

**Statement of
Investment Policies
and Procedures**

University of
Saskatchewan

1999 Academic
Pension Plan

As of October 2024

APPROVED on this 31st day
of January, 2025
on behalf of the Board of Governors


Chair


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:

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| (a) Academic Defined Benefit Pension Committee | A joint Committee consisting of six persons: three appointed by Committee the Board, and three by the Faculty Association. Referred to as “the Committee” throughout this document. |
| (b) Actuary | Such actuary as the Board may from time to time appoint for purposes of making actuarial valuations and of performing other services in connection with the Plan |
| (c) Administrator | The Board of Governors of the University of Saskatchewan and its committees |
| (d) Board | The Board of Governors of the University of Saskatchewan |
| (e) Custodian | Trust company appointed by the Board to act as custodian of the Fund in accordance with the Plan and be responsible for safekeeping of the assets, income collection, settlement of investment transactions, and accounting for the investment transactions. |
| (f) Fund | Investment assets of the Plan |
| (g) Investment Consultant | Such company or other persons the Board may appoint from time to time to provide strategic advice regarding the Plan’s investment policy, investment managers and investment performance issues |
| (h) Investment Managers | Such company(ies) or other persons the Board may appoint from time to time for the purpose of investing a portion of the assets in the Fund in accordance with a mandate specified in the Statement of Investment Policies and Procedures |
| (i) Plan | University of Saskatchewan 1999 Academic Pension Plan |
| (j) Plan Document | The text of the Plan as amended from time to time in accordance with the Collective Agreement |

(k) 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”.

(l) 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, or any person who is a member of the Committee. 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. 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 Committee and the Board.

This policy provides the Investment Managers with a written statement of specific quality, quantity and rate of return standards for the Fund. A major goal of this policy statement is to establish ongoing communication between the Committee 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 1999 Academic Pension 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’s membership is comprised of members who split off from the Retirees’ Plan in 2000 and transferred to this new, separate Plan. A new Money Purchase Plan was registered

in 2002 and active members choosing to, transferred to the Money Purchase Plan. The Plan, to which this policy relates, is closed to new members.

The active employees and the University make on-going contributions; set in conjunction with the most recently filed actuarial valuation and the Funding Policy. The Plan's retirement benefits are indexed on a formula basis for the first five years after retirement. The Plan Document provides for further indexation on an ad hoc basis, depending on the financial position of the Plan.

As per the December 31, 2023 Actuarial Valuation Report, the Plan had a going concern surplus, including 5% margin, of \$4.5 million, based on assets of \$161.4 million and liabilities of \$156.9 million. As per the December 31, 2023 Actuarial Valuation Report, the solvency ratio was 1.024 as of December 31, 2023.

The Plan's membership as of December 31, 2023 was 268; 28 actives, 227 pensioners and beneficiaries, and 13 other members including temporary pensioners, transfer deficiency members and deferred members.

1.05 Objective of the Plan

The purpose of the Fund is to provide for the accumulation of pension benefits to eligible members and to provide members of the Plan with retirement benefits prescribed under the terms thereof.

1.06 Investment and Risk Philosophy

(a) Investment Philosophy

The Plan's 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 Committee.

The Plan employs a mix of active and passive management styles. Active management provides the opportunity to outperform specific investment benchmarks. Passive management provides broad market diversification at low cost.

(b) Risk Philosophy

The investment risk level is discussed and assessed by the Committee 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 the Committee. Based on the assessment, the long-term investment goal and benchmark portfolio weights are set.

A number of factors suggest the Plan has a below-average tolerance for risk as of December 31, 2023.

- (i) The Plan has been closed to new entrants since July 1, 2000.
- (ii) Non-active members comprise approximately 85% of the liabilities.

- (iii) The average age of active members is 59.4 years, with only 5.4 years of expected remaining service.
- (iv) The Plan has a funding shortfall from a current service cost going concern basis.
- (v) Annual cash outflows exceed inflows and can vary from year to year.

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

1.07 Administration

The Board is responsible for investments of the University's Pension Plans.

Day-to-day administration is provided by the Pensions Office. 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 total rate of return that supports the funded status of the Plan. 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 this long-term investment goal and control investment risk, the Fund has adopted an asset mix that incorporates equity investments providing exposure to economic growth. Risk is controlled by investing in a well-diversified portfolio of asset classes through multiple Investment Managers and utilizing rebalancing ranges for the Investment Managers. 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

An Asset-Liability Study was completed at the request of the Committee by the Actuary and the Investment Consultant in 2016, and the Committee reviewed and approved a recommended optimized portfolio from the Asset-Liability Study. In 2021, the Committee reviewed and approved an updated portfolio to refine the alignment of the Liability Matching Component with the Plan's liability profile.

In addition to the optimized portfolio, the Committee approved the implementation of a de-risking investment strategy in order to minimize the volatility on the Plan's funding position and required contributions. According to this strategy, the Fund will adjust dynamically with the financial position of the Plan. This dynamic allocation, which has been updated in 2021 to reflect evolution of the Plan and the capital market environment, is defined by a "Glide Path" where the asset allocation is adjusted as the financial position varies as follows:

Solvency Ratio	<90.00%	90.00%- 94.99%	95.00%- 99.99%	100.00%- 104.99%	105.00%- 109.99%	>=110.00%
<i>Liability-Matching Component</i>	50.00%	55.00%	60.00%	65.00%	70.00%	75.00%
<i>Growth Component</i>	50.00%	45.00%	40.00%	35.00%	30.00%	25.00%
Target Asset Mix						
<i>Liability-Matching Component</i>						
Cash	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Universe Bonds	25.00%	27.50%	30.00%	32.50%	35.00%	37.50%
Long Bonds	25.00%	27.50%	30.00%	32.50%	35.00%	37.50%
<i>Growth Component</i>						
Global Equities	18%	16%	14%	12.50%	11%	9%
Global Low Volatility Equities	18%	16%	14%	12.50%	11%	9%
Real Estate	14%	13%	12%	10.00%	8%	7%

Updated effective July 1, 2024

Asset Component Ranges

	Liability- Matching Component			Growth Component		
Financial Position	Minimum	Target Allocation	Maximum	Minimum	Target Allocation	Maximum
<90.00%	46%	50%	54%	46%	50%	54%
90.00% - 94.99%	51%	55%	59%	41%	45%	48%
95.00% - 99.99%	56%	60%	64%	36%	40%	44%
100.00% - 104.99%	61%	65%	69%	31%	35%	39%
105.00% - 109.99%	67%	70%	73%	27%	30%	33%
>=110%	72%	75%	78%	22%	25%	28%

Updated effective November 1, 2021

The progression along the “Glide Path” is unidirectional, as once a transfer from the Growth Component to the Liability-Matching Component has occurred, it will not be reversed in the event that the Financial Position declines.

2.04 Management Structure

As a result of the recommended optimized portfolio from the previously mentioned Asset-Liability Study, the hybrid management structure will consist of the following:

- An active global equity Investment Manager;
- An active global low volatility equity Investment Manager;
- An active Canadian real estate Investment Manager; and
- A passive Canadian long and universe bond Investment Manager.

Specialty Investment Managers have been employed to achieve style diversification, further mitigating risk.

The Fund employs a mix of active and passive management styles. Active management provides the opportunity to outperform specific investment benchmarks while passive management provides broad market diversification at low cost.

(a) Investment Manager Rebalancing Guidelines and Procedures

At each stage of the Glide Path, the target asset allocation between the Liability-Matching and Growth Components and the tolerance bands are highlighted in 2.03, Asset Mix. As the allocation to the Growth Component decreases, so does the deviation allowed around the target allocation to this Component.

For each asset class (with the exception of real estate) in the Growth Component deviations of 20% from the target allocation outlined in Section 4.02 will be allowed before rebalancing (e.g., the initial allocation of 16% to global equity will be allowed to move between 12.8% and 19.2% before rebalancing occurs). Due to the illiquid nature of real estate flexibility is required in managing the allocation in conjunction with the plan's Glide Path. Accordingly, there is no minimum portfolio allocation for real estate, however the plan will rebalance the portfolio if real estate exceeds the target allocation by 20%.

The Glide Path is monitored on, at least, a quarterly basis by the Actuary and the Investment Consultant to determine whether a trigger point has been met. A trigger being met would include both the solvency funded position test as well as an assessment by the Actuary that the minimum required funding contributions would not increase as a result of the rebalancing. As a result, one of the following three outcomes will be considered along with its accompanying rebalancing activity:

1. *A trigger point is met:*

- Allocation between Liability-Matching and Growth Components is changed to the new target allocation.
- Rebalancing within the Growth Component if required.
- Only the asset classes that are outside their range are brought back to their target level.

2. *A trigger point is not met but Liability-Matching and Growth Components are outside the range:*
 - Recalibration between the Liability-Matching and Growth components and within the Growth Component.
 - Only the asset classes that are outside their range are brought back to their target level.
3. *A trigger point is not met and Liability-Matching and Growth Components are inside the range:*
 - No action required.

Notwithstanding the above, the asset mix within the Growth Component will be monitored at least quarterly for rebalancing purposes.

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 Investment Manager performance reviews.

Implementation of the rebalancing is the responsibility of the Administrator and may be implemented with the assistance of the Investment Consultant. The Administrator, with the assistance of the Investment Consultant, 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 cash flows.

All rebalancing activity will be reported to the Committee at the first meeting following the rebalancing.

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) 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 Depositary Receipts or other recognized depository receipts
- (v) Exchange traded funds (e.g., iShares and Standard & Poor's Depositary 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 developed market foreign issuers whether denominated and payable in Canadian dollars or a foreign currency
- (ii) Mortgage-backed and asset-backed securities
- (iii) Term deposits and guaranteed investment certificates
- (iv) Private placements of bonds and asset-backed securities, 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) 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) Other Investments

- (i) Investments in open or closed-ended pooled 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

(e) 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 or to create a portfolio with leverage.

(f) Pooled Funds

Investment in pooled funds is permissible, subject to Committee approval. Pooled fund investments are governed by the policies for each pooled fund. The Committee shall, with the assistance of the Investment Consultant, review the guidelines for any pooled fund investment to determine that they are appropriate and continue to be appropriate.

The following funds have been determined to be appropriate investment vehicles for a portion of the Plan assets:

- Arrowstreet Capital Global All-Country Fund
- BlackRock Canada Long Bond Index Class A
- BlackRock Canada Universe Bond Index Class A
- TD Emerald Global Equity Shareholder Yield Pooled Fund Trust
- TD Greystone Real Estate Fund Inc.

The Investment Managers will provide a summary every quarter stating as to whether or not its applicable fund has been in compliance with its investment policy statement and provide additional information if it has not done so.

The Investment Managers will notify the Committee in writing of any material changes to the pooled fund investment guidelines.

3.03 Minimum Quality Requirements

(a) Quality Standards

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

- (i) The minimum quality standard for individual bonds, debentures and mortgage backed securities 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 individual short-term investments is 'R-1 Low' or equivalent as rated by a recognized bond rating agency, at the time of purchase
 - (iii) Except for the Canadian Real Estate Fund, all investments shall be reasonably liquid (i.e., in normal circumstances they should be capable of liquidation within 1 month). The liquidity of a Canadian Real Estate Fund is based upon the terms of the Fund's investment policy but in normal circumstances, a redemption request should be accommodated within one year.
- (b) Split Ratings**
In cases where the Recognized Bond Rating Agencies do not agree on the credit rating, the security will be classified according to the methodology used by FTSE TMX.
- (c) Downgrades in Credit Quality**
The Investment Managers 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 Administrator will be notified of the downgrade at the earliest possible opportunity;
 - (ii) Within ten business days of the downgrade, the Investment Managers will advise the Administrator in writing of the course of action taken or to be taken by the Investment Manager, and its rationale; and
 - (iii) The Investment Managers 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 Morningstar;
 - (ii) S&P Global Ratings;
 - (iii) Moody's Investors Services; and
 - (iv) Fitch Ratings.
- (e) Private Placement Bonds**
Private placement bonds and asset-backed securities are permitted subject to all of the following conditions:
- (i) The issues acquired must be minimum 'BBB' or equivalent rated;

- (ii) The Investment Managers' portfolios may not hold more than 5% of the market value of any one private placement; and
- (iii) The Investment Managers must be satisfied that there is sufficient liquidity to ensure sale at a reasonable price.

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

- (A) No one equity holding shall represent more than 12% of the market value of the respective equity portfolio of any one Investment Manager in the assets of the Plan
- (B) No one equity holding shall represent more than 10% of the voting shares of a corporation in the assets of the Plan
- (C) No one equity holding shall represent more than 10% of the available public float of such equity security in the assets of the Plan
- (D) Within foreign equity portfolios, a maximum of 20% of the portfolio may be invested in stocks domiciled in non-MSCI World ex-Canada Index countries in the assets of the Plan.

(ii) Bonds and Short-term Investments

- (A) Except for federal and provincial bonds (including government guaranteed bonds), no more than 10% 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) 'BBB' or equivalent rated securities may not be purchased if the purchase would raise the 'BBB' holdings to more than 15% of the market value of the bond portfolio
- (D) No more than 15% of the market value of an Investment Manager's bond portfolio shall be invested in bonds of foreign issuers
- (E) Foreign currency exposure is limited to 10% of the market value of the bond portfolio
- (F) Foreign issued and/or foreign currency denominated short term securities limited to 3% of the market value of the Investment Manager's total portfolio

(iii) Pooled Fund Investments

An investment by the Fund in a single pooled fund should not exceed 10% of the market value of that fund unless provision has been made to transfer assets out of the pooled fund "in kind".

3.05 Prior Permission Required

The following investments require prior permission from the Committee:

- (a) Investments in mortgages;
- (b) Direct investments in resource properties;
- (c) Direct investments in venture capital financing;
- (d) Derivatives other than those otherwise permitted in Section 3.02(e) above; and
- (e) Any other investment not explicitly authorized in this policy.

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, except as allowed in Section 3.02(e); or,
- (c) Make any investment not specifically permitted by this Policy.

3.07 Securities Lending

The securities of the Fund may not be loaned, except within pooled funds where the pooled fund investment policy permits 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 Board has endorsed the formation of the Committee to fulfil a number of duties required to operate the Plan.

The duties of the Committee are:

- (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 acceptance by the Board.

The Committee, with the assistance of the Investment Consultant, is also 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 Committee, as set forth herein, are general in nature and that the Plan's governance document has been approved by the Board. The governance document provides a clear delineation of the duties and responsibilities in respect of the Board, the Administrator, the Committee, and all agents of the Plan.

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 active 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, net of fees, that exceeds the rate of return earned on a benchmark portfolio. After the implementation of the optimized portfolio from the previously mentioned Asset-Liability Study, the Combined Fund Benchmark will consist of the following market index total returns weighted as indicated:

Solvency Ratio	<90.00%	90.00%- 94.99%	95.00%- 99.99%	100.00%- 104.99%	105.00%- 109.99%	>=110.00%
<i>Liability-Matching Component</i>	50.00%	55.00%	60.00%	65.00%	70.00%	75.00%
<i>Growth Component</i>	50.00%	45.00%	40.00%	35.00%	30.00%	25.00%
Target Asset Mix						
<i>Liability-Matching Component</i>						
FTSE Canada 91-Day TBills	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FTSE Canada Universe Bond	25.00%	27.50%	30.00%	32.50%	35.00%	37.50%
FTSE Canada Long Term Bond	25.00%	27.50%	30.00%	32.50%	35.00%	37.50%
<i>Growth Component</i>						
MSCI ACWInet TR (CAD)	18.00%	16.00%	14.00%	12.5%	11.00%	9.00%
MSCI World Net TR (CAD)	18.00%	16.00%	14.00%	12.5%	11.00%	9.00%
MSCI/REALPAC Canada Property Fund	14.00%	13.00%	12.00%	10.00%	8.00%	7.00%

(b) Investment Manager Benchmarks

Active Investment Manager Performance Objectives

The benchmark performance objectives for the active Investment Managers are tailored to the specific mandate established for each Investment Manager. Accordingly, the performance objectives may change over time. The objectives are to exceed the

following indices, net of fees, with a level of volatility consistent with the investment mandate provided to the Investment Manager:

Global equities = MSCI ACWI Net Total Return Index (CAD)

Global low volatility equities = MSCI World Net Total Return Index (CAD)

Canadian real estate = MSCI/REALPAC Canada Property Fund Index

The market indices referred to in this section may be changed by the Committee 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.

Passive Investment Manager Performance Objectives

Long bonds = FTSE Canada Long Term Overall Bond Index total return with a permissible tracking error of +/- 20 basis points per year

Universe bonds = FTSE Canada Universe Overall Bond Index total return with a permissible tracing error of +/- 20 basis points per year

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) Investment Manager Rebalancing Guidelines and Procedures.

4.04 Reporting by the Investment Managers

On a calendar quarterly basis, each Investment Manager will provide a performance report, and in the case of the active Investment Managers, a strategy review for the portfolio under management. The report should also discuss changes, anticipated or otherwise, in the Investment Manager's key 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 with their pooled fund investment policy statement. Copies of the compliance reports must be sent to the Committee and to the University of Saskatchewan's Investment Consultant.

In the event that an Investment Manager is not in compliance with this Policy, the Investment Manager is required to advise the Committee 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 Committee may permit the Investment Manager, on a temporary basis, to be outside of the guidelines.

The Fund invests in several pooled funds, which have separate investment policies. 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 Committee 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 Manager is expected, as a minimum, 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 or internal guidelines if substantially equivalent.

The 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 the assets of a pension plan. The Investment Manager 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, members of the Committee and employees of the University who have responsibilities in administration of the Plan, as well as to all agents employed by them, in the execution of their responsibilities related 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 Committee 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.

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 Committee.

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 Committee.

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 raise the matter and have it recorded in the minutes of the next regular meeting of the Committee.

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 Committee, 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 and the terms and conditions of the transaction are not less favourable to the plan than market terms and conditions; or
- (b) The securities of the related party are acquired at a public exchange.

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

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) 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; and
- (c) Bonds; same as for equities.

5.04 Voting Rights

The Board has delegated voting rights acquired through the Fund's 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 beneficiaries of the Fund. In certain international markets, shares may be blocked from transfer prior to a vote. If deemed potentially detrimental to the Fund, Investment Managers may refrain from voting these proxies.

The Board, however, may take back voting rights for specific situations. The Committee, 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 Board.

The Investment Managers should disclose their proxy voting policies 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 is the cost of a commission paid in excess of the cost of trade execution. 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 University does not use soft dollars to pay for any goods or services. Investment Managers may use soft dollars to pay for research and other investment-related services with disclosure to the Committee, provided they comply with the CFA Institute Soft Dollar Standards or the Investment Manager's Form ADV part II as appropriate.

5.06 Investment Policy Review

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

5.07 Investment Manager Selection, Evaluation and Termination

Procedures for the selection, evaluation and termination of Investment Managers are contained in an appendix of the governance manual.

Section 6—Investment Consultant

6.01 Selection & Termination Policy

(a) Selection

The Committee shall consider the following criteria when selecting an Investment Consultant to monitor the investment performance under the Plan:

- (i) The Investment Consultant has established a reputation for expertise in the issues and laws governing pension plans in Canada
- (ii) The Investment Consultant has established a reputation for proactive advice to governance committees
- (iii) The 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
- (iv) The 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 -

University of Saskatchewan 1999 Academic Pension Plan
Passive Bond Management - BlackRock
Compliance Report For The Period From _____ to _____
(date) (date)