long-term investment goal and benchmark portfolio weights are set.

A number of factors suggest the Plan has an average tolerance for risk:

- (i) The Plan was closed to new members effective September 1, 2019 and current membership is comprised of active members and inactive or deferred status members.
- (ii) Active members have an average age of 46.4 years as of December 31, 2019.
- (iii) Approximately 35% of liabilities are attributable to active members.
- (iv) Considering mortality statistics, the average investment horizon of Plan members is very long but will shorten as the Plan is now closed to new members.
- (v) The Plan's asset mix generates investment income to supplement in covering cash outflows. Annual cash outflows exceed inflows and can vary from year to year.

Accordingly, the long-term policy asset mix for the Fund has a bias to equities.

1.07 Administration

The Board is responsible for investments of the University of Saskatchewan's pension plans.

Day-to-day administration is provided by the Pensions Office of the University of Saskatchewan. Investment management and custody of the Plan's assets have been delegated as set out in Section 4.01 of this policy.

Section 2—Asset Mix and Diversification Policy

2.01 Portfolio Return Expectations

The long-term investment goal of the Fund is to achieve an annualized rate of return of at least 6.05% as of the December 31, 2019 actuarial valuation. This goal is consistent with the overall investment risk level that the Fund could assume in order to meet the pension obligations of the Plan, and normally will be assessed over longer time periods; i.e., over ten years or more.

2.02 Expected Volatility

To achieve the long-term investment goal, the Fund has adopted an asset mix that has a bias to equity investments. Risk is controlled by investing in a well-diversified portfolio of asset classes. Since the Investment Managers, except for the Real Estate Manager, are not permitted to use leverage, the volatility of the Fund is expected to be similar to that of the benchmark portfolio.

2.03 Asset Mix

The following table presents the target asset mix and asset component ranges, based on market values. The benchmark is diversified among Canadian and global equities. An allocation to real estate and infrastructure has been included in the benchmark to enhance diversification.

Target Asset Mix and Asset Component Ranges (at market value)

	Minimum %	Target %	Maximum %
Equities			
Canadian equities	7.5	10	12.5
Global equities (ACWI*)	15	20	25
Global equities (Low Volatility)	<u>15</u>	<u>20</u>	<u>25</u>
Total Equities	45	50	55
Infrastructure	0	10	12.5
Real Estate	7.5	10	12.5
Fixed Income			
Core Plus Bonds**	25	30	35
Short term investments	0	<u>0</u>	10
Total Fund		100	

* All Countries World Index which consists of developed and emerging markets equities.

The Target Asset Mix and Asset Component Ranges are effective when implemented. It is expected that the implementation will be complete by December 31, 2021.

2.04 Management Structure

A specialist management structure has been adopted for management of Plan assets, consisting of:

- One active Canadian equity manager;
- One active global equity ACWI manager;
- One active global equity low volatility manager;
- One active direct infrastructure manager;
- One passive infrastructure equity manager;
- One active real estate manager; and
- An active core plus bonds manager.

This structure predominantly employs active management. Active management provides the opportunity to outperform common market indices over the long-term, with minimum degree of excess risk. The passive infrastructure manager is employed to maintain exposure to the asset class and provide liquidity.

(a) Investment Manager Rebalancing Guidelines and Procedures

The assets of the Plan are currently managed by several Investment Managers with different mandates. In order to ensure adequate diversification by both asset class and by manager, the Administrator has established the following parameters to guide the allocation of assets to each of the Fund's Investment Managers.

(i) Investment Manager Rebalancing Guidelines

Investment Manager (% of Market Value)	Minimum %	Target %	Maximum %
Canadian Equity Manager	7.5	10	12.5
Global Equity Manager – ACWI	15	20	25
Global Equity Manager – Low Volatility	15	20	25
Direct Infrastructure Manager – Active	0	8	10
Infrastructure Equity Manager – Passive	0	2	10
Real Estate Manager – Active	7.5	10	12.5
Core Plus Bonds Manager - Active	25	30	35

The Investment Manager Rebalancing Guidelines are effective when implemented. It is expected that the implementation will be complete by December 31, 2021.

Implementation of the rebalancing is the responsibility of the Administrator and will be implemented with the assistance of the Investment Consultant.

(ii) Investment Manager Rebalancing Procedures

The rebalancing guidelines are intended to assist in managing the asset mix. Neither rebalancing for market fluctuations, nor allocation of new cash flow, will be used as a method to reward or express dissatisfaction with Investment Manager performance. Investment Manager performance is a long-term measure and will be dealt with during performance reviews of the Investment Managers.

The assets allocated to each Investment Manager will be determined following each calendar quarter. Should any Investment Manager's range be breached, the Investment Consultant will advise the Administrator who, with the assistance of the Investment Consultant, will rebalance the funds allocated to that manager to the target weight by transferring cash to (from) the other managers. The Administrator will determine the timing and amounts of the rebalancing with consideration to all relevant influencing factors, including upcoming Fund changes, liquidity of each asset class and cashflows. In most cases, the allocation to (from) the Investment Managers will be in order of greatest variance from the target, up to the manager's target level. All rebalancing activity will be reported to the Administrator.

2.05 Fixed Income Transition

A transition from Core Plus Bonds to Long Core Plus Bonds will take place gradually over time, based on Canadian Long-Term Government Bond yield levels. The overall objective of the fixed income transition is to protect the Plan against interest rate risk to the extent possible and to invest in assets that appropriately match the Plan's liabilities. The transition from Core Plus Bonds to Long Core Plus Bonds is detailed in the following chart:

Canadian Long-Term Government Bond Yields Series V39056 or Bloomberg's Canada 30 Year Government Bond Yield (%)	Core Plus Bonds (as a % of the Plan's total assets)	Long Core Plus Bonds (as a % of the Plan's total assets)
<1.95	30.0	0.0
1.95 to <2.20	20.0	10.0
2.20 to <2.45	10.0	20.0
>2.45	0.0	30.0

If a long-term interest rate trigger is reached, the Core Plus Bonds Manager will notify the Administrator and the Investment Consultant and will rebalance the Core Plus Bonds portfolio to the corresponding allocation, as soon as practical. The Core Plus Bonds Manager will then rebalance again when the next yield trigger is reached. Whenever a transition from Core Plus Bonds to Long Core Plus Bonds occurs, the Combined Fund Benchmark will also be amended. The Core Plus Bonds Manager will continue to implement the fixed income transition unless advised otherwise by the Administrator.

The progression along the fixed income transition path is unidirectional, as once a transfer from Core Plus Bonds to Long Core Plus Bonds has occurred, it will not be reversed in the event that interest rates subsequently decline.

Section 3—Permitted and Prohibited Investments

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.

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

3.02 Permitted Investments

(a) Canadian, Foreign and Infrastructure Equities

- (i) Common and convertible preferred stock, listed on a recognized exchange
- (ii) Debentures convertible into common or convertible preferred stock
- (iii) Rights, receipts, warrants and private placements of common and convertible preferred stock or other substitutes of equity ownership
- (iv) Installment receipts, American Depository Receipts, subscription receipts or other recognized depository receipts
- (v) Exchange traded funds (e.g., iShares and Standard & Poor's Depository Receipts (SPDRs))
- (vi) Income Trusts, domiciled in jurisdictions that provide limited liability protection
- (vii) TSX exchange traded limited partnerships

(b) Fixed Income

- (i) Bonds, debentures, notes, non-convertible preferred stock and other evidence of indebtedness of Canadian or foreign issuers whether denominated and payable in Canadian dollars or a foreign currency
- (ii) First mortgages secured against Canadian real estate
- (iii) Asset-backed securities
- (iv) Infrastructure debt
- (v) Convertible bonds and loans

(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) Mortgage-backed and asset-backed securities
- (iv) Obligations of trust companies and Canadian and foreign banks chartered to operate in Canada, including bankers' acceptances
- (v) Commercial paper and term deposits
- (vi) U.S. government and corporate, U.S. dollar denominated issues of the above listed securities, except for asset-backed and mortgage backed securities, within a permissible pooled fund

(d) Real Estate & Direct Infrastructure

Investments in real estate and direct infrastructure by way of participation in pooled funds are permissible. While it is recognized any real estate or direct infrastructure pooled fund in which the Plan participates is governed by its own investment policy, desirable traits in selection of a real estate and direct infrastructure manager and pooled fund include:

- (i) An institutional investment focus;
- (ii) A core style of real estate and direct infrastructure investing that is predominately focused on developed investments;
- (iii) A well-diversified portfolio by property type and by region; and
- (iv) Modest use of leverage, within the constraints of the investment policies of the pooled funds.

(e) Other Investments

- (i) Investments in open-ended pooled funds, provided that the assets of such funds are permissible investments under the policy; and
- (ii) Deposit accounts of the Custodian can be used to invest surplus cash holdings

(f) Derivatives

The use of derivatives (such as options, futures and forward contracts) is permitted to protect against losses from changes in exchange rates, interest rates and market indices; and for non-hedging purposes, as a substitute for direct investment. Sufficient assets or cash must be held to cover commitments due to the derivatives transactions. No derivatives can be used for speculative trading.

(g) Pooled Funds

Investment in pooled funds is permissible. Pooled fund investments are governed by the policies and guidelines for each fund. The Administrator shall, with the assistance of the Investment Consultant, review the policies and guidelines for all pooled funds to determine that they are appropriate.

Should there be pending changes to the policies or guidelines of any pooled funds utilized by the Plan, the Investment Manager of the affected pooled fund will notify the Administrator of the pending changes in writing at least 90 days in advance of the expected date of the changes.

Should there be a violation of the policies or guidelines of any of the pooled funds utilized by the Plan, the Investment Manager of the affected pooled fund will notify the Administrator of the violation as soon as possible. The notice period will not exceed 90 days after the date of the violation.

3.03 Minimum Quality Requirements (Fixed Income)

As the allocation to core plus bonds is an investment in pooled funds, the minimum quality requirements are indicated in the policies and guidelines of the pooled funds.

3.04 Maximum Quantity Restrictions

(a) Total Fund Level

No one equity holding of a corporation and its associated or affiliated companies shall represent more than 10% of the total market value of the assets of the Plan.

(b) Individual Investment Manager Level

The Investment Managers shall adhere to the following restrictions:

(i) Equities

No one equity holding shall represent more than 12% of the market value of the respective equity portfolio of any one Investment Manager within the Fund

(ii) Bonds

As the allocation to core plus bonds is an investment in pooled funds, any restrictions will be dictated by the policies and guidelines of the pooled funds.

(iii) Real Estate

No more than 50% of the market value of the real estate portfolio should be in any one property type (Retail, Residential, Industrial, Office or Mixed-Use).

(iv) Pooled Fund Investments

An investment by the Fund in a single pooled fund should not exceed 10% of the market value of that fund. The Fund may exceed the 10% limit if a provision has been made to transfer assets out of the fund “in kind”, excluding real estate and direct infrastructure funds.

3.05 Prior Permission Required

The following investments require prior permission from the Administrator:

- (a) Direct investments in resource properties;
- (b) Direct investments in venture capital financing;
- (c) Derivatives other than those otherwise permitted in Section 3.02(f) above; and
- (d) Investments in any other securities not specifically referenced in this policy statement.

3.06 Prohibited Investments

The Investment Managers shall not:

- (a) Purchase securities on margin or engage in short sales, except as allowed in Section 3.02(f); or,
- (b) Make any investment not specifically permitted by this policy.

3.07 Securities Lending

Investment in a pooled fund that permits securities lending is permissible. The pooled fund manager shall disclose whether the fund uses securities lending.

3.08 Borrowing

The Plan shall not borrow money, except to cover short-term contingency and the borrowing is for a period that does not exceed ninety days, subject to applicable legislation.

Section 4—Monitoring and Control

4.01 Delegation of Responsibilities

Responsibility for safekeeping of the assets, income collection, settlement of investment transactions, and accounting for the investment transactions has been delegated to a Custodian. Responsibility for investing the assets of the Fund has been delegated to Investment Managers. The Board has a fiduciary responsibility to manage the investments prudently.

The duties of the Administrator are to:

- (a) Recommend a Statement of Investment Policies and Procedures to the Board;
- (b) Recommend an appropriate investment management structure;
- (c) Recommend appointment of the Investment Managers;
- (d) Recommend appointment of the Custodian;
- (e) Recommend appointment of the Actuary;
- (f) Recommend appointment of the Investment Consultant;
- (g) Monitor investment performance and provide periodic written reports to the Board as to the performance of the Fund and its Investment Managers;
- (h) Liaise with the Investment Managers, Investment Consultant, Actuary and Custodian; and
- (i) Recommend changes to investment policy for review and, to the extent acceptable, acceptance by the Board.

The Administrator, with the assistance of the Investment Consultant, Actuary, Custodian and Investment Managers, is charged with monitoring conformity with legislation and advising the Board to the extent that the Plan does not conform to legislation and any recommended changes to ensure conformity.

In addition, it is acknowledged that the responsibilities of the Board and the Administrator, as set forth herein, are general in nature and that a plan governance document was approved by the Board on July 1, 2008. The governance document provides a clear delineation of the duties and responsibilities in respect of the Board, the Administrator and all agents of the Plan.

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

- (a) The Investment Managers will:
 - (i) Invest the assets of the Fund in accordance with this policy;
 - (ii) Meet with the Administrator as requested and provide written quarterly reports regarding their past performance, their future strategies and other issues as requested;
 - (iii) Notify the Administrator, 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; and
 - (iv) File quarterly compliance reports (see Section 4.04).
- (b) The Custodian will:
 - (i) Maintain safe custody over the assets of the Fund;
 - (ii) Execute the instructions of the Administrator, as delegated to any Investment Manager appointed to manage the assets of the Fund; and
 - (iii) Record income and provide monthly financial statements as required.
- (c) The Actuary will:
 - (i) Provide actuarial valuations of the Plan as required; and
 - (ii) Provide recommendations to the Administrator with respect to any matters relating to Plan funding and contribution rates.
- (d) 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) Advise the Administrator when rebalancing is required;
 - (iv) Support the Administrator on matters relating to investment management and administration of the Fund; and
 - (v) Meet with the Administrator as required.

4.02 Performance Measurement

The performance of the Fund shall be measured quarterly and return calculations shall be as follows:

- Time weighted rates of return; and
- 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.

(a) Combined Fund Benchmark

The primary objective for the 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:

Combined Fund Benchmark

	%
S&P/TSX Capped Composite Total Return Index	10
MSCI ACWI Net Total Return Index (Cdn. \$)	20
MSCI World Net Total Return Index (Cdn. \$)	20
Canadian Consumer Price Index + 5%	10
MSCI/REALPAC Canada Property Fund Index	10
FTSE Canada Universe Bond Index &/or Long Bond Index*	<u>30</u>
	<u>100</u>

*see section 2.05 Fixed Income Transition

The Combined Fund Benchmark is effective when implemented. It is expected that the implementation will be complete by December 31, 2021.

(b) Investment Managers' Objectives

The benchmark performance objectives for the Investment Managers are tailored to the specific mandate established for each Investment Manager. Accordingly, the performance objectives may change over time. Currently, the objectives are to exceed, net of fees, the following indices with a level of volatility consistent with the investment mandate provided to the Investment Manager:

Canadian equities = S&P/TSX Capped Composite Total Return Index

Global equities - ACWI = MSCI ACWI Net Total Return Index (Cdn. \$)

Global equities – Low Volatility = MSCI World Net Total Return Index (Cdn. \$)

Infrastructure = Canadian Consumer Price Index + 5%

Real estate = MSCI/REALPAC Canada Property Fund Index

Bonds = FTSE Canada Universe Bond &/or Long Bond Index*

*see Section 2.05 Fixed Income Transition

The market indices referred to in this section may be changed by the Administrator to match the specific investment mandates for the Investment Managers selected to manage the portfolio, recognizing that at all times the Fund must be managed in accordance with the asset mix guidelines and permitted and prohibited investments set out in Sections 2 and 3 above.

4.03 Monitoring and Rebalancing the Fund's Asset Mix

In order to ensure that the Fund operates within the guidelines stated in this policy, the Administrator, with the assistance of the Investment Consultant, shall monitor the asset mix on a quarterly basis. In the event that the Fund falls outside of asset mix and/or rebalancing guidelines, the Investment Consultant will advise the Administrator who will rebalance the portfolio as outlined in Section 2.04(a)(i) Investment Manager Rebalancing Procedures.

4.04 Reporting by the Investment Managers

On a calendar quarterly basis, each Investment Manager will provide a performance report, and a strategy review for the portfolio under management. The report should discuss any changes in the Investment Manager's investment personnel, style, process or philosophy.

Also, 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 during the quarter with this policy and/or, should the Plan's investment with an Investment Manager be invested in pooled funds, with the policy of the pooled funds. Copies of the compliance reports must be sent to the Administrator, and to the Investment Consultant.

In the event that an Investment Manager is not in compliance with this policy, the Investment Manager is required to advise the Administrator immediately, detailing the nature of the non-compliance and recommending an appropriate course of action to remedy the situation. If it is in the best interests of the Fund, the Administrator may permit the Investment Manager, on a temporary basis, to be outside of the guidelines.

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

The Fund invests in pooled funds, which have separate investment policies and guidelines. Should a conflict arise between the provisions of this policy, and the provisions of the pooled fund's investment policy, the Investment Manager is required to notify the Administrator immediately in writing, detailing the nature of the conflict and the Investment Manager's recommended course of action.

4.05 Standard of Professional Conduct

The Investment Managers are 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.

The Investment Managers 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 Managers will also use all relevant knowledge and skill that it possesses or ought to possess as a prudent investment manager.

Section 5—Administration

5.01 Conflicts of Interest

(a) Responsibilities

This standard applies to the Board, the Administrator and any employees of the University of Saskatchewan who have responsibilities in administration of the Plan, 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 Administrator to provide specific services with respect to the investment, administration and management of the Fund.

In carrying out their fiduciary responsibilities, these parties must act at all times in the best interest 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 would appear to a reasonable person to 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 fiduciary position. However, normal and reasonable fees and expenses incurred in the discharge of their responsibilities are permitted if documented and approved by the Administrator.

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 Administrator.

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 Administrator immediately. The Administrator, in turn, will decide what action is appropriate under the circumstances but, at a minimum, will have the matter tabled and recorded in the minutes of the next regular meeting of the Administrator.

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

Without prior approval of the Administrator may not enter into a transaction with a Related Party unless:

- (a) The transaction is required for the operation or administration of the Plan (not including loans or investments) and the terms and conditions of the transaction are not less favourable to the Plan than market terms and conditions; or
- (b) The investment is in an investment fund in which other investors may invest and that complies with the regulations governing the investments in a plan or in member choice accounts; or
- (c) The investment is in a unallocated general fund of an authorized Canadian life insurance company; or
- (d) The investment is in securities issued by or fully guaranteed by the Government of Canada, the government of a province, or an agency of either of these governments; or
- (e) The investment is in a fund composed of mortgage-backed securities that are fully backed by the Government of Canada, the government of a province, or an agency of either of these governments;
- (f) The investment is in a fund that replicates the composition of a broad class of securities traded at a marketplace; or
- (g) The investment involves the purchase of a contract or agreement under which the return is based on the performance of a widely recognized index of a broad class of securities traded at a marketplace.

Under the conflict of interest guidelines, any person who becomes aware of a conflict of interest shall notify the Administrator. Such conflict includes transactions with a Related Party.

5.03 Valuation of Securities Not Regularly Traded

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

- (a) Equities, last available trade price, unless otherwise instructed by the client;
- (b) Bonds, same as for equities;
- (c) Real estate and direct infrastructure, a certified written appraisal from a qualified independent appraiser at least every year; and
- (d) Securities that are not publicly traded are valued at cost unless there is an external transaction or other evidence that indicates market value is different from cost.

5.04 Voting Rights

The Board has delegated voting rights acquired through pension Fund investments to the Custodian, to be exercised in accordance with the Investment Managers' instructions. Investment Managers are expected to vote all proxies in the best interests of the beneficiaries of the Fund.

The Board, however, may take back voting rights for specific situations. The Administrator, as a result of its meetings with the Investment Managers, may wish to make recommendations to the Board in respect of specific situations when it may be appropriate for the Board to assume voting rights in respect of specific securities.

For private placements, voting rights will be delegated to the Investment Manager, or voted directly by a representative, as appointed by the Administrator.

The Investment Managers shall disclose their proxy voting policies, and any changes thereto, and report quarterly in the compliance report on (1) whether all eligible proxies were voted on the Fund's behalf and (2) if the proxy guidelines were followed and report on any deviations.

5.05 Soft Dollars

Soft dollars are the costs of commissions paid in excess of the cost of execution.

A variety of brokers may 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.

Investment Managers may use soft dollars to pay for research and other investment-related services with annual disclosure to the Administrator, provided they comply with the Soft Dollar Standards promulgated by the CFA Institute.

5.06 Investment Policy Review

This policy may be reviewed and revised at any time but must be formally reviewed by the Administrator at least once in every calendar year and to the extent changes are necessary, the Administrator shall make recommendations to the Board as to changes in the policy.

Section 6—Investment Managers

6.01 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 Administrator 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 1.06 (Investment and Risk Philosophy).

As responsible corporate behaviour with respect to environmental, social and governance (ESG) factors is recognized to have a positive influence on long-term shareholder value, the Administrator may consider a manager's approach to ESG and sustainability practices when selecting the Investment Managers.

6.02 Monitoring of Investment Managers

To enable the Administrator to fulfill its responsibility of monitoring and reviewing the Investment Managers, the Investment Consultant will assist the Administrator, 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 or, if applicable, its pooled fund, where a manager is required to complete and sign a compliance report;
- (d) Investment Manager's performance in relation to the rate of return expectations outlined in this policy; and
- (e) Investment Manager's approach to ESG and sustainability practices.

6.03 Reasons for Terminating 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 the 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.

Section 7—Investment Consultant

7.01 Selection & Termination Policy

(a) Selection

The Administrator shall consider the following criteria when selecting an Investment Consultant to monitor the investment performance of the Plan;

- (i) Investment Consultant has established a reputation for expertise in the issues and laws governing pension plans in Canada;
- (ii) Investment Consultant has established a reputation for proactive advice to governance committees;
- (iii) Investment Consultant has established a reputation for quality client servicing. The criteria for judging this quality include clear, accurate and complete reporting, both orally and in writing; and/or
- (iv) Investment Consultant fees shall be competitive.

(b) Termination

Reasons for considering the termination of the services of an Investment Consultant include, but are not limited to, not meeting the selection criteria cited above.

- End -