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Policy Title: 3.1.2 Investment

Section: 3.0 Operations

Last Approved: December 2023

BACKGROUND

The purpose of this investment policy is to establish and maintain practices and procedures for the management of investments with the appropriate balance between return on investment and risk, with consideration of liquidity requirements for ongoing cash flow demands.

APPLICATION

The policy provides the investment manager with a written statement of specific quality, quantity and rate of return standards.

Application of this policy will ensure that investment manager(s) are responsible for exercising due care and judgment and that investments are safeguarded appropriately.

POLICY STATEMENT

The following parameters are applicable to Association investments:

Objectives

1. The primary objectives of investment activities will be to improve the operating financial position of the organization and to maintain appropriate stewardship of longer-term assets with consideration of:
 - 1.1. Return on Investment: The investment portfolio will be designed with the objective of optimizing the rate of return through budgetary and economic cycles,
 - 1.2. Risk Management: Investments will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio,
 - 1.3. Liquidity: The investment portfolio will be administered to ensure adequate cash flow is available to meet all reasonably anticipated operating requirements, and
 - 1.4. Legal Requirements: The Specific Land Claims Fund investments will be undertaken in a manner that ensures compliance with the agreement with the Government of Saskatchewan.
2. These constraints and objectives will be considered in the selection of investments to be included in the investment portfolio. The portfolio will be structured to attain optimum performance results as directed by the Policy, and to create value to the Association, net of any costs incurred in the investment process.

Prudence

3. Investment decisions will be made with judgment and care, with consideration of the appropriate balance of risk and return on investment for the Association funds. Investments should be managed to avoid funding deficits and excessive volatility in annual rates of return.

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4. Risk tolerance should be reviewed, at minimum, every two years using an investment survey, approved matrix, or other similar methodology. When determining the level of risk tolerance, the following should be noted:
 - 4.1. funding is limited to membership fees and premiums from member school boards,
 - 4.2. cash outflows are unpredictable due to the nature of insurance claims,
 - 4.3. liabilities are generally short-term in nature.
5. Where external managers are engaged to perform trading activity, the fund manager will be required to exercise the degree of care, diligence, and skill which a prudent investment counsel would exercise in similar circumstances. The fund manager will adopt the CFA Institute's Code of Ethics and Standards of Professional Conduct in the management of this portfolio.
6. The members of the Executive, the Audit and Investment Committee, and Association staff acting in accordance with this policy and exercising due diligence will be relieved of personal responsibility by the SSBA for unanticipated market price changes.

Responsibilities

7. Association management is responsible for:
 - 7.1. reviewing monthly portfolio reports and escalating material issues that arise as a result of this review,
 - 7.2. providing an annual operating cash flow forecast at the beginning of the year with updates provided on a quarterly basis, and
 - 7.3. ensuring that Executive approval is received for withdrawals from investment accounts for non-budgeted or non-forecasted cash flow requirements.
8. The Executive is responsible for all matters relating to the administration and management of the Fund. The Executive has delegated the administrative responsibility to the Audit and Investment Committee to:
 - 8.1. administer the Policy;
 - 8.2. review the Policy annually, which will include a reassessment of the fund's objectives, the benchmark portfolio and the impact of any changes in liquidity requirements, making recommendations for changes to the Policy to the Executive as required;
 - 8.3. assess the risk tolerance and making recommendations for changes to the Executive as required;
 - 8.4. make recommendations to the Executive regarding the selection of the Investment Manager(s) and custodial bank;
 - 8.5. regularly review the quantitative and qualitative performance of the Investment Manager(s) including an evaluation of the rates of return, an analysis of the areas where the Investment Manager(s) added or reduced value, and a review of the Investment Manager(s) in the context of the criteria for their selection;
 - 8.6. be responsible for regularly monitoring the asset mix of the portfolio and taking the action necessary, to correct any breaches of the permitted asset mix ranges set out in this Policy;
 - 8.7. provide information on significant cash flow changes to the Investment Manager(s).

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- 8.8. be responsible for the oversight of the professional Investment Manager(s).
9. The Executive retains the authority to appoint and terminate the Investment Manager(s). The Executive will evaluate and assess the market for Investment Manager(s) through a Request for Proposal or similar process, at a minimum, every 5 years.
10. The Investment Manager(s) will:
 - 10.1. invest the assets in accordance with this policy;
 - 10.2. incorporate environmental, social and governance factors (ESG) considerations in their investment decision making;
 - 10.3. provide Association **Senior** Management with monthly reports of actual portfolio holdings, detailing each class of assets and how they conform to policy maximums;
 - 10.4. provide the Audit and Investment Committee with a quarterly review of investment activities and performance, including an explanation of any shortfalls of investment results compared to the investment objectives;
 - 10.5. provide the Audit and Investment Committee with a quarterly certificate of compliance with the Policy for the quarter just ended;
 - 10.6. provide a review of fees annually - current year and anticipated future period fees;
 - 10.7. provide estimates of future returns on investments and review proposed investment strategies that may be used to meet the objectives;
 - 10.8. attend a meeting with the Audit and Investment Committee at least once each year to review the results they have achieved;
 - 10.9. inform the Audit and Investment Committee promptly of any element of the Policy that could prevent attainment of the Policy's objectives;
 - 10.10. give prompt notice to the custodial bank of all purchases and sales of securities.

Ethics and Conflict of Interest

11. The Investment Manager(s), Executive, Audit and Investment Committee members and Association management involved in the investment process will refrain from personal business activity that could conflict with the proper execution of the investment program or impair ability to make unbiased investment decisions. Parties will disclose any material personal financial interest in investments or in financial institutions that conduct business with the Association. Any deviation is to be reported to the Executive immediately.

Responsible Investing

12. The Association will endeavour to be a responsible investor. Responsible investing is an approach that integrates consideration of environmental, social and governance factors into investment activities with the objective of enhancing long term investment performance.
 - 12.1. Environmental factors include but not limited to: climate change, greenhouse gas emissions, sustainability, water scarcity, waste management, air and water pollution, biodiversity and habitat protection.
 - 12.2. Social factors include but not limited to: Human rights, community impact, respect for Indigenous peoples, working conditions including slavery and child labour, health and safety, discrimination, diversity, and conflict zones.

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- 12.3. Governance factors include but not limited to: board composition and skills, executive remuneration, bribery and corruption, board diversity, tax and audit practices.
13. The Association commits to incorporating ESG factors in its investments in the following ways:
 - 13.1. When selecting and evaluating investment manager(s), the Association commits to integrating ESG factors. The investment manager(s) must incorporate ESG considerations in their investment decision making.
14. In addition to being a responsible investor, the Association believes it is inappropriate to invest in companies which participate in producing products which may diminish the health of the individual or community or whose products, services or actions are incongruent with the values of the Association. The Investment Manager, on behalf of the Association, will not knowingly invest in the following companies:
 - 14.1. Manufacturers of tobacco, marijuana, or alcoholic beverage products such as cigarettes, cigars, pipe tobacco, snuff, chewing tobacco, vaping products, edibles, etc.
 - 14.2. Companies deriving more than 25% of revenues from the production, distribution or trade of tobacco, marijuana, or alcoholic beverages.
 - 14.3. Companies that derive more than 25% of revenues from the production of nuclear, chemical, or biological weapons or hold major contracts for military weapons.
15. The Association will permit investment in the following:
 - 15.1. Companies that derive less than 25% of its revenues from the retail sale of such products such as supermarkets and pharmacies.
 - 15.2. Companies deriving revenues from the production of products that are integral to the production of these products, but are not themselves producers of these products. Examples include companies that produce cigarette papers or glass bottles for distribution.
16. The Association will also put an emphasis on local investments as long as the investments also satisfies the other investment criteria of managing risk and generating sustainable long-term returns.

Safekeeping and Custody

17. The Investment Manager will:
 - 17.1. maintain safe custody over the assets of the Funds,
 - 17.2. execute the instructions of the Audit and Investment Committee, and
 - 17.3. record income and provide financial statements as required.

Internal Controls

18. External audits will be performed annually, including an assessment of internal controls pertaining to the management of the investments and risk management. Any significant matters, actual or potential fraud or illegal acts identified during the audit, will be communicated to that appropriate level of management, the Audit and Investment Committee, and/or the Executive depending on the type and significance of the issue.

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Performance Standards

19. Although, the Investment Manager is not expected to outperform the relevant benchmark(s) at all times, in all market conditions, the investment portfolio will be designed to meet or exceed approved market benchmarks over the long term, taking into account the Association's investment risk constraints, cash flow requirements, and active management strategy.
20. The performance of the funds will be measured quarterly and, in accordance with industry convention, return calculations shall be as follows:
 - 20.1. time weighted rates of return
 - 20.2. total returns, gross of fees, including realized and unrealized gains and losses and income from all sources.
21. Underperformance (compared to benchmarks) of two consecutive quarters, constitutes placement of the Investment Manager on a watch list. Association management will work with the Investment Manager(s) on the watch list to identify the drivers of negative performance and rebalance the portfolio.
22. If performance does not improve in the following two quarters, the Audit and Investment Committee will complete a full performance evaluation. The performance evaluation shall include performance (comparison to benchmarks), investment policy compliance, appropriate peer comparisons, fees, multiple investment cycles and risk assessment. The results of the performance evaluation shall be used to identify whether a recommendation to terminate is provided to the Executive.

Adoption and Review

23. The policy may be changed or modified at any time upon recommendation by the Audit and Investment Committee with consideration of advice provided by the Investment Manager. Such review may be caused by:
 - 23.1. a fundamental change in the characteristics, risk tolerance, or other aspects of the Fund;
 - 23.2. significant revisions to the expected long-term trade-off between risk and reward on key asset classes; or
 - 23.3. shortcomings of the policy that emerge in its practical application, or substantive modifications that are recommended by the Investment Manager.
24. The policy shall be reviewed at least annually. All proposed changes to the policy will be presented to the Executive for approval.

REFERENCES

Appendix 3.1.2A – Investment Framework
Financial and Operational Policy 1.3 – Financial Signing Authority