

II. Governance

Section 6 – Operation of Board

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6.01 Purpose

The purpose of this policy is to document how the Board is appointed and how it operates in accordance with the powers conferred upon it by the Act. The policy also sets out the Board’s expectations of the various service providers it retains, as well as the reports they provide in order for the Board to conduct its governance and risk management responsibilities.

6.02 Composition of the Board

The Public Employees Pension Plan Act states the criteria and process for the appointment of members to the Public Employees Pension Board.

In accordance with section 3(4) of the Act, the Board consists of:

The following persons who, are appointed on behalf of employers:

- one person appointed by the Public Service Commission;
- one person appointed by SaskEnergy, SaskPower and SaskTel;

- one person appointed by Saskatchewan Polytechnic and the Saskatchewan Liquor and Gaming Authority; and
- one person appointed by the Saskatchewan Crop Insurance Corporation, the Workers' Compensation Board and the Saskatchewan Cancer Agency.

The following persons, who are appointed on behalf of employees:

- one person appointed by the Saskatchewan Government and General Employees' Union;
- one person appointed by Unifor;
- one person appointed by the International Brotherhood of Electrical Workers Local 2067; and,
- one person appointed by the Canadian Union of Public Employees Local 600; and,

A chairperson appointed by the members of the Board.

6.03 Process for Appointment of Board Members

The Act governing the Plan does not specify how the appointing organizations are to appoint Board members. However, in the situation in which multiple organizations appoint a single Board member and the appointing organizations are not able to concur on their appointment of a Board member within 60 days of the occurrence of a vacancy, the Lieutenant Governor in Council shall appoint the member.

When there is a vacancy on the Board to be filled, the Board's Executive Secretary will inform the appointing organization of the key competencies and the developmental plan required of members of the Board.

6.04 Appointment of New Board Members

The Executive Secretary shall provide each new member of the Board with the following material:

- An orientation package containing the materials specified in Section 9.02;
- the PEPP Governance Manual;
- the PEPP Policy Manual;
- the PEPP Strategic Plan and Implementation Plan; and
- the most recent Risk Management Review and the current year's Risk Management Plan.

6.05 Term of Office of a Board Member

Each Board member is appointed for a term of four years, and is eligible for re-appointment for a second term of four years.

The terms of members of the Board are established such that the appointments of half of Board members overlap the other half by two years.

A Board member may resign at any time, pursuant to section 6.08 of the Governance Manual.

6.06 Election of Vice-Chairperson

The members of the Board shall elect a member of the Board as Vice-Chairperson to act in the place of the Chairperson during his/her absence. This election shall occur the first meeting after June 30, as per section 3(10) of *The Public Employees Pension Plan Act*.

6.07 Removal of Board Members

There is no procedure in place for the removal of a member of the Board.

The Trustee Act, 2009 provides circumstances under which a person becomes disqualified to act as a trustee. Reasons include the member lacking capacity, being convicted of an offence involving dishonesty, or being an undischarged bankrupt. According to *The Trustee Act, 2009*, the person ceases to be a trustee on the date he or she becomes disqualified. Where a Board member becomes disqualified to act as a trustee, they cease to be a member of the Board on that date.

The Trustee Act, 2009 also provides circumstances under which a person is unfit to act as a trustee. These circumstances include the person being incompetent or otherwise incapable of making the decisions necessary to perform the duties of a trustee, or being unwilling or unable to act co-operatively with other trustees, or unreasonably refusing to act co-operatively with other trustees, that un-cooperativeness hampering the efficient administration of the trust.

The Trustee Act, 2009 provides that a Board member may be removed from the Board where a Court is satisfied it is in the best interests of the Plan through

Court order on the application of the Board or one or more Board members, a Plan member, an appointing organization, or the Public Guardian and Trustee.

A member may also be removed from the Board by his or her appointing body or association.

6.08 Resignation

A member of the Board may resign at any time by providing written notice thereof to the Chairperson.

6.09 Executive Secretary

The Board's Executive Secretary, in consultation with the Chairperson, is responsible for:

- maintaining the integrity of the governance framework;
- organizing all Board meetings and business;
- setting and distributing the agenda and related materials for all Board meetings;
- taking and distributing the minutes of all Board meetings;
- maintaining the confidentiality of Board business;
- ensuring that Board decisions are communicated;
- corresponding with service providers and other stakeholders and preparing reports on the Board's behalf;
- filing returns and other statutory reporting; and
- executing documents as a signing authority.

6.10 Executive Management Services

It is generally accepted that executive management services, at a high level, relate to:

- executive support to the board:
 - providing whatever support the board requires in fulfilling its governance of the trust;
 - providing timely advice to the board regarding any developments that might affect the corporation's capacity to responsibly pursue its objectives;

- planning and organizing:
 - supporting the board in the development of long-term strategic plans and operating plans and budgets;
- policy development:
 - developing, recommending, and implementing board policies within governing legislative and regulatory frameworks and in accordance with pension industry best practices;
- program/service management:
 - managing the administration’s financial and human resources in pursuit of its objectives;
 - recruiting, developing and managing staff in a manner consistent with approved board policies;
- financial administration:
 - developing and recommending an annual budget and administering the Plan within the parameters of the approved budget;
- risk management:
 - identifying, managing, and mitigating risks to the trust and its beneficiaries; and
- board, supplier and stakeholder relationships:
 - developing and maintaining effective, professional relationships with the board, beneficiaries, staff, service suppliers, stakeholders, and the public.

The Board recognizes its duty to exercise prudence in its administration of the Plan. The Board acknowledges that where the Board does not possess all the skills, information and knowledge necessary to properly carry out its duties, prudence requires that it seek advice from an expert third party.

The Board’s expectation is that its administrator will provide the following executive management services:

- provide whatever executive support the Board requires in fulfilling its governance of the Plan;
- support the Board in the development of long-term strategic plans and operating plans and budgets;
- develop, recommend, implement, and recommend amendment of Board policies within the Plan’s legislative and regulatory frameworks and in accordance with pension industry best practices;
- review the Plan’s SIP&G at the required intervals and recommend any required amendments to the policy;

- prepare a recommendation for the Board’s consideration whenever there is a decision before the Board, including the selection of service providers, except where it would be more appropriate to receive a recommendation from another qualified service provider.
- develop and recommend an annual budget and administer the Plan within the parameters of the approved budget;
- maintain a risk management program adequate to identify, manage, and mitigate risks to the Plan and its members and beneficiaries;
- monitor the performance of the Board’s service providers and make any recommendation that the provider’s performance requires;
- administer agreements, other than investment management and custody, to which the Board is party by reviewing invoices submitted by service providers and making appropriate payments pursuant to those agreements, for which the Board shall provide reimbursement;
- administer investment management and custody agreements to which the Board is party by reviewing invoices submitted by service providers and making appropriate payments from the Fund; and
- develop and maintain effective relationships with members, staff, service suppliers, stakeholders, and the public.

The Board will evaluate its administrator in its performance of these services on an annual basis.

The Board will provide its administrator with a summary of the evaluation. The Board will require that the administrator present to the Board a plan to address any areas of concern.

6.11 Information to be Received by the Board

The purpose of providing the Board with periodic reports is to ensure the Board can manage the Plan effectively and monitor the service providers it retains.

The reports required by this section are to be delivered to the Executive Secretary, who is to table the reports at the next available meeting of the Board.

Information provided by the Public Employees Benefits Agency (PEBA)

The Board requires information from its administrator in the form of quarterly administration reports in accordance with the contract between the Board and its administrator to support its decision-making process. The report will contain the following information:

- performance information regarding service standards established for the Plan;
- financial highlights and status of the budget;
- status of special projects;
- reporting of any policy development, governance, or legislative issues related to PEPP design and delivery;
- exception reporting in the areas of compliance, investment manager rebalancing or investment performance; and
- demographic information as of the end of the Plan year.

The Board also requires information documents to make decisions on governance and risk management issues. These documents include:

- The Periodic Checklist;
- The Strategic Business Plan;
- Key Performance Indicators Report;
- The Pension Plan Governance Self-Assessment Questionnaire;
- The Board Self-Assessment Questionnaire;
- The Capital Accumulation Plan (CAP) Guidelines Compliance Analysis;
- The Risk Management Plan for the current Plan year;
- The Risk Management Review for the preceding Plan year;
- Investment Monitoring Report;
- The Annual Report and Financial Statements; and
- The Market Trends electronic newsletter.

Information provided by the Board's investment consultant

The Board's investment consultant collaborates with PEBA to produce the quarterly Investment Monitoring Report with information regarding:

- investment manager updates;
- capital markets performance;
- asset class analysis; and
- manager analysis.

The investment consultant also provides, on a periodic basis, the following services:

- fund design information and analysis; and
- independent analysis of PEBA's recommendations.

Information provided by the Board's investment managers

PEBA will receive quarterly reports from investment managers. These reports can be expected to contain some or all of the following information:

- Information on past performance and future strategies. Past performance results are to be in the form of numerical data and an explanation of the major influences on those results, and should provide a comparison to the appropriate benchmark. Future strategy discussion may, if appropriate, be limited to a general discussion of philosophy or mandate. Reports should also contain information regarding any significant changes in an investment manager's staff.
- If an investment manager has more than one mandate for the Board, a consolidated report will be provided. This report provides any general market commentary that is related to the mandates, and separately discusses performance and future strategies for each specific mandate.
- Market commentary will only be provided to the Board if it is linked to the specific mandate or if it is brief and contained in the overall quarterly report.

PEBA will report to the Board on any issues of concern noted in its review of the investment manager reports at the earliest opportunity.

The Board will typically not meet with investment managers.

6.12 Rules and Procedures for Reviewing and Acting on Information

The information received by the Board is to be reviewed and acted upon in a timely and professional manner.

The following are the actions required for each category of information:

1. Information Item: Item is reviewed, background information is researched and a discussion relating to the subject takes place.
2. Decision Item: Item is reviewed, background information is researched and a decision relating to the subject takes place.
3. Action Item: Item is reviewed, background information is researched and an identified task is undertaken.

The following tables provide a summary of information provided and the purpose, key points, action required and results of action.

Meeting Items

Meeting Package			Frequency: Monthly
			Provider: Executive Secretary
Purpose	Key Points	Action Required	Result of Action
Package is delivered to Board members prior to meeting. Ensures that members are given time to review items.	All items in package are for the Boards' review and vary given the time of year and information required.	<u>Board</u> <i>Information Item</i>	Board members are prepared for the meeting.

Meeting Minutes			Frequency: Monthly
			Provider: Executive Secretary
Purpose	Key Points	Action Required	Result of Action
Ensures an accurate permanent record of the discussions and decisions of the previous meeting.	<ul style="list-style-type: none"> • Attendance • Approval of Agenda • Approval of Minutes • Risk Management • Governance Items • Service Delivery • Communication Items • Plan Design Items 	<u>Board</u> <i>Decision Item</i> <u>Administrator</u> <i>Action Item</i>	Board reviews and confirms accuracy of minutes. PEBA carries out decisions or causes the decisions to be carried out.

Agenda			Frequency: Monthly
			Provider: Executive Secretary
Purpose	Key Points	Action Required	Result of Action
Ensures an orderly and timely meeting. Provides attendees with an opportunity to add or delete items.	Full listing of the meeting topics.	<u>Board</u> <i>Decision Item</i> <u>Administrator</u> <i>Action Item</i>	Board reviews and confirms the agenda. Items can be added, deleted or deferred. Agenda is approved as is or with amendments. PEBA uses draft agenda to prepare materials for the Board meeting.

Risk Management Items

Investment Monitoring Report			Frequency: Quarterly
			Provider: PEBA/Invst. Consultant
Purpose	Key Points	Action Required	Result of Action
Provides a third party review of the investment managers and investment performance.	<ul style="list-style-type: none"> • Economic Highlights • Total Fund Performance • Total Plan • Plan Assets • Asset Class Highlights • Manger Relative Performance • Manager Ratings • Manger Updates for Quarter • Sector/Class Analysis 	<u>Board</u> <i>Information Item</i> <u>Administrator</u> <i>Action Item</i>	Board reviews and discusses: <ul style="list-style-type: none"> • Investment Manager Performance • Capital Markets Actions may be required based on the information received and discussions that take place.

Investment Consultant, Custodian and Auditor Evaluations			Frequency: Annually Provider: PEBA
Purpose	Key Points	Action Required	Result of Action
Ensures that the service providers are being evaluated.	<ul style="list-style-type: none"> Evaluation of service providers 	<u>Board</u> <i>Information Item</i> <u>Administrator</u> <i>Action Item</i>	<p>The service providers are evaluated and documentation of the evaluation is recorded.</p> <p>PEBA prepares and reviews the evaluation to ensure that service provider performance is satisfactory.</p>

Risk Management Plan - Current Year			Frequency: Annually Provider: PEBA
Purpose	Key Points	Action Required	Result of Action
Ensures possible risks to the Plan are considered and actions are put in place to manage the identified risks.	<ul style="list-style-type: none"> Strategic Risk Financial Risk Regulatory Risk Operational Risk 	<u>Board</u> <i>Decision Item</i> <u>Administrator</u> <i>Action Item</i>	<p>The Risk Management Plan (RMP), as approved, is used for the upcoming year to manage identified risks.</p> <p>PEBA uses the RMP to ensure that processes are in place to manage the identified risks.</p>

Risk Management Review - Previous Reporting Period			Frequency: Annually Provider: PEBA
Purpose	Key Points	Action Required	Result of Action
Ensures that the identified risk management strategies were implemented for the year.	<ul style="list-style-type: none"> • Strategic Risk • Financial Risk • Regulatory Risk • Operational Risk 	<u>Board</u> <i>Information Item</i> <u>Administrator</u> <i>Action Item</i>	<p>The Board ensures that the administrator is managing the identified risks throughout the previous year.</p> <p>PEBA prepares the Risk Management Review (RMR) and outlines what actions were taken throughout the previous year to manage risks. The RMR is then used to develop the following year's Risk Management Plan.</p>

Investment Policy Review			Frequency: Annually Provider: PEBA
Purpose	Key Points	Action Required	Result of Action
A review of the policy to ensure it is meeting the needs of the Plan, is compliant and reflects current beliefs, values and goals.	<ul style="list-style-type: none"> • Plan background • Current goals and investment beliefs • Assess the investment manager structure • Update and finalize the SIP&G 	<u>Board</u> <i>Information Item</i> & <i>Decision Item</i> <u>Administrator</u> <i>Information Item</i> & <i>Action Item</i>	<p>Board reviews the investment policy and makes changes as required.</p> <p>PEBA administers the Plan according to the Investment Policy. PEBA implements changes as identified by the Board to the Investment Policy.</p>

PEBA Administration Report			Frequency: Quarterly Provider: PEBA
Purpose	Key Points	Action Required	Result of Action
Provides an update regarding the administrative operations of the Plan	<ul style="list-style-type: none"> • Financial and Budget Update • Service Standards Performance • Legislative, Governance, Risk Management, and Compliance Issues • Special Project Status • Exception Reporting • Plan Demographics 	<u>Board</u> <i>Information Item</i> <i>Action Item</i>	Board reviews and discusses: <ul style="list-style-type: none"> • Budget and financial statements; • Administrators' service standards performance; • Status of Plan amendments and policies; • Compliance with legislation and regulatory authorities; • Status of any risk management issues; • and • Plan demographics. Board uses item to measure service provider performance.

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Strategic Business Plan - Development			Frequency: Annually Provider: PEBA
Purpose	Key Points	Action Required	Result of Action
Provides direction for the Plan in regards to the Board's Goals, Objectives and Values on a rolling three-year basis.	<ul style="list-style-type: none"> Plan Background Research and Development Mission Statement Value Statement Key goals Initiatives 	<u>Board</u> <i>Decision Item</i> <u>Administrator</u> <i>Action Item</i>	<p>Board members voice their beliefs, values and goals for the Plan. Initiatives are reviewed, and new initiatives are developed and approved by the Board.</p> <p>PEBA develops the plan based on input from the Board. The Strategic Plan provides PEBA with a working framework in which the Plan will be administered.</p>

Strategic Business Plan Update			Frequency: Three times per year Provider: PEBA
Purpose	Key Points	Action Required	Result of Action
Provides an update regarding the status of the various agreed upon initiatives and any other developments or accomplishments.	<ul style="list-style-type: none"> Progress towards goals Status of Initiatives Accomplishments to date 	<u>Board</u> <i>Information Item</i> <u>Administrator</u> <i>Action Item</i>	<p>The Board reviews and discusses:</p> <ul style="list-style-type: none"> Status of each initiative Status of any other developments and accomplishments <p>PEBA updates the Board regarding the status of initiatives. PEBA uses the update to ensure that delegated tasks are progressing as planned.</p>

Education Opportunity Listing			Frequency: Monthly
			Provider: PEBA
Purpose	Key Points	Action Required	Result of Action
Provides Board with a list of upcoming education events.	Lists education providers, offerings, locations and dates.	<u>Board</u> <i>Information Item</i>	The Board members are kept informed of upcoming educational events.

Education Report			Frequency: Annually
			Provider: PEBA
Purpose	Key Points	Action Required	Result of Action
Inform Board members of their personal educational requirements.	Lists each requirement for each member with a completed or not completed status.	<u>Board & Administrator</u> <i>Information Item</i>	The Board members are kept informed of their personal educational requirements. PEBA tracks Board members' educational progress and communicates this to the Board.

Periodic Checklist			Frequency: Semi-Annually Provider: PEBA
Purpose	Key Points	Action Required	Result of Action
The Board ensures that the delegated duties are being performed in a timely and effective manner. The Board confirms whether an activity was completed, when it was completed or when it is to be completed.	<ul style="list-style-type: none"> • Performance of Plan Design • Legislative Compliance • Investment Management • Communication • Reporting, Guidelines and Standards • Governance • Service Provider Contracts 	<u>Board</u> <i>Decision Item</i> <u>Administrator</u> <i>Action Item</i>	<p>The Board is able to review the document to ensure that the delegated duties are being completed.</p> <p>PEBA completes the checklist to ensure that tasks are being completed as planned. The checklist is used to monitor the review and evaluation schedules.</p>

Key Performance Indicators Report			Frequency: Semi-annually Provider: PEBA
Purpose	Key Points	Action Required	Result of Action
The Board received quarterly updates on key indicators of plan and administrative performance.	<p>The performance measures are organized into the following quadrants:</p> <ul style="list-style-type: none"> • Customer; • Financial; • Internal; and • People. 	<u>Board</u> <i>Information Item</i> <u>Administrator</u> <i>Action Item</i>	The Board receives summary high-level updates of key performance indicators and discusses any related issues.

Market Trends Newsletter			Frequency: Weekly
			Provider: PEBA
Purpose	Key Points	Action Required	Result of Action
Board members have the opportunity to review pension and business news, monitor case law, and review market trends and developments.	<ul style="list-style-type: none"> • Education Events • Pension Fund News • Business News • Law and Legislation • Surveys, studies and reports 	<u>Board & Administrator</u> <i>Information Item</i>	The Board and Administrator's staff reviews the e-newsletter to remain current in pension and business trends and developments.

Code of Conduct/Conflict of Interest Procedures			Frequency: Annually
			Provider: PEBA
Purpose	Key Points	Action Required	Result of Action
Ensures Board maintains guidelines for conduct.	<ul style="list-style-type: none"> • Fiduciary Duties • Duty of Care • Ethical Standards • Procedures • Consequences • Avoidance of Bias • Acknowledgement 	<u>Board</u> <i>Action item</i>	The Board members are aware of the guidelines for their conduct. This item is reviewed and signed annually.

Governance Self-Assessment Review			Frequency: Annually Provider: PEBA
Purpose	Key Points	Action Required	Result of Action
Assists the Board in assessing performance and recognizing weaknesses and strengths.	<ul style="list-style-type: none"> • Fiduciary Responsibility • Governance Framework • Roles and Responsibilities • Performance Monitoring • Knowledge and Skills • Governance Information • Risk Management • Oversight and Compliance • Transparency and Accountability • Code of Conduct/Conflict of Interest • Governance Review 	<u>Board</u> <i>Decision Item</i> <u>Administrator</u> <i>Action Item</i>	<p>The Board is made aware of the performance, weaknesses and strengths of its governance model.</p> <p>PEBA prepares the self-assessment review for the Board. Actions identified by the Board to strengthen the governance process are implemented.</p>

Board Self-Assessment Questionnaire			Frequency: Annually Provider: PEBA
Purpose	Key Points	Action Required	Result of Action
Provides the Board members with an opportunity to voice their opinions.	<ul style="list-style-type: none"> • Operation • Information • Strategic Direction • Member Orientation • Personal Assessment 	<u>Board</u> <i>Action Item</i>	<p>The Board members are able to reflect on their experience as members and provide direction and comment for future operations. A summary is provided to the Board in order to have a comprehensive view of the results.</p>

Annual Report			Frequency: Annually
			Provider: PEBA
Purpose	Key Points	Action Required	Result of Action
Provides Board and Stakeholders with a comprehensive view of Plan's operations and financial statements.	Communicates the strategic plan and initiatives, operations and financials of the Plan.	<u>Board</u> <i>Decision Item</i>	The Annual Report is available on the website. Stakeholders are provided with a transparent view of the operations and financial statements of the Plan.

Chair's Report (written)			Frequency: Quarterly
			Provider: Board Chair
Purpose	Key Points	Action Required	Result of Action
Provides the Board with a comprehensive view of the Chair's activities outside of Board meetings.	Activities related to primary responsibilities.	<u>Board</u> <i>Information Item</i>	The Board has a written record of the Chair's activities. The Board discusses the reports and has opportunity for questions and clarification.

6.13 History

Approval date: September 28, 2006; January 23, 2008; September 23, 2009; June 29, 2010; October 27, 2010; November 23, 2011; November 28, 2012; October 23, 2013; June 22, 2017; March 28, 2018

Last review: March 28, 2018

Next scheduled review: November 2019