

IN THE MATTER OF
THE SECURITIES ACT, 1988, SS 1988, c S-42.2
AND
IN THE MATTER OF THE SASKATCHEWAN PENSION PLAN
ORDER

WHEREAS the Financial and Consumer Affairs Authority of Saskatchewan has assigned to the Director of the Securities Division (the Director) the power to make exemption orders under provisions of *The Securities Act, 1988* (the Act);

AND WHEREAS the Saskatchewan Pension Plan (SPP) has applied to the Director for an Order pursuant to section 83(1)(a) of the Act:

- (a) that SPP is exempt from the dealer registration requirement contained in section 27(2)(a) of the Act with respect to its trades in SPP securities;
- (b) that SPP is exempt from the investment fund manager registration requirement contained in section 27(2)(c) of the Act with respect to its investment fund management activities regarding the Funds, as defined in representation 5 below; and
- (c) that SPP is exempt from the prospectus requirements contained in section 58 of the Act;

(collectively, the Requested Relief).

AND WHEREAS terms defined in the Act and accompanying Regulations, National Instrument 14-101 *Definitions*, National Instrument 45-106 *Prospectus and Registration Exemptions*, National Instrument 81-101 *Mutual Fund Prospectus Disclosure* and National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* have the same meaning within this Order;

AND WHEREAS this Order is based on the following facts represented by SPP:

1. SPP was created and is governed by *The Saskatchewan Pension Plan Act* (the SPP Act) and *The Saskatchewan Pension Plan Regulations* (the SPP Regulations);
2. SPP is not subject to the provisions of *The Pension Benefits Act*;
3. SPP is intended to be a low cost provider of pension plans to provide supplementary income to individuals with little or no access to employer-sponsored plans;

4. SPP receives moneys from, or on behalf of participants (SPP Members) and from earnings accruing from the investment of moneys (collectively, the SPP Fund);
5. Moneys paid by, or on behalf of SPP Members into the SPP Fund and related accrued earnings are invested in a balanced fund and/or a short-term bond fund (together the Funds);
6. SPP is administered by a Board of Trustees (the Board) appointed by the Lieutenant Governor in Council for Saskatchewan;
7. The Board administers the SPP Fund and acts as the trustee of the SPP Fund;
8. The Board oversees the functions of SPP including the employees of SPP;
9. Questions that arise regarding SPP, the SPP Fund and the Funds are determined by the Board and its decision is final;
10. The Board has adopted a governance manual which includes a code of conduct and conflict of interest rules and has also adopted a statement of investment policy and goals;
11. The Board is subject to the Government of Saskatchewan's financial administration manual which includes a dual signature requirement for the control of and access to SPP bank accounts;
12. SPP employees are bonded under the policy of the Government of Saskatchewan. The coverage for each position is a maximum of \$1,000,000 with a \$100,000 deductible;
13. SPP annually has its internal controls tested by an independent auditor. This includes a review of SPP financial statements, SPP accounts, the SPP Fund, the Funds and the report of the Board on its business. These are also reviewed by the Provincial Auditor of Saskatchewan;
14. SPP is required to have audited financial statements, a report of the Board on its business and an annual report which must all be submitted annually to the Minister responsible for SPP and then presented to the Legislative Assembly of Saskatchewan;
15. The Funds are managed by registered portfolio managers that follow the statement of investment policy and goals as adopted by the Board;
16. All SPP Fund assets are held by a custodian who is appointed by, and reports directly to the Board;
17. SPP is self-funded which means its operating expenses and costs of administration are paid from the SPP Fund and are allocated on a monthly basis to SPP Members;
18. SPP does not have a conventional sales force and no commission is paid to SPP staff. SPP does speak with employers within Saskatchewan, advertises within Saskatchewan and maintains a website. SPP does not solicit members or employers outside of Saskatchewan;

19. Membership in SPP is open to all individuals regardless of residency who are between the ages of 18 and 71 and there are approximately 32,000 SPP Members (including retired annuity SPP Members). The majority of SPP Members reside in Saskatchewan;
20. SPP maintains records, called participant's accounts (SPP Member Account), of the amount standing to the credit of a SPP Member in the SPP Fund;
21. As of December 31, 2015, the total value of the SPP Fund for active SPP Member Accounts was approximately \$337,874,000, with the average SPP Member Account size being \$14,884 and in 2015 an average SPP Member contribution was \$1,555;
22. SPP Member contributions to SPP are voluntary and a SPP Member's employer can contribute on behalf of a SPP Member, at the employer's option. Regardless of the origin of the contribution, SPP Members own their SPP Member Account and receive tax deductible receipts in accordance with the *Income Tax Act* (Canada) for all contributions;
23. The maximum allowable annual contribution to a SPP Member Account (this includes a combination of a SPP Member's contribution and their employer contribution, if applicable) is \$2,500 which is subject to a SPP Member's available Registered Retirement Savings Plan ("RRSP") contribution room and the maximum allowable RRSP transfer into a SPP Member Account per calendar year is \$10,000;
24. SPP Members are offered a choice between the Funds. Currently, the default is the balanced fund; however, SPP Members can allocate their contributions between the Funds;
25. SPP does not provide any investment advice;
26. SPP has information available for SPP Members on their website and in print including: the SPP Membership Guide, SPP annual reports (including previous reports for up to a 10 year period), statement of investment policy and goals, list of investment holdings, information on the rate of return on the Funds for previous years, a retirement guide, a business guide and SPP newsletters;
27. SPP Members sign a SPP Membership Application form and as part of the form SPP Members also sign an investment instruction declaration that states SPP Members are responsible for their investment choices;
28. A SPP Member may elect to withdraw from the plan within six (6) months from the later of the date the SPP Member's application is made or the date on which a SPP Member makes its first contribution, and the SPP Member will receive a refund of the amount standing to the SPP Member's credit together with interest, less a fee;
29. SPP Members receive documentation including:
 - (a) a welcome letter upon enrolment;
 - (b) account statements, provided twice a year in June and December; and

- (c) tax receipts for their contributions and confirmation for inter-Funds transfers or transfers from a RRSP into a SPP Member Account if applicable;
- 30. SPP Members can transfer existing contributions between the Funds on a monthly basis. SPP provides for two (2) free inter-Funds transfers per calendar year. All other inter-Funds transfers are subject to a fee;
- 31. The SPP Member Accounts are locked-in until age 55 at SPP and are governed by the SPP Act and the SPP Regulations and cannot be withdrawn from SPP except to provide a pension benefit at retirement;
- 32. SPP provides retirement options for SPP Members between ages 55 and 71. A SPP Member has the option of accessing the balance in its SPP Member Account by selecting a SPP annuity option or transfer its SPP Member Account to a Locked-In Registered Retirement Account ("LIRA"), prescribed Registered Retirement Income Fund ("RRIF"), outside life annuity or combination of these options. The *Income Tax Act* (Canada) dictates it is mandatory that by age 71 a SPP Member must decide on its retirement option(s); and
- 33. SPP has a system that addresses SPP Members' complaints which includes a complaint log and documented escalation procedures;

AND WHEREAS the Director is of the opinion that it would not be prejudicial to the public interest to make this Order;

IT IS ORDERED pursuant to section 83(1)(a) of the Act that the Requested Relief is granted provided that:

- 1. SPP provides the Director with an undertaking to provide any information or produce specified records upon the Director's request;
- 2. SPP annually delivers to the Director its audited financial statements, report of the Board on its business and annual report at the same time as submitting such documents to the minister responsible for the SPP Act;
- 3. SPP staff answering SPP Member inquiries on the specifics of the Funds, or presenting on the specifics of the Funds to employers have passed at least one of the following: the Canadian Investment Funds Course, the Canadian Securities Course or the Investment Funds In Canada Course or such other course approved by the Director;
- 4. SPP staff do not provide any investment or retirement planning advice;
- 5. The SPP Membership Application form and SPP Transfer and Investment Instruction form include an investment instruction declaration containing information substantially the same as that set out in Schedule A to this Order;
- 6. SPP Members sign and date the investment instruction declaration included in the SPP Membership Application form and if applicable, the investment instruction declaration included in the SPP Transfer and Investment Instruction form;

7. SPP:
 - (a) includes in the SPP Membership Guide:
 - (i) the specific differences between SPP and RRSPs, and
 - (ii) the SPP complaint process;
 - (b) prepares a fund facts document using Form 81-101F3 *Contents of Fund Facts Document* excepting Part I subsections 1(c.1), 1(e), 2(0.1), 2(5), 2(6), 3(2), 4(2)(d); Part II subsections 1.1(2), 1.2(1), 1.2(2), 1.3(4), 1.3(5), 1.3(6), 1.3(7), 3(1), 3(3) and Part II Item 2 for each of the Funds;
 - (c) for each of the Funds that invests in a pooled fund, prepares a pooled funds table that includes:
 - (i) a title which is the name of that Fund, and
 - (ii) for each pooled fund the:
 - (A) pooled fund name,
 - (B) investment fund manager name,
 - (C) investment objectives, and
 - (D) investment approach;
8. At the time of providing the SPP Membership Application form or the SPP Transfer and Investment Instruction form, SPP provides the following disclosure:
 - (a) the SPP Membership Guide;
 - (b) the fund facts document for each of the Funds; and
 - (c) the pooled funds table for the Funds, if applicable;
9. SPP maintains on its website the current:
 - (a) SPP Membership Guide;
 - (b) SPP Membership Application form;
 - (c) fund facts document for each of the Funds;
 - (d) pooled funds table for the Funds, if applicable; and
 - (e) notice informing SPP Members and potential members that the fund facts document or pooled funds table for the Funds have been amended, in the case of an amendment; and

10. SPP immediately advises the Director of any material changes to its operations and this exemption terminates 30 days following any material change to SPP operations unless the Director indicates otherwise.

Dated December 20, 2016



Dean Murrison
Director, Securities Division
Financial and Consumer Affairs
Authority of Saskatchewan

Schedule A

1. SPP does not provide any investment or retirement planning advice.
2. SPP does not take responsibility as to the suitability of a SPP Member's Funds choice.
3. SPP does not consider a SPP Members' financial situation, investment knowledge, investment objectives and risk tolerance.
4. A SPP Member may elect to withdraw from the plan within six (6) months from the later of the date the SPP Member's application is made or the date on which a SPP Member makes its first contribution, and the SPP Member will receive a refund of the amount standing to the SPP Member's credit together with interest, less a fee.
5. SPP Member Accounts are locked-in until age 55 at SPP, governed by the SPP Act and the SPP Regulations and cannot be withdrawn from SPP except to provide a pension benefit at retirement.
6. Between ages 55 and 71, a SPP Member has the option of accessing the balance in its SPP Member Account by selecting a SPP annuity option or by transferring its SPP Member Account to a LIRA, prescribed RRIF, outside life annuity or combination of these options.
7. The *Income Tax Act* (Canada) dictates it is mandatory that by age 71 a SPP Member must decide on its retirement option(s).
8. SPP Members acknowledge that:
 - (a) they are responsible for:
 - (i) their choice of Funds, and
 - (ii) obtaining their own financial advice for making investment decisions;
 - (b) they understand the:
 - (i) differences between SPP and RRSPs, and
 - (ii) SPP complaint process; and
 - (c) they have received the:
 - (i) SPP Membership Guide,
 - (ii) fund facts document for each of the Funds, and
 - (iii) pooled funds table for the Funds, if applicable.