2019 ANNUAL REPORT

Saskatchewan Healthcare Employees' Pension Plan

SHEPP

SASKATCHEWAN HEALTHCARE EMPLOYEES' PENSION PLAN

people. pensions. results.

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Message from the

BOARD OF TRUSTEES

ANDREW HUCULAK & JEFF STEPAN
Chair and Vice-Chair

As we reflect on 2019, it's nearly impossible to remove the dark lens of the coronavirus pandemic which fell upon us early in 2020. As this global health crisis unfolded, travel restrictions were put in place, then borders closed and then entire economies shut down, all in a united effort to 'flatten the curve'. It's a now common phrase that is about controlling and containing the impact of a potentially catastrophic event. An endeavour that bears some similarity to the work we do as pension plan administrators to mitigate the potentially devastating effect of major market events on Plan funding so we can ensure the Plan remains sustainable long-term.

Our job is not to save lives, but to protect the future financial security of those who do.

It's a considerable responsibility, given one in every 15 people who work in Saskatchewan is an active member of SHEPP. They've placed their confidence in us, trusting that the contributions they make throughout their career will result in secure and stable retirement income they'll never have to worry about outliving. And that's what we've been delivering since 1962, lifetime pensions to healthcare workers in the province. A benefit that is not only felt by those who receive it, but ripples through our local economies as these retired members spend their hard-earned pension in their communities. Considering over 90% of SHEPP's retired members live in Saskatchewan, the impact is remarkable.

In terms of plan design, the defined benefit model continues to be an efficient and effective way to deliver decent pensions to working women and men, provided risk is appropriately managed. The market's response to the pandemic underscored the importance of this and to maintaining a long-term strategy. Though we never could have predicted it would be an event like this, much of the work we've been doing in recent years, including 2019, was to position the Plan to weather a storm like this one. We've been very deliberate in our efforts to strengthen our governance practices and implement prudent investment and risk management strategies to ensure the Plan consistently operates from a steady and solid foundation.

While 2019 was a strong year in terms of investment returns, there's no doubt 2020 will be a challenging one. However, we came into this unprecedented crisis well-prepared, having laid the groundwork to persevere amid instability. The Plan has faced several challenges in its 58-year existence, and has always overcome them, emerging more resilient and never failing to deliver on its obligation to members. We know we'll overcome this one too.

"We are people driven and member focused." True to this most important organisational value, SHEPP's CEO and dedicated team of employees continue to display an incredible level of passion and commitment to administering the Plan and supporting the Board in serving the best interests of our members. We also recognise and appreciate the guidance and expertise of our Plan actuary, investment consultant, legal counsel and auditor. On behalf of the Board, thank you.

A heartfelt thank you as well, to our fellow Trustees for their remarkable commitment to thoughtful and strategic decision making in fulfilling their fiduciary duty to Plan members. And to our Partner Committees for their continued dedication to strengthening Plan governance.

Finally, thank you to our participating employers and to our almost 60,000 members who have either retired from or remain devoted to a career in healthcare. As we make our way through this unprecedented global crisis, please know your pension is in good hands. SHEPP's Board and Administration are focused on maintaining the long-term sustainability of the Plan so that you can remain focused on supporting the health and wellness of Saskatchewan people. We are truly grateful for everything you've done and continue to do to keep us safe.

Message from the CHIEF EXECUTIVE OFFICER

ALISON MCKAY
Chief Executive Officer

Following what was a relatively flat year, markets were strong in 2019, resulting in very favourable investment returns. While the year-end rate of return fell short of the benchmark (13.5%) the Fund still experienced a very positive return of 11.7% (net of investment manager fees). As of December 31, 2019, net assets totaled $8.0 billion (up from $7.2 billion in 2018).

Unfortunately, the coronavirus pandemic caused major disruption to the financial markets early this year, and they continue to be extremely volatile. While it is much too soon to know the full impact recent market volatility will have, SHEPP came into this period on solid footing. The Board and Administration have been working very deliberately to position the Plan to withstand turbulent times like this. The Fund's investments are well-diversified, and we have taken steps over the past few years to reduce exposure to equity markets, which will help reduce the impact of an economic downturn. In addition, the extended time horizon of defined benefit pension plans, like SHEPP, will allow us to seek opportunities as the market stabilises and rebounds. Along with the Board, we will continue to monitor Plan funding and investment performance, maintaining our long-term strategy of Plan sustainability.

Now more than three years into our 2017-2021 strategic plan we are on track to complete all the initiatives identified to support our overarching objectives. We remain confident that in doing so, the Plan will be well-positioned for a strong and secure future.

In 2019, we continued implementation of the new asset mix which was approved late in 2018. The target portfolio, which includes new alternative asset classes, is aimed at balancing portfolio risk and return relative to the goals of securing benefits and stabilising contributions. We filed an actuarial valuation as at December 31, 2018 which saw another improvement in the Plan's funded status, now 96% on a going-concern basis, and required no change in contribution rates. We continued implementation of our service strategy, further integrating the service standards in our policies and procedures and providing organisation-wide service training. We launched a new employee intranet and conducted an employee engagement survey, both with very positive results. Information technology infrastructure improvements were made, and a cybersecurity training program rolled out to employees as part of the security roadmap.

It was a busy year indeed, and we could not have accomplished all these things without the phenomenal team of professionals we fondly call SHEPPers. Their resilience was tested early this year and they rose to the occasion, as they always do. Their devotion to serving our members and the pride they take in their work never ceases to amaze me and I am truly grateful for each and every one of them.

To our Board of Trustees, whose support is unwavering, we appreciate your continued confidence in us. Finally, we owe an enormous debt of gratitude to our members and participating employers for the sacrifices they make daily to keep us safe. Thank you.

THE SHEPP PROMISE

OUR MISSION
To serve the best interests of our members.

OUR VISION
Excellence in pension plan administration, governance and the provision of benefits.

We embrace quality and innovation.

We are passionate about pensions.

We are people driven and member focused.

Plan OVERVIEW

The Saskatchewan Healthcare Employees' Pension Plan (SHEPP) has been providing retirement benefits to the dedicated women and men supporting the health and well-being of communities across the province since the Plan was established in 1962. With nearly 60,000 members, 50 participating employers and approximately $8 billion in net assets, SHEPP is the largest defined benefit pension plan in Saskatchewan and the only industry-wide pension plan serving the healthcare sector.

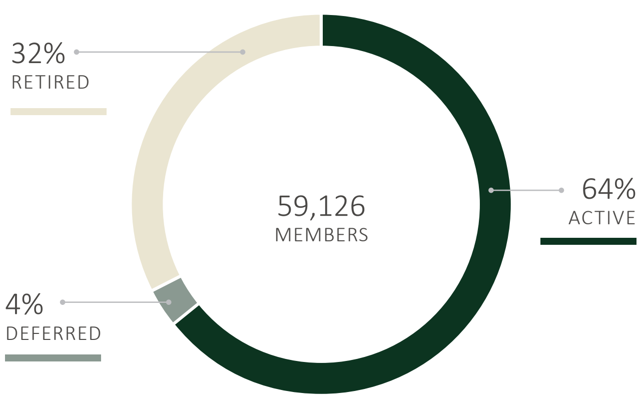
SHEPP members, once vested, are entitled to receive a monthly pension they'll never outlive. The lifetime pension amount is based on their four-year highest eligible earnings, years of service in the Plan and the accrual rate in effect during those years. Members are also provided early retirement, disability, death and termination benefits.

The Plan is funded by contributions from active Plan members and participating employers, and by the investment earnings of the Plan's assets.

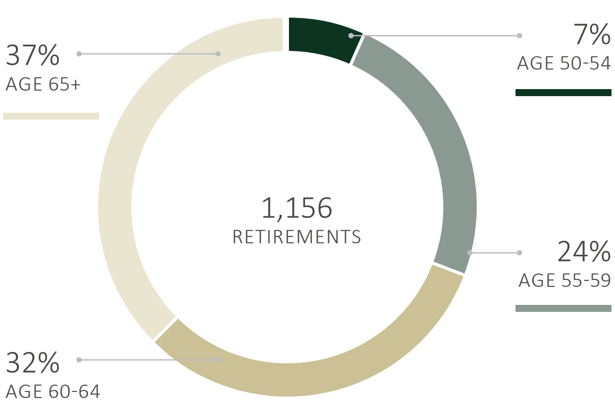
Since 2002, the Plan has been jointly-trusteed – governed by a Board of Trustees and Partner Committees, each with equal representation by employers and employees. SHEPP is administered in compliance with the Plan Text, *The Pension Benefits Act, 1992* (Saskatchewan) and the *Income Tax Act* (Canada).

SHEPP's office and its 47 employees are in Regina, situated on Treaty 4 Territory and the Homeland of the Métis Nation.

PLAN MEMBERSHIP PROFILE
(AS AT DECEMBER 31, 2019)



NEW RETIREMENTS IN 2019
(AGE AT RETIREMENT)



1 in 15
PEOPLE EMPLOYED IN SASKATCHEWAN IS A SHEPP MEMBER

44
YEARS OLD IS THE AVERAGE AGE OF ACTIVE MEMBERS

13,962
MEMBERS ARE ELIGIBLE TO RETIRE WITH AN UNREDUCED PENSION IN THE NEXT 10 YEARS

87%
OF MEMBERS ARE WOMEN

$1,722
DOLLARS PER MONTH WAS THE AVERAGE NEW LIFETIME PENSION

$533 DOLLARS PER MONTH WAS THE AVERAGE NEW BRIDGE BENEFIT

57%
OF MEMBERS WORK FULL-TIME

State of the

PLAN

BEST ESTIMATE YEAR-END RESULTS

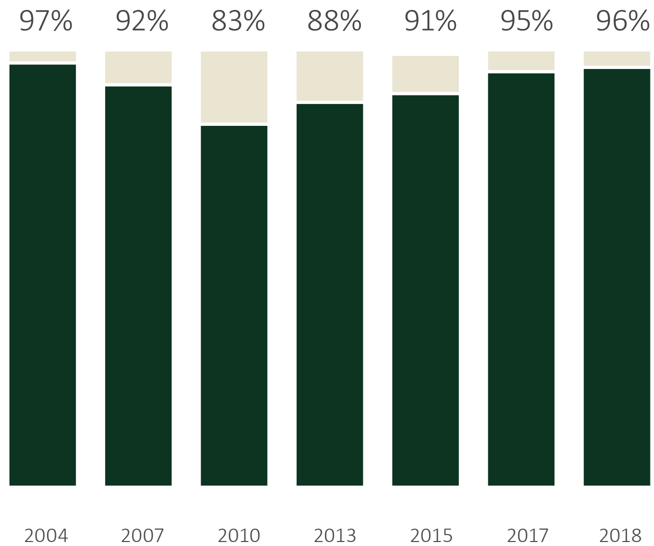
A year of strong investment returns brought the total market value of the Fund to approximately $8.0 billion at the end of 2019. Net assets increased by approximately $816.5 million and pension liabilities by $448.5 million, resulting in a surplus of $738.6 million on a best-estimate basis at year-end. The best-estimate financial results are certainly positive and SHEPP has experienced a surplus on that basis in each of the last seven consecutive years. However, Plan funding is measured on going-concern basis, which assumes operations continue and obligations exist indefinitely. Therefore, it is paramount that the focus remains on the longer-term financial health of the Plan.

GOING-CONCERN FUNDED STATUS

SHEPP's most recent valuation, filed as at December 31, 2018, showed another improvement in the Plan's funded ratio, now at 96% on a going-concern basis. Reflected in this improvement was a $49 million reduction in the remaining unfunded liability to $336 million (from $385 million one year prior) and no change to the combined required contribution rate of 18.3% which has been in place since January 1, 2014.

Under *The Pension Benefits Act, 1992* (Saskatchewan), the Plan is required to file an actuarial valuation at least once every three years but is permitted to file more frequently as well. This flexibility enables the Board to take a more proactive approach in meeting its long-term funding objectives. Valuations are filed more frequently at times to help position the Plan to ride out the impact of short-term market volatility, providing more time for markets to rebound and Plan funding to stabilise, thus alleviating pressure on contribution rates.

GOING-CONCERN FUNDED STATUS
AS AT DECEMBER 31



LONG-TERM SUSTAINABILITY

Providing lifetime pensions and funding a defined benefit pension plan requires a truly long-term view and is certainly not without its challenges. It requires that both financial and demographic risks are carefully monitored and managed. For some time now, we've been operating in a demanding financial environment, where low interest rates and market volatility have become the norm. The Plan is maturing, and this coupled with increasing longevity makes it increasingly important to manage risk while pursing investment strategies that can generate a level of return sufficient to fund benefits over the long-term.

The Board's Funding Policy is designed to support decision-making that will guide the Plan through economic cycles and shifting demographics, while maintaining the continued financial integrity of the Plan. The overarching objective of the Funding Policy is to secure members' benefits while minimising contribution rate volatility. Working hand in hand with the Funding Policy are the Plan's investment policies and risk management strategies aimed at achieving adequate returns within an acceptable level of risk.

While no one could have predicted the global health crisis in 2020 and the market's response, SHEPP has taken several steps in the past few years to prepare for the unexpected and position the Fund to withstand turbulent times.

First, the Fund's investments are well-diversified. SHEPP periodically conducts asset-liability studies to examine expected portfolio risk and return relative to the Plan's goals of sustainability and contribution stability. As a result of the most recent study, adjustments were made to the long-term asset-mix, reducing the Fund's exposure to equity markets which will help reduce the impact of a downturn.

Second, as a defined benefit pension plan, SHEPP has an enduring investment horizon that spans 50 plus years. This allows the Board to take a long-term view in investing and funding the Plan and provides time to respond to market trends, recalibrating when needed. While in the near-term Plan assets will decline alongside a significant market downturn, SHEPP is positioned to maintain its long-term strategy and look for opportunities as markets stabilise and rebound.

And finally, SHEPP has experienced strong investment returns over the past ten years – over 9% per year annualised. As a result, the funded position of the Plan has improved consistently in each of the last four valuations and we've been able to build margin to help cushion the Plan in volatile markets.

ACTIVE TO RETIRED MEMBER RATIO

4.2 to 1
2002

2.0 to 1
2019

SHEPP CONTRIBUTION RATE
(AS A PERCENTAGE OF PAYROLL)

ITEM	RATE
Current service cost	15.36%
Temporary contribution to amortise the unfunded liability	2.94%
TOTAL COMBINED CONTRIBUTION RATE	18.3%

Diversified

INVESTMENTS

INVESTMENT OVERVIEW

SHEPP's investment strategy is driven by Plan sustainability objectives. We seek to generate long-term returns sufficient to improve and maintain the Plan's funded position, securing members' benefits and stabilising contributions.

Achieving the right balance between risk and return to meet our objectives is a focus in setting long term strategy and in managing through changing market environments. This was particularly apparent in 2019. Coming out of a weak 2018 market environment, pension plans like SHEPP faced reduced return expectations based on lower expected economic growth, a drop in interest rates and relatively high asset prices. We continued to focus on asset diversification and seeking out opportunities to protect the Plan from potential weaker returns in traditional asset classes. As 2019 evolved, traditional equity and bond markets turned out to be strong positive contributors to returns. Indeed returns across the portfolio were positive, resulting in an 11.7% net return. We took advantage of the strong market returns to continue our focus on diversification and rebalancing the risks within the portfolio.

STRATEGIC INITIATIVES AND ACCOMPLISHMENTS

SHEPP takes a long term view when investing. A multi-stage plan is underway to enhance the long-term asset mix to deliver the required returns while diversifying risk. In 2019, progress was made in implementing a new strategic asset mix coming out of the most recently completed asset-liability study, approved in late 2018. Asset-liability studies are undertaken periodically to examine the expected portfolio risk and return relative to the Plan's goals of sustainability and contribution stability. Implementation of the new long-term target portfolio will carry on the measured shifts out of public equity and traditional fixed income. Absolute return strategies were added in the year and planning started on a new private equity allocation. Within real assets, a strategy was approved to enhance regional diversification. SHEPP also added a new opportunistic investment in the year, adding to allocations made in 2018.

2019 PERFORMANCE

Equity markets reacted with optimism to signs of reduced trade tensions early in 2019, rebounding from a weak fourth quarter 2018. The positive trend kept going over the year, with global equity markets generating double-digit returns. Fixed income provided strong returns driven off declining interest rates. Real assets provided positive results, albeit somewhat muted by currency impacts. SHEPP's one-year total fund return of 11.7% (net of investment management fees) was strong but lagged the benchmark of 13.5%. The benchmark return reflects SHEPP's target asset mix implemented using passive, index strategies and absolute return targets. Active equity management generally trailed the very strong markets. Moves to diversify and de-risk left the fund less exposed to the equity markets as those markets rebounded and reached new highs.

FIXED INCOME

The fixed income portfolio provides stable investment income, supplies liquidity and is designed to hedge against equity risk. The rising interest rate environment of 2018 reversed in 2019, with declining rates driving positive returns across all broad sectors and maturities. SHEPP's overall fixed income allocation generated an 8.1% net return in the year, led by long term bonds.

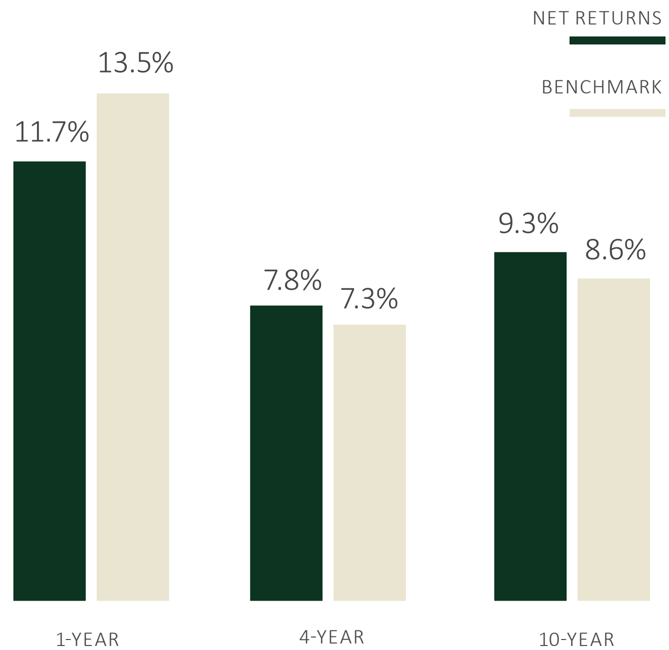
EQUITIES

Equities anchor the growth-oriented portion of the portfolio and are expected to deliver dividend income and long-term growth in excess of inflation. North American equity markets were particularly strong, showing gains of over 20%; emerging markets lagged but even so were up over 12%. Within markets, growth names led the market and larger technology and consumer companies dominated the market leaders. SHEPP's total equity portfolio posted a 16.4% net return in 2019.

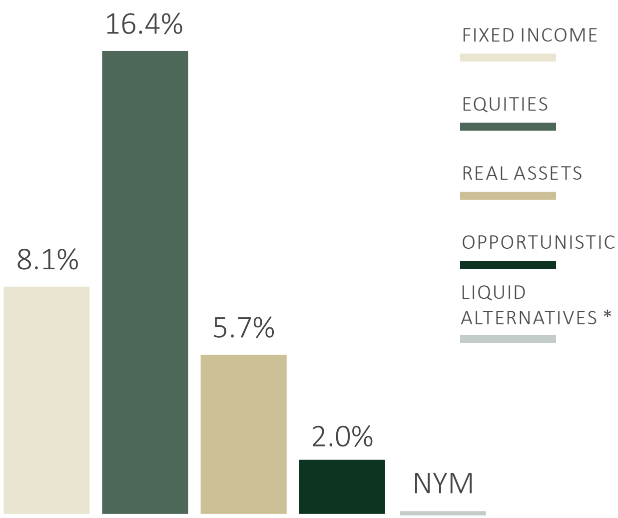
LIQUID ALTERNATIVES

Liquid alternatives employ strategies that seek to provide attractive risk-adjusted returns across various market environments by being less reliant on positive market direction to generate returns. Designed to have relatively low correlation with traditional equity and fixed income markets, and a risk profile lower than equities, these absolute return strategies are intended to provide diversification and help stabilise returns at the total Fund level. Implementation of these mandates occurred during 2019 and, as such, return results are not yet meaningful.

TOTAL FUND RATE OF RETURN
(ANNUALISED, NET OF INVESTMENT MANAGEMENT FEES)

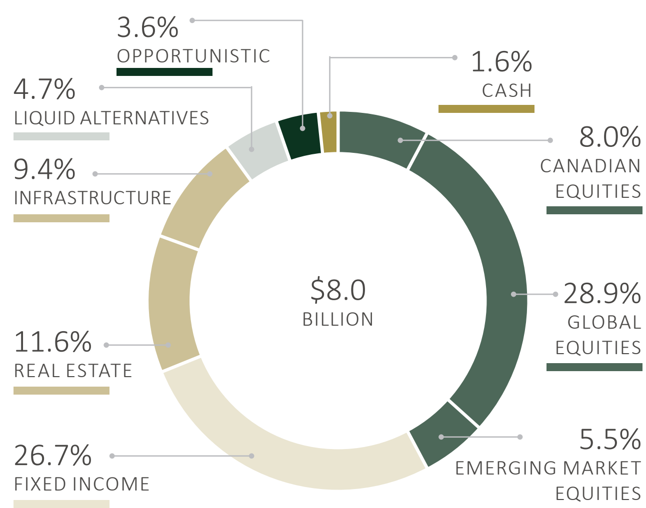


2019 TOTAL FUND RETURNS
(NET OF INVESTMENT MANAGEMENT FEES)



* Results are Not Yet Meaningful (NYM)

ASSET MIX
(2019)



REAL ASSETS

Real assets include real estate and infrastructure investments. Their role in the portfolio is to provide additional diversification and potential for inflation sensitive income and/or longer-term growth opportunities, depending on the investment. SHEPP's real asset return for the year was 5.7%. Real estate assets provided a 5.2% return in 2019, led by Canadian real estate. US real estate returns were muted by a rising Canadian dollar relative to the US dollar. Infrastructure returned 6.3% in 2019. The return, while solid, was muted relative to the nearly 19% result in 2018, when valuations and currency moves were favourable. Real assets are targeted to be approximately 20% of the Fund. The plan in the coming years is to balance the mix to be approximately equally split between real estate and infrastructure. In addition, a strategy review was undertaken in the year to further diversify the real estate portfolio outside of North America.

OPPORTUNISTIC INVESTMENTS

The opportunistic investment category within the portfolio is intended to capture potential opportunities that may come out of market dislocations and/or emerging asset strategies. Potential opportunistic investments for SHEPP are those that are expected to add to the Fund from a return and diversification perspective. Insurance-linked securities were first added in 2018. In 2019, a bank capital relief strategy was added. These strategies provide diversifying income-oriented returns from insurers and banks managing against post financial crisis capital requirements. Opportunistic investments returned 2.0% in the year.

CURRENCY

As SHEPP's investment portfolio evolves, seeking more globally diversified sources of return, the Fund becomes more exposed to currency fluctuations, while SHEPP's pension obligations continue to be paid in Canadian dollars. While currency acts as a source of diversification during certain market environments, a currency overlay program was put in place to dynamically mitigate some of the risk of undesirable currency fluctuations. In 2019, SHEPP's total Fund return was reduced by currency exposure as the Canadian dollar appreciated against a basket of currencies. The currency overlay program partially mitigated these losses and slightly added to the total Fund performance.

LONGER-TERM RESULTS

SHEPP's investment strategy is a long-term one, and as such, its success must be examined under a lens spanning more than any one year. On a longer-term basis, SHEPP assesses the effectiveness of investment strategies and activities relative to absolute return targets used in funding calculations, as well as a benchmark portfolio return calculated using passive index and absolute returns. The primary and secondary objectives, respectively, are to meet or exceed a real return of 4.0% (inflation plus 4.0%) over the very long term (10+ years) and to meet or exceed the return of the benchmark portfolio approved by the Board (over rolling four-year periods).

The 2019 return contributed to strong longer-term absolute returns. The Fund exceeded performance targets with a four-year annualised return of 7.8% (net of investment management fees) exceeding the benchmark of 7.3%. Over 10 years, the 9.3% return (net of investment management fees) also exceeded the 8.6% benchmark portfolio return and provided a strong rate of return net of inflation of approximately 7.5%.

Professional

ADMINISTRATION

OPERATING EXPENSES

While a variety of factors impact the Plan's overall financial position, it's important to recognise that administration expenses also impact the Plan's liabilities and therefore must be understood and managed prudently. Pension administration expenses are a normal aspect of administering a pension plan and, like other pension plans, SHEPP strives to strike a balance between effective service delivery and cost efficiency.

Total operating expenses were $54.9 million in 2019, with each category of expenses slightly increasing compared to the previous year:

- Administration expenses were $8.8 million, up from $8.1 million;
- Professional fees were $1.7 million, up from $1.6 million;
- Investment fees were $43.8 million, up from $32.5 million; and
- Custodian fees were $634 thousand, up from $605 thousand.

Investment fees continue to be the largest category, accounting for approximately 80% of total administrative costs. These expenses are reflective of both the value of total assets and complexity of SHEPP's investment portfolio. As we diversify into new asset classes and the Fund grows, we expect investment fees will continue to increase relative to that growth.

As a check and balance, SHEPP regularly compares administration costs to those of its peers. In 2019, SHEPP participated in the CEM Benchmarking survey, which calculates the Plan's administrative cost per member (active and retired) and compares it to defined pension plans of similar size across Canada. As in years past, SHEPP ranked on the lower-cost end using this measure. The Administration also regularly calculates and compares operating expenses on both a cost-to-asset and cost-to-liabilities basis, where the Plan tends to sit in the middle of the pack compared to its Canadian peers.

STRATEGIC PLAN

With more than three years of the 2017-2021 Strategic Plan now complete, the Plan continues to benefit from the strong and consistent alignment between Administrative activities and the Board's strategic priorities. Major projects and strategic initiatives, either underway or completed, in 2019 included:

SERVICE STRATEGY

In 2019, we continued to implement the Service Strategy which formalised SHEPP's service delivery model and identified the four standards of accurate, timely, helpful and approachable service. Throughout the year, the service standards were integrated into various procedures and employment documents including position descriptions, and a variety of new quality assurance tools and resources were developed and rolled-out. In November, the entire organisation participated in a comprehensive full-day service training session.

EMPLOYEE ENGAGEMENT

As we do every three years, SHEPP conducted a survey in 2019 to measure employee engagement and help assess how well the organisation is supporting the employee experience. The survey was customised to reflect our organisation's

ALISON MCKAY

CHIEF EXECUTIVE OFFICER

CHELDON ANGUS

CHIEF TECHNOLOGY OFFICER

unique culture and help determine if SHEPP is achieving its goal of providing employees with a valuable work experience, a competitive compensation package and the opportunity to integrate work and life in a healthy and effective way. The survey had an incredible 98% response rate, and the overall result was an 88% engagement rate which exceeded the normative benchmarks used.

EMPLOYEE INTRANET AND KNOWLEDGE BASE

In March 2019, a new employee intranet was launched with the high-level objectives of capturing and sharing institutional knowledge, streamlining internal procedures and enhancing communication, collaboration and recognition. Our employees are the heart and soul of SHEPP, and we are very proud and protective of the culture we've developed. The intranet has provided a platform through which we can continue to foster our culture and support our employees, even when we may not be working in the same physical space.

INFORMATION TECHNOLOGY INFRASTRUCTURE & SECURITY

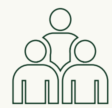
SHEPP is now more than halfway through its three-year security roadmap designed to strengthen the organisation's security posture. Major infrastructure improvements took place in year two including the migration of email infrastructure to the cloud, the migration of document repositories to CGI's data centre and the replacement of all hardware network switches. Also in 2019, an ongoing cybersecurity training program was rolled-out to employees and system applications used to support members on disability were redeveloped and optimised.

AIMS PREPARATION

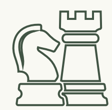
An internal project team was assembled in 2019 to prepare SHEPP's pension administration systems and processes for the implementation of the new Administrative Information Management System (AIMS) expected in 2020. The AIMS project, being led by the province's key healthcare organisations, will see 82 non-integrated systems replaced with a single software solution. As a pension plan benefit administrator for healthcare employees, SHEPP receives important information from the payroll system, and as such it is imperative that our systems are ready to accept and process data provided from the new source.

2017 – 2021
STRATEGIC PLAN

Enhance the long-term viability of the Plan by executing innovative strategies that protect the interests of the Plan and its members.



Strengthen the relationship with the Partner Committees by enhancing communications, striving to educate and inform while encouraging effectiveness that benefits all Plan members.



Maintain and enhance SHEPP's position as an industry leader by driving a culture of excellence and resilience.

INDUSTRY INFLUENCE

SHEPP continued its participation in several industry and advocacy organisations whose purpose aligns with SHEPP's vision, mission and values. These organisations include: Canadian Public Pension Leadership Council (CPPLC); The Association of Canadian Pension Management (ACPM); Pension Investment Association of Canada (PIAC); and Canadian Pension & Benefits Institute (CPBI).

In February 2019, SHEPP's Administration participated in a joint response to the Public Sector Accounting Board (PSAB) regarding proposed changes to the discount rate used to determine the pension benefit obligation, and how employers of a multi-employer pension plan and the government reporting entity are to account for their share of the benefit obligation. Accounting standards can have a significant impact on the administration of the Plan and the sustainability of defined benefit plans. Taking a vocal stance on matters such as this one, is an important part of advocating on behalf of our Plan members' best interests.

JANET JULÉ
CHIEF INVESTMENT OFFICER

DALE MARKEWICH
CHIEF FINANCIAL OFFICER

KELLEY ORBAN
CHIEF PEOPLE OFFICER

PAULA POTTER
CHIEF OPERATING OFFICER

Exceptional
SERVICE

As our mission states, we are a service organisation. SHEPP's mission statement, serving the best interests of our members, is not just the mantra of our organisation, it is the very core of our operations. Having recently formalised a service strategy focused on delivering accurate, timely, helpful and approachable service, we have been integrating these concepts in policies, procedure and culture to ensure they underpin every relationship we build with both internal and external customers – most importantly our members.

ACCURATE

Accuracy is key when it comes to pensions. Our members are often making important life decisions at the time they contact us or visit our website. We strive to ensure they are making informed decisions by providing accurate information in a manner that is easy to understand. Our member service representatives receive extensive training and education in pension plan administration to ensure they provide members with accurate information and answers to their questions at the very first point of contact. SHEPP also publishes information in various formats available in print or online, including the Plan Booklet, which details Plan provisions, retirement eligibility rules and the pension benefit formula.

TIMELY

To facilitate decision-making, which is often critical and required within a prescribed deadline, we strive to deliver information to our members in a timely manner. SHEPP processes thousands of requests each year for retirement projections, buyback quotes, termination and death benefits and spousal relationship breakdown valuations. We employ modern technology and frequently refine our internal processes to ensure requests are fulfilled and members are receiving information as quickly as possible. Service times have improved significantly in recent years, with the average turn-around time for SHEPP to prepare, verify and deliver member information averaging just under two weeks.

For those who prefer access to information and self-serve tools 24/7, SHEPPWeb provides a secure way for members to access their pension information, update their personal data (including designated beneficiaries), estimate the cost

to buy service and project their future pension under endless retirement scenarios.

HELPFUL

Pensions are complex, and we understand our members may not always know what questions to ask or how a piece of additional information may make a difference in the options available to them. We have the expertise to provide them thorough responses, so we are intentionally curious. We take the time to actively listen to our members, anticipating their needs and providing the most complete information we can, even if that means getting back to them after some investigation or research.

We believe personalised information is most helpful when planning for retirement. Each spring, our active members are mailed a statement which not only reflects their eligible earnings and service in the Plan, but also provides them with an estimate of their future pension on their early and normal retirement dates. Our SHEPPWeb calculators also provide a personalised experience as they are connected to the member's record. So, rather than requiring the member to enter their data, they can simply choose the scenario (e.g. retirement date or buyback period) and the calculator will provide an estimate using the earnings and service SHEPP has on record for them.

APPROACHABLE

We are not just a pension plan, we are people – individuals who have chosen a career dedicated to serving others. Our members serve others as well, taking care of the province's sick, elderly and most vulnerable citizens. Our job is to provide them with the security and certainty of a lifetime pension when they retire, and each of us at SHEPP has a role to play in that. Collectively, we strive to ensure that this greater purpose is evident in every interaction we have with our members.

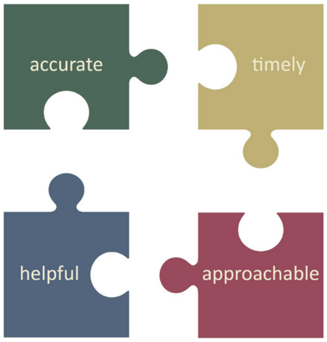
When members contact SHEPP by phone, they are greeted by one of our member service representatives, each qualified to assist them with their pension needs. This service delivery model requires a very thorough recruitment and training process to ensure a high level of pension knowledge, but we believe it is important to provide our members with expertise they seek, right from the moment they first contact SHEPP. While telephone remains the primary method of contact, we also welcome members to our Regina office during business hours and have member services representatives available to meet with them.

47
KNOWLEDGEABLE EMPLOYEES

14,009
PHONE CALLS FROM MEMBERS

44,047
VISITORS TO WWW.SHEPP.CA

18
INFORMATION SHEETS



504
ON-SITE MEETINGS WITH MEMBERS

26
RETIREMENT PRESENTATIONS

2,545
ONLINE VIDEO VIEWS

24/7
ACCESS TO PERSONALISED TOOLS AND INFORMATION

7,821
CALCULATIONS MAILED BY SHEPP

18,238
CALCULATIONS ONLINE BY MEMBERS

Strong

GOVERNANCE

STRUCTURE AND AUTHORITY

On December 31, 2002 the Plan's settlors signed the Declaration and Agreement of Trust (Trust Agreement) establishing SHEPP's current joint-trustee structure whereby Plan obligations are shared between employers and employees. The Trust Agreement assigns authority to two appointed bodies, equally represented by both employees and employers.

Two Partner Committees – one represented by six union-appointed individuals and the other represented by six employer-appointed individuals, are collectively responsible for Plan design. Any benefit changes which impact the cost of the Plan must be negotiated and agreed to by the Union and Employer Partner Committees.

An eight-member Board of Trustees (Board), consisting of four employer representatives and four employee representatives, is responsible for administering the Plan and investing the assets held in trust. The Board sets the strategic direction of the Plan and establishes investment and administrative policies in accordance with the Plan Text, the Trust Agreement and all governing legislation. The Plan is funded by investment earnings and contributions from Plan members and participating employers. It is the Board's responsibility to invest the Plan's assets to adequately cover the pension obligations and implement contribution rates to meet the funding requirements established by the Plan actuary. As fiduciaries, Trustees must exercise their authority while consistently acting in the best interests of Plan members and beneficiaries.

2019 HIGHLIGHTS

The Board continued implementation of the new long-term target asset mix which was approved in 2018 following the completion of an asset-liability study. In 2019, six new managers were hired to fulfill mandates in liquid alternatives, foreign real estate, fixed income and the opportunistic category. The Board also approved two new infrastructure funds from two existing managers. Board oversight of investment activity was recently enhanced with a new manager monitoring framework.

The Plan actuary is one of the Board's key advisors and is called upon regularly to provide education, information and advice upon which important Plan administration and funding decisions are made. Early in 2019, the Board tendered its actuarial services, as a measure of good governance, to ensure this important role continued to be fulfilled by an actuarial firm that shares the Board's goal of serving the best interests of members. The process was both educational and thorough and resulted in the Board re-affirming its confidence in Aon as the Plan actuary.

Though an actuarial valuation had been completed just one year earlier, the Board made the strategic decision to perform and file with the regulator a valuation as at December 31, 2018. There are circumstances under which filing an actuarial valuation outside the required three-year cycle can provide the Board with added flexibility to achieve their funding objectives to secure benefits and stabilise contribution rates. Since the present unfunded liability was incurred in 2010, four subsequent valuations have been filed. Each has seen an improvement in funded status and the contribution rate has remained unchanged since January 1, 2014.

In recent years, the Board has reviewed issues surrounding Responsible Investing (RI), articulated an investment belief on the relevance of Environmental, Social and Governance (ESG) factors in the investment process, and adopted a Responsible Investment Policy (RI Policy) to outline how the Plan will express that belief through its investment activities.

The Administration provides the Board with an annual report summarising the Plan's investment activities and practices as outlined in the RI Policy.

RI is an evolving process for the Board and Plan, as it is for the investment industry generally. To both keep up with that evolution and assess the organisation's approach, the Board engaged Aon to facilitate a Responsible Investing Workshop. The workshop provided the Board education on what the ESG factors encompass, responsible investment trends and approaches. The intent of further education is to assist the Board to enhance its knowledge and continue to evolve its approach to Responsible Investing, while executing its fiduciary duty to Plan members.

Following a Governance Review in 2018, an action plan was developed to ensure effective governance practices, including monitoring governance related activities. In December 2019, the action plan was completed, supporting the current strategic plan and positioning the plan for continued success.

MEETING ACTIVITIES

At the beginning of each year, the Board approves a work plan that guides its meeting activities throughout the year to ensure legislative requirements are met and best practice is followed. In 2019, activities were scheduled during eight meetings held over a total of 12 days. In addition to activities highlighted in the previous section, the Board:

- Met with five investment managers;
- Reviewed and approved eight policies in accordance with the Governance Review Policy;
- Received reports confirming compliance with legislation and policy, including code of conduct, conflict of interest and the Funding Policy;
- Identified key organisational risks as part of the enterprise risk management program;
- Completed the Pension Plan Governance and Prudent Investment Practices Self-Assessment Questionnaires developed by the Canadian Association of Pension Supervisory Authorities (CAPSA);
- Received the CEM Pension Administration Benchmarking report;
- Updated and confirmed the list of potential Ninth Trustees; and
- Held its annual meeting, during which Trustees met with members of the Partner Committees.

Individual Trustees also committed time to enhancing their knowledge and effectiveness on the Board by attending industry conferences and workshops.

Late in the year, the Board said goodbye to Trustee, Mike Northcott who had served on the Board since 2016. Karen Aulie was appointed by 3sHealth in December to assume the role he previously held as an Employer Trustee.

ANDREW HUCULAK

CHAIR

JEFF STEPAN

VICE-CHAIR

RUSSELL DOELL

TRUSTEE

NATALIE HOREJDA

TRUSTEE

MIKE NORTHCOTT

TRUSTEE

MARG ROMANOW

TRUSTEE

DR JIM TOMKINS

TRUSTEE

TED WARAWA

TRUSTEE

Five-Year Financial

HIGHLIGHTS

AS OF DECEMBER 31	2019 (000's)	2018 (000's)	2017 (000's)	2016 (000's)	2015 (000's)
NET ASSETS AVAILABLE FOR BENEFITS	$ 8,030,768	$ 7,214,270	$ 7,223,728	$ 6,369,159	$ 5,936,342
ACCRUED PENSION OBLIGATIONS	7,292,200	6,843,700	6,683,200	6,367,000	5,776,800
CONTRIBUTIONS					
Member	161,184	158,177	155,200	152,160	155,346
Employer	180,526	177,158	173,824	170,419	173,987
Other	5,922	3,466	4,964	5,127	4,320
TOTAL CONTRIBUTIONS	347,632	338,801	333,988	327,706	333,653
BENEFIT PAYMENTS					
Pensions	314,516	293,236	269,005	243,299	217,526
Terminations, Death Benefits and Holdbacks	48,020	46,561	56,141	50,987	43,558
TOTAL BENEFIT PAYMENTS	362,536	339,797	325,146	294,286	261,084
PLAN EXPENSES					
Administrative	10,485	9,730	9,042	8,264	7,368
Investment	44,380	33,097	28,770	26,365	20,477
TOTAL PLAN EXPENSES	$ 54,875	$ 42,827	$ 37,812	$ 34,629	$ 27,845

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the Saskatchewan Healthcare Employees' Pension Plan

Opinion

We have audited the financial statements of the Saskatchewan Healthcare Employees' Pension Plan (the Plan), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of changes in net assets available for benefits for the year then ended
- the statement of changes in pension obligations for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Saskatchewan Healthcare Employees' Pension Plan as at December 31, 2019, and its changes in net assets available for benefits and its changes in pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' report.

We are independent of the Plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises the 2019 Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statement or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the 2019 Annual Report document as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Plan's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Plan or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Plan's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Plan to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Regina, Canada
May 20, 2020

Statement of

FINANCIAL POSITION

FOR THE PERIOD ENDING DECEMBER 31

	2019 (000's)	2018 (000's)
ASSETS		
Investments (Note 5)	$ 7,698,700	$ 6,858,244
Investments under security lending program (Note 5)	342,821	363,297
Members' contributions receivable	13,481	13,188
Employers' contributions receivable	15,098	14,771
Dividends receivable	5,477	5,742
Property and equipment	5,255	1,477
Intangible assets	3,689	4,183
Other receivables	718	720
Prepaid expenses	186	144
	8,085,425	7,261,766
LIABILITIES		
Securities transactions payable	363	1,633
Accounts payable	12,475	7,225
Transfer deficiency holdback	41,819	38,638
	54,657	47,496
NET ASSETS AVAILABLE FOR BENEFITS	8,030,768	7,214,270
PENSION OBLIGATIONS (Note 7)	7,292,200	6,843,700
SURPLUS	$ 738,568	$ 370,570

The accompanying notes to the financial statements are an integral part of this financial statement.

Approved by the Board of Trustees and signed on their behalf on May 20, 2020.

Andrew Huculak, Chair

Jeff Stepan, Vice-Chair

Statement of

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE PERIOD ENDING DECEMBER 31

	2019 (000's)	2018 (000's)
INCREASE IN NET ASSETS		
Contributions - Members	$ 161,184	$ 158,177
Contributions - Employers	180,526	177,158
Contributions - Other	5,922	3,466
Investment income (Note 6)	111,620	110,288
Net realised gain on investments	198,448	321,873
	657,700	770,962
DECREASE IN NET ASSETS		
Pension benefits	314,516	293,236
Realised loss on foreign exchange	7,414	34,983
Terminations and death benefits	44,824	41,776
Transfer deficiency holdback	3,196	4,785
	369,950	374,780
EXPENSES		
Administrative expenses	8,758	8,111
Custodian fees	634	605
Investment fees (Note 10)	43,756	32,492
Professional fees	1,727	1,619
	54,875	42,827
	424,825	417,607
UNREALISED GAINS (LOSSES)		
Unrealised market value gain (loss)	586,319	(388,313)
Unrealised (loss) gain on foreign exchange	(2,696)	25,500
	583,623	(362,813)
NET INCREASE (DECREASE) FOR THE YEAR	816,498	(9,458)
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	7,214,270	7,223,728
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	$ 8,030,768	$ 7,214,270

The accompanying notes to the financial statements are an integral part of this financial statement.

Statement of

CHANGES IN PENSION OBLIGATIONS

FOR THE PERIOD ENDING DECEMBER 31

	2019 (000's)	2018 (000's)
PENSION OBLIGATIONS, BEGINNING OF YEAR	$ 6,843,700	$ 6,683,200
Current service costs	256,000	256,800
Benefits paid by the plan	(362,500)	(339,700)
Interest expense	435,100	422,900
Change in actuarial assumptions	191,400	(215,700)
Experience items	(71,500)	36,200
PENSION OBLIGATIONS, END OF YEAR (NOTE 7)	$ 7,292,200	$ 6,843,700

The accompanying notes to the financial statements are an integral part of this financial statement.

DECEMBER 31, 2019

NOTE 1 - SASKATCHEWAN HEALTHCARE EMPLOYEES' PENSION PLAN

The Saskatchewan Healthcare Employees' Pension Plan (the Plan) is a multi-employer defined benefit pension plan registered under *The Pension Benefits Act, 1992* (Saskatchewan) and the *Income Tax Act* (Canada). The Plan is governed by a Board of Trustees pursuant to an Agreement and Declaration of Trust dated December 31, 2002. Four Trustees are appointed by Health Shared Services Saskatchewan (3sHealth) and four healthcare unions each appoint one Trustee. The Chief Executive Officer and the Plan's employees are responsible for the administration of the Plan, subject to Board monitoring and review.

NOTE 2 - BASIS OF PREPARATION

A. STATEMENT OF COMPLIANCE

The financial statements for the year ended December 31, 2018 have been prepared in accordance with Canadian Accounting Standards for Pension Plans (CPA Handbook Section 4600). For matters not addressed in Section 4600, International Financial Reporting Standards (IFRS) guidance has been implemented.

B. BASIS OF MEASUREMENT

The financial statements have been prepared on the historical cost basis except for financial instruments which have been measured at fair value.

C. FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Canadian Dollars, which is the Plan's functional currency and are rounded to the nearest thousand unless otherwise noted.

D. USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in accordance with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and changes in estimates are recorded in the accounting period in which they are determined. The most significant estimation processes are related to the valuation of investments (note 5) and actuarial determination of pension obligations (note 7).

NOTE 3 - DESCRIPTION OF PLAN

The following description of the Plan is a summary only. For more complete information reference should be made to the Plan Text.

A. EFFECTIVE DATE

The effective date of the Plan was March 1, 1962.

B. ELIGIBILITY

Eligible permanent full-time and permanent part-time employees of the Plan employers must participate.

Membership is optional for eligible casual and temporary employees who work at least 780 hours in the immediately preceding calendar year or at least 700 hours in each of the two immediately preceding calendar years.

C. MEMBER CONTRIBUTIONS

The Plan employers are responsible for the accuracy and completeness of the payroll information on which contributions are remitted and benefits determined under the Plan. Contributions are made by both members and the Plan employers in accordance with the provisions of the Plan.

For the year ending December 31, 2019 members are required to contribute 8.1 percent of their pensionable earnings up to the Year's Maximum Pensionable Earnings

(YMPE) and 10.7 percent of pensionable earnings above the YMPE.

Plan members may purchase eligible service provided they satisfy the full purchase cost. These contributions are referred to as additional purchased service contributions and may be purchased on a current service or prior service basis.

Plan members may transfer in service and contributions from the pension plan of a prior employer. These contributions are referred to as portability transfer contributions.

D. EMPLOYER CONTRIBUTIONS

Employers contribute 112 percent of a member's required contributions.

E. AMOUNT OF PENSION

Subject to the maximum pension limits set out in the Plan Text the basic lifetime pension is equal to the sum of:

i. 2 percent of highest average contributory earnings[1] multiplied by years of credited service up to December 31, 1989, plus

ii. 1.65 percent of highest average base contributory earnings[2] plus two percent of highest average excess contributory earnings[3] multiplied by years of credited service between January 1, 1990 and December 31, 2000, plus

iii. 1.4 percent of highest average base contributory earnings plus two percent of highest average excess contributory earnings multiplied by years of credited service after January 1, 2001.

F. RETIREMENT DATES

The normal retirement date of a member is the first day of the month coincident with or next following the member's 65th birthday.

Members can retire early with an unreduced pension as soon as their age and years of credited service add up to 80 years.

Members can retire with a reduced pension any time after age 55 with at least two years of service. The reduction applied to the member's pension depends on how long the member has worked for his or her employer. If the member has worked for at least 10 years, the pension is reduced by the lesser of:

i. Three percent multiplied by the number of years, and portions thereof, that the member is short of age 65, and

ii. Three percent multiplied by the number of years, and portions thereof, that the member's age plus credited service is short of 80 years, and

iii. The greater of:

   a. Three percent multiplied by the number of years, and portions thereof, that the member is short of age 62, and

   b. Three percent multiplied by the number of years, and portions thereof, that the member's credited service is short of 20 years.

A member may delay receipt of pension payments until December 1 of the year in which they attain age 71. In this event, pension accruals will continue in the normal manner.

G. TRANSFER DEFICIENCY HOLDBACKS

The valuation performed at December 31, 2018 revealed a solvency deficit of 29 percent. The Plan is required to apply a transfer deficiency holdback of 29 percent to certain termination benefits. This was effective September 30, 2019. The previous transfer deficiency holdbacks were 19.72 percent, 27 percent, 35 percent and 28 percent, based on the valuations performed at December 31, 2010, December 31, 2013, December 31, 2015 and December 31, 2017 respectively. Transfer deficiency holdbacks plus applicable interest is paid within five years of the initial payment or when the Plan becomes fully funded on a solvency basis (whichever occurs first). Transfer deficiency holdbacks began to be repaid in 2016.

H. DEATH IN SERVICE

On the death of a member before retirement, the member's surviving spouse receives the greater of:

i. the sum of:

   a. the commuted value of the member's pension earned to the date of death in respect of all core credited service, plus excess contributions, if any, and

   b. the member's accumulated additional purchased service and portability transfer contributions, plus interest, and

ii. the sum of:

   a. the commuted value of the member's core

[1]The average of a member's four highest years of contributory earnings.
[2]The average of a member's contributory earnings up to the Year's Maximum Pensionable Earnings during the five highest calendar years of contributory earnings.
[3]The difference between a member's highest average contributory earnings and highest average base contributory earnings.

NOTE 3 - DESCRIPTION OF PLAN (CONTINUED)

credited service pension earned from January 1, 1992 to the date of the member's death, plus excess contributions, if any, and

b. twice the member's required contributions, with respect to pre-1992 core credited service, plus interest, plus the member's additional purchased service contributions and portability transfer contributions, plus interest.

If the member is not survived by a spouse, or the spouse has completed and submitted the pre-retirement death benefit waiver form prescribed under *The Pension Benefits Act, 1992* (Saskatchewan), the death benefit is payable in a lump sum to the member's designated beneficiary or estate.

I. NORMAL FORM OF PENSION

The normal form of pension provides for monthly payments for life, with a minimum of 60 monthly payments being guaranteed in any event. Optional forms of pension are available on an actuarial equivalent basis. If the retiring member has a spouse, a joint life optional pension reduced by not more than 40 percent on the member's death must be elected unless the spouse has waived this option.

J. TERMINATION OF EMPLOYMENT

Benefit entitlement to members who are terminated depends upon whether or not the member is vested.

A member is vested if on termination, the member has:

- more than two years of credited service in which case the benefit is not locked in, or
- more than two years of continuous service in which case the benefit is locked in.

A non-vested member is entitled to a refund of his or her own required and additional purchased service contributions, plus interest as either:

- a taxable payment issued directly to the member, or
- a tax-exempt transfer directly to the member's personal registered retirement savings plan (RRSP) or other qualifying vehicle.

A vested member may discharge his or her non-locked-in deferred pension and receive a refund of his or her own required and additional purchased service contribution as either:

- a taxable payment issued to the member, or
- a tax-exempt transfer directly to the member's personal RRSP or other qualifying vehicle.

A vested member is entitled to a deferred pension payable at age 65. The member's deferred pension is calculated based on the member's credited service and contributory earnings at the date of termination.

A vested member may discharge his or her locked-in deferred pension and transfer the present value of the deferred pension to a personal registered retirement savings plan or another registered pension plan, providing the funds transferred are administered on a locked-in basis.

K. DISABILITY BENEFIT

Members who become disabled under the terms of the Plan will continue to earn credited service under the Plan. Their pension at retirement is based on all years of credited service including those on approved disability, and their highest average contributory earnings are calculated assuming they had made contributions during disability based on their salary when the disability commenced.

L. MAXIMUM EMPLOYEE COST

At least 50 percent of the cost of the benefit payable at retirement or termination of employment to a member who is vested and locked-in must be provided by employer contributions. Any "excess" contributions on termination or retirement are refundable to the member.

M. INTEREST

For the purpose of calculating accumulated member contributions, interest rates are applied in respect of required contributions at the rates of interest determined by the Plan from time to time, but in no event are lower than the minimum rate required by *The Pension Benefits Act, 1992* (Saskatchewan).

NOTE 4 - SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with Canadian Accounting Standards for Pension Plans (ASPP). These standards provide guidance in the measurement of the Plan's pension obligations and any investments held by the Plan. ASPP also provides the Plan with the ability to select and follow International Financial Reporting Standards (IFRS) or Accounting Standards for Private Enterprises for all other accounting policies. The Plan has chosen to adopt the relevant sections in IFRS.

The following policies are considered to be significant:

A. NEW STANDARDS AND INTERPRETATIONS

The Plan adopted IFRS 16, Leases, ("IFRS 16") on January 1, 2019. IFRS 16 introduces a single lease accounting model for leases which requires a right-of-use asset and lease liability to be recognised on the statement of financial position. IFRS 16 supersedes previous accounting standards for leases, including IAS 17, Leases. The Plan used the modified retrospective approach to adopt the new standard. The modified retrospective approach does not require restatement of prior period financial information as it applies the standard prospectively. On initial adoption, the Plan recorded a right-of-use asset based on the corresponding lease liability related to the Plan's office lease. The right-of-use asset and lease liability of $4,346,676 was recorded as of January 1, 2019, with no impact to the net assets of the Plan.

When measuring the present value of lease liabilities, the Plan discounted the remaining lease payments using its incremental borrowing rate of 3.95% as at January 1, 2019. The recognition of the present value of the lease liabilities, which were previously classified as operating leases, resulted in increases to assets, liabilities, depreciation and interest expense and decreases to rent.

B. REVENUE RECOGNITION

Interest on bonds and short-term investments is recognised as it accrues. Income from real estate equity investments is recognised on the accrual basis as earned. Dividend income and pooled fund distributions are recognised as of the date of record. Investment transactions are accounted for on the trade date. Realised gains and losses on currency forward contracts are recognised on the settlement date and unrealised gains and losses are recognised with reference to the fair value determined using appropriate valuation techniques. The Plan follows the accrual method for the recording of income and expenses.

C. FINANCIAL INSTRUMENTS

All financial instruments are carried at fair value. The fair value of cash and short-term investments is based on cost, which approximates fair value due to the immediate or short-term nature of these financial instruments. The fair value of equities is based on year-end market quotations. The fair value of bonds is based on model pricing techniques that effectively discount prospective cash flows to present value taking into consideration duration, credit quality and liquidity. The fair value of bond, mortgage, liquid alternatives, opportunistic investments and equity pooled funds is based on the market values of the underlying investments. Unlisted bonds are valued at fair value reflecting current market yields of similar debt obligations. The fair value of currency forward contracts is determined using appropriate valuation techniques. The fair value of real estate pooled funds is based on the most recent appraisal and earnings results. The fair value of real estate equity investments is based on the most recent appraisal. Infrastructure investments are valued by using market comparable and discounted cash flow valuation models.

D. INVESTMENTS UNDER SECURITIES LENDING PROGRAM

Securities lending transactions are entered into on a collateralised basis. The securities lent are not derecognised on the Statement of Financial Position given that the risks and rewards of ownership are not transferred from the Plan to the counterparties in the course of such transactions. The securities are reported separately on the Statement of Financial Position on the basis that the counterparties may resell or re-pledge the securities during the time that the securities are in their possession.

Securities and cash received from counterparties as collateral are not recorded on the Statement of Financial Position given that the risks and rewards of ownership are not transferred from the counterparties to the Plan in the course of such transactions.

E. PROPERTY AND EQUIPMENT

Items of property and equipment are measured at cost less accumulated amortisation and accumulated impairment losses. The amortisation method, the useful lives and the residual value of the assets are reviewed at each reporting date. Repairs and maintenance are recorded as administrative expenses in the period in which they have been incurred.

Amortisation is recognised in the Statement of Changes in Net Assets Available for Benefits on a straight-line basis, commencing in the year the asset is available to be placed in service, over the estimated useful lives as follows:

Leasehold improvements	15 years
Furniture and equipment	4 - 10 years
Computer equipment	2 - 4 years

Cost includes expenditures that are directly attributable to the acquisition of the asset. The Plan has not incurred borrowing costs attributable to property and equipment and therefore no borrowing costs have been capitalised.

F. RIGHT-OF-USE ASSET AND LEASE LIABILITY

The Plan has elected to apply practical expedients to not recognize right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months of less, and leases of low-value assets. At inception of a contract, the Plan assesses whether a contract is, or contains a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Plan recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those in capital assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability. The right-of-use asset is included in property and equipment on the Statement of Financial Position. The lease liability is subsequently measured at the present value of future lease payments discounted at the Plan's incremental borrowing rate, adjusted as appropriate. The lease liability is included in accounts payable on the Statement of Financial Position.

G. INTANGIBLE ASSETS

Intangible assets that are acquired by the Plan and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised in the Statement of Changes in Net Assets Available for Benefits on a straight-line basis over the estimated useful lives of intangible assets of between 5 and 10 years.

H. PROVISION FOR ACCRUED PENSION BENEFITS

The provision for accrued pension benefits represents the most recent actuarial present value of accrued pension benefits extrapolated to the year-end reporting date. Any resulting change in this provision is recognised as a revenue or expense in the Statement of Changes in Net Assets Available for Benefits.

I. FOREIGN CURRENCIES

Foreign currency transactions are translated into Canadian Dollars using the transaction date exchange rate. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect exchange rates at the balance sheet date. Exchange gains or losses arising on the translation of monetary assets and liabilities or sales of investments are included in the Statement of Changes in Net Assets in the year incurred. Future changes in the fair value of foreign currency derivative financial instruments are recognised as gains or losses in the period of change.

J. INCOME TAXES

The Plan is not subject to income tax since it is a Registered Pension Plan as defined by the *Income Tax Act* (Canada).

NOTE 5 - INVESTMENTS

The objective of the Plan is to maintain sufficient assets to discharge future pension obligations and to generate cash flow required for pension plan payments. The Plan's investment portfolio (the Fund) has the following holdings:

SUMMARY OF INVESTMENT HOLDINGS:	2019		2018	
	FAIR VALUE	YIELD	FAIR VALUE	YIELD
TYPE	(000's)	(%)	(000's)	(%)
BOND POOLED FUNDS	$ 1,738,549	2.6 – 3.2	$ 1,720,846	3.0 – 4.3
MORTGAGE POOLED FUND	411,579	4.3	389,557	4.4
EQUITIES AND EQUITY POOLED FUNDS				
Canadian	351,839		486,743	
Global	868,364		718,697	
Emerging markets	441,478		370,407	
Global pooled funds	1,398,428		1,376,985	
TOTAL EQUITIES AND EQUITY POOLED FUNDS	3,060,109		2,952,832	
OTHER				
Short-term investments	10,151		4,769	
Real estate pooled funds	646,607		677,997	
Real estate equity investments	284,459		252,473	
Infrastructure	758,835		697,489	
Liquid Alternatives	376,378		-	
Opportunistic Investments	290,791		157,225	
Cash	107,287		48,568	
Currency forward contracts	13,955		(43,512)	
TOTAL OTHER	2,488,463		1,795,009	
TOTAL INVESTMENTS	$ 7,698,700		$ 6,858,244	

	2019	2018
	FAIR VALUE	FAIR VALUE
TYPE	(000's)	(000's)
INVESTMENTS UNDER SECURITIES LENDING PROGRAM		
Canadian equities	$ 289,637	$ 321,534
Global equities	53,184	41,763
TOTAL INVESTMENTS UNDER SECURITIES LENDING PROGRAM	$ 342,821	$ 363,297

BOND POOLED FUNDS AND MORTGAGE POOLED FUND

Bonds are subject to a minimum quality standard of BBB or equivalent unless otherwise specified in an investment manager's mandate. In the active bond mandate, BBB bonds or lower may not be purchased if they comprise more than 15 percent of the book value of the total portfolio of any individual manager. No single issuer is to exceed 10 percent of the carrying value of the Plan except for securities issued or guaranteed by the provincial or federal governments.

No more than 20 percent of the carrying value of the bond portfolio may be held in foreign issuer bonds. Pooled funds have no fixed distribution rate and returns are based on the success of the investment managers.

NOTE 5 - INVESTMENTS (CONTINUED)

Financial derivative instruments including futures, options and swap contracts are permitted to both increase returns and reduce currency, credit and interest rate risks. These instruments are allowed to be used by one investment manager and the use of these instruments is restricted by the investment mandate.

EQUITIES AND EQUITY POOLED FUNDS

Pooled funds have no fixed distribution rates and returns are based on capital market trends and the success of the investment managers. No one holding of an individual stock may represent more than 10 percent of the market value of the specific equity mandate. Stock shorting is permitted and limited at the investment manager level to a band of 25 to 35 percent of the carrying value, with a target of 30 percent. At December 31, 2019 stock shorting was permitted in one investment mandate with a carrying value of $441,534,000 (2018 - $489,477,000).

SHORT-TERM INVESTMENTS

Short-term investments are comprised of investments with less than one year to maturity. The Plan requires a minimum R-1 or equivalent rating.

INFRASTRUCTURE

The Plan invests in infrastructure investments within SHEPP as well as through its 100 percent owned subsidiary, Horizon Alternative Investments SHEPP Holdings Ltd. (Horizon). The fair value of these investments is shown as an infrastructure investment.

MORTGAGE POOLED FUND

The mortgage pooled fund portfolio is owned within Horizon and diversified by property type and geographic location throughout Canada.

REAL ESTATE POOLED FUNDS

The real estate pooled funds portfolio is owned within Horizon and diversified by property type and geographic location in Canada and the United States.

REAL ESTATE EQUITY INVESTMENTS

The Plan invests in real estate equity investments through its 100 percent owned subsidiary, Sunrise Properties Ltd. (Sunrise). These properties are located in Ontario, Quebec, Alberta, and British Columbia. The fair value of this investment is shown as a real estate equity investment.

LIQUID ALTERNATIVES

Liquid Alternative Investments include strategies designed to provide diverse exposure across multiple asset classes and employ a range of global macro and relative value trading strategies. These mandates invest in liquid financial instruments within various markets such as fixed income, foreign currency, commodities, and equities. The Plan holds investments in liquid alternatives through pooled funds.

OPPORTUNISTIC INVESTMENTS

Opportunistic investments include insurance-linked securities and bank capital relief. An insurance-linked security is a financial instrument whose value is mainly driven by insurance and/or reinsurance loss events. This security is based on the cash flows that arise from the transfer of insurable risks. These cash flows are similar to premium and loss payments under an insurance policy. Bank capital relief is a strategy whereby an investor can earn a premium by providing credit protection on a portion of a bank's loan portfolio. This allows banks to achieve their regulatory capital requirements. The Plan holds investments in opportunistic investments through pooled funds.

DERIVATIVE FINANCIAL INSTRUMENTS – CURRENCY FORWARD CONTRACTS

Currency forward contracts are financial contracts, the value of which is derived from underlying assets or indices. Derivative transactions are conducted in the over-the-counter market directly between two counterparties or on regulated exchanges. Derivatives are permitted in the Statement of Investment Policy & Procedures (SIP&P). However, unless permission is specifically granted, managers are prohibited from using derivatives.

FAIR VALUE HIERARCHY

Fair value is best evidenced by an independent quoted market price for the same instrument in an active market. An active market is one where quoted prices are readily available, representing regularly occurring transactions. The determination of fair value requires judgment and is based on market information where available and appropriate. Fair value measurements are categorised into levels within a fair value hierarchy based on the nature of the inputs used in the valuation.

Level 1 – Where quoted prices are readily available from an active market.

Level 2 – Valuation model not using quoted prices, but still using predominantly observable market inputs such as interest rates.

Level 3 – Models using inputs that are not based on observable market data.

NOTE 5 - INVESTMENTS (CONTINUED)

	2019 (000's)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Cash and short-term investments	$ 107,287	$ 10,151	$ -	$ 117,438
Bond pooled funds and mortgage pooled fund	-	2,150,128	-	2,150,128
Canadian equities	641,476	-	-	641,476
Global equities	921,548	-	-	921,548
Global pooled funds	-	1,398,428	-	1,398,428
Emerging market equities	-	441,478	-	441,478
Infrastructure	-	-	758,835	758,835
Real estate pooled funds	-	-	646,607	646,607
Real estate equity investments	-	-	284,459	284,459
Liquid alternatives	-	-	376,378	376,378
Opportunistic investments	-	-	290,791	290,791
Currency forward contracts	-	13,955	-	13,955
	$ 1,670,311	$ 4,014,140	$ 2,357,070	$ 8,041,521

	2018 (000's)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Cash and short-term investments	$ 48,568	$ 4,769	$ -	$ 53,337
Bond pooled funds and mortgage pooled fund	-	2,110,403	-	2,110,403
Canadian equities	808,277	-	-	808,277
Global equities	760,460	-	-	760,460
Global pooled funds	-	1,376,985	-	1,376,985
Emerging market equities	-	370,407	-	370,407
Infrastructure	-	-	697,489	697,489
Real estate pooled funds	-	-	677,997	677,997
Real estate equity investments	-	-	252,473	252,473
Opportunistic investments	-	-	157,225	157,225
Currency forward contracts	-	(43,512)	-	(43,512)
	$ 1,617,305	$ 3,819,052	$ 1,785,184	$ 7,221,541

NOTE 5 - INVESTMENTS (CONTINUED)

LEVEL 3 RECONCILIATION	2019 (000's) REAL ESTATE/ POOLED REAL ESTATE AND INFRASTRUCTURE	2018 (000's) REAL ESTATE/ POOLED REAL ESTATE AND INFRASTRUCTURE
Opening balance	$ 1,785,184	$ 1,344,852
Acquisitions	610,407	278,369
Dispositions	(108,114)	(22,500)
Realised gain	41,431	26,247
Change in unrealised gain	28,162	158,216
	$ 2,357,070	$ 1,785,184

During the current year no investments were transferred between levels.

NOTE 6 - INVESTMENT INCOME

	2019 (000's)	2018 (000's)
Bond interest	$ 24,056	$ 20,703
Dividends	69,192	87,511
Interest on short-term investments and cash balances	2,344	1,292
Other income	16,028	782
	$ 111,620	$ 110,288

NOTE 7 - PENSION OBLIGATIONS

The pension obligations are the actuarial present value of the future expected pension benefit obligation to members as determined by the actuarial valuation done by Aon Hewitt, an independent actuarial consulting firm, at least every three years. The last actuarial valuation was performed as of December 31, 2018. The present value of accrued pension benefits was then extrapolated to December 31, 2019 using the funding valuation cost method with the expectation that the Plan will continue on an ongoing basis.

The assumptions used in determining the provision for accrued pension benefits may change from year to year depending upon current and long-term market conditions. The following is a summary of the significant actuarial assumptions:

ASSUMPTIONS	2019	2018
Discount rate	6.30%	6.60%
Inflation rate	2.00%	2.25%
Mortality table	SHEPP Mortality Table projected generationally with scale MI-2017	SHEPP Mortality Table projected generationally with scale MI-2017
Remaining service life	12.8 years	12.7 years
Salary projection	2.75% per year	3.00% per year

The following illustrates the effect of changes in the interest rate and the salary and pensionable earnings assumptions:

- A one percent change in the discount rate results in approximately a 13 percent change in the pension obligations;
- A one percent change in the salary scale and the pensionable earnings levels results in approximately a 3 percent change in the pension obligations.

NOTE 8 - FINANCIAL RISK MANAGEMENT

The nature of the Plan's operations results in a Statement of Financial Position that consists primarily of financial instruments. The key risks that arise are credit risk, market risk (consisting of interest rate risk, foreign exchange risk and equity price risk), and liquidity risk.

Significant financial risks are related to the Plan's investments. These financial risks are managed through policies within the SIP&P, which is subject to review and approval by the Board of Trustees no less than annually.

Permitted investments under the SIP&P include equities; fixed income; cash and short-term investments; mortgages; derivatives; real estate; infrastructure; pooled funds and opportunisitc investments. By investing in a well diversified portfolio of asset classes and further diversifying within each asset class, risk is reduced. The SIP&P sets out the asset mix to achieve sufficient asset growth on a risk controlled basis. The minimum, maximum and target weightings for each asset class, and sub-class, are clearly established within the total Fund policy asset mix.

The SIP&P sets out a minimum quality requirement of "BBB" for bonds and debentures at the time of purchase unless otherwise specified in an investment manager's mandate; a minimum rating of "R-1" for short-term investments at the time of purchase and a minimum quality standard of "A" at the time of transaction for counterparties in a derivative transaction. Downgrades in qualities of an asset below the established purchased standards require immediate disclosure to the Board and require the affected investment manager to set out a course of action to resolve the deviation.

In addition the SIP&P includes maximum quantity restrictions. With limited specific exceptions, debt and equity holdings in a single company are limited to 10 percent of the carrying value of the total Fund. The Plan may not invest directly or indirectly in the securities of a corporation representing more than 30 percent of the votes that may be cast to elect the directors of the corporation.

Maximum quantity restrictions are also applied at the investment manager level. Each investment manager engaged by the Plan is responsible for investing the assets of the Plan in accordance with the SIP&P, the mandate prescribed by the Plan for the manager or the agreement under which the Plan has contracted the manager's services.

NOTE 8 - FINANCIAL RISK MANAGEMENT (CONTINUED)

CREDIT RISK

Credit risk is the risk that one party does not pay funds owed to another party. The Plan's credit risk arises primarily from two distinct sources: accounts receivable and certain investments. The maximum credit risk to which the Plan is exposed at December 31, 2019 is limited to the carrying value of the financial assets summarised as follows:

	2019 (000's)	2018 (000's)
Cash	$ 107,297	$ 48,568
Accrued interest receivable	2	4
Employers' contributions receivable	15,098	14,771
Members' contributions receivable	13,481	13,188
Dividends receivable	5,477	5,742
Other receivables	716	716
Short-term investments	10,151	4,769
Fixed income *	2,150,128	2,110,403
	$ 2,302,340	$ 2,198,161

*Fixed income is comprised of bond pooled funds and mortgage pooled fund.

Members' and employers' contributions receivable and dividends receivable are generally received in less than 30 days. Accrued interest receivable is received on the next scheduled payment date, generally either annually or semi-annually.

Credit risk within short-term and fixed income investments is managed through the investment policy that establishes a minimum credit quality for issuers and spreads the risk amongst several issuers. The investment policy requires a minimum credit quality for individual bonds of BBB for issuers at the time of issue unless otherwise specified in an investment manager's mandate and R-1 for short-term investments.

Credit ratings for fixed income investments are as follows:

	2019		2018	
CREDIT RATING	FAIR VALUE (000's)	MAKEUP OF PORTFOLIO	FAIR VALUE (000's)	MAKEUP OF PORTFOLIO
AAA	$ 541,220	25.2%	$ 561,476	26.6%
AA	408,799	19.0%	535,269	25.4%
A	244,918	11.4%	263,397	12.5%
BBB	283,658	13.2%	185,335	8.8%
Less than BBB	176,635	8.2%	93,278	4.4%
Other*	494,898	23%	471,648	22.3%
	$ 2,150,128	100%	$ 2,110,403	100%

*Other includes: mortgages, unrated fixed income securities, and net fixed income derivative exposure.

NOTE 8 - FINANCIAL RISK MANAGEMENT (CONTINUED)

The Plan is also subject to credit risk through its use of forward currency contracts. The contracts are entered into between the Plan and approved counterparties. The credit risk is mitigated by limiting counterparties to specific entities approved by the Board of Trustees.

As part of the Plan's securities lending strategy, collateral has been pledged to the Plan by various counterparties for securities out on loan to the counterparties. At December 31, 2019, the Plan's investments included loaned securities with a market value of $342,821,000 (2018 - $363,297,000) and the fair value of securities and cash collateral received in respect of these loans was $359,300,158 (2018 - $375,230,354).

MARKET RISK

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices. Market risk primarily impacts the value of investments.

INTEREST RATE RISK

The Plan is exposed to changes in interest rates in its cash, short-term investments, bond pooled funds and mortgage pooled funds. Duration is a measure used to estimate the extent market values of these investments change with changes in interest rates. Using this measure, it is estimated that a 100 basis point increase/decrease in interest rates would decrease/increase net assets by $149,103,000 at December 31, 2019 (2018 - $164,035,000); representing 6.6 percent (2018 – 7.6 percent) of the $2,267,566,000 (2018 - $2,163,740,000) fair value of these investments.

FOREIGN EXCHANGE RISK

The Plan is subject to changes in the United States/Canadian dollar exchange rate on its United States denominated investments. Also, the Plan is exposed to other non-North American currencies through its investment in non-Canadian equities, foreign infrastructure and foreign real estate. At December 31, 2019, the Plan's exposure to United States equities was 28.9 percent (2018 – 28.8 percent) and its exposure to non-North American equities was 18.6 percent (2018 – 18.1 percent).

The Plan manages this risk through the use of currency futures or forwards. At December 31, 2019 the fair value of currency forward contracts payable was $5,819,686,000 (2018 - $3,369,389,000) and the fair value of currency fund contracts receivable was $5,833,661,000 (2018 - $3,325,819,000).

EQUITY PRICE RISK

The Plan is exposed to changes in equity prices in Canadian, United States and other markets. Equities comprise 42 percent (2018 – 46 percent) of the market value of the Plan's total investments. Individual stock holdings are diversified by geography, industry type and corporate entity. A 10 percent change in equity prices would result in a $340,293,000 (2018 - $331,613,000) change in the Plan's net assets.

REAL ESTATE AND INFRASTRUCTURE RISK

Real estate and infrastructure assets are valued based on estimated fair values determined by using appropriate techniques and best estimates. An independent auditor performs an annual assessment on these estimated fair values to ensure the assets are fairly stated in all material aspects. Risk in the real estate portfolio is further managed through diversification across types and locations. Adverse impacts in any one segment of the market or geographic location are minimised by having holdings diversified across property type, geographic location and investment size.

LIQUIDITY RISK

Liquidity risk is the risk that the Plan is unable to meet its financial obligations as they fall due. Cash resources are managed on a daily basis based on anticipated cash flows.

NOTE 9 - RELATED PARTY TRANSACTIONS

These financial statements include transactions for the Plan's administrative expenses paid to 3sHealth. All transactions are recorded at the exchange amounts agreed by the two parties.

	2019 (000's)	2018 (000's)
EXPENSES	$ 84	$ 83

NOTE 9 - RELATED PARTY TRANSACTIONS (CONTINUED)

KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel are those persons having authority over the planning, directing, and controlling activities of the Plan, which include directors and executive officers.

Key management personnel compensation is comprised of:

	2019 (000's)	2018 (000's)
Short-term employee benefits	$ 1,437	$ 1,371
Post-employment benefits		
Defined benefit retirement allowance	111	108
TOTAL BENEFITS	$ 1,548	$ 1,479

NOTE 10 - INVESTMENT FEES

Investment fees incurred by the Plan and reported in the Statement of Changes in Net Assets Available for Benefits are:

	2019 (000's)	2018 (000's)
Investment management fees	$ 34,294	$ 29,355
Investment performance fees	7,641	1,024
Investment consulting fees	887	936
Investment transaction fees	934	1,177
TOTAL INVESTMENT FEES	$ 43,756	$ 32,492

The Plan incurs Management fees which are base fees incurred for investment managers to manage the Plan's investments. Performance fees are incurred when certain returns are exceeded.

In addition to the fund management fees and performance fees incurred directly by the Plan, and reported separately on the Statement of Changes in Net Assets Available for Benefits, the Plan also incurs fund management and performance fees in Horizon and Sunrise. The fund management and performance fees recorded in Horizon and Sunrise are included within the unrealised market value gain on the Statement of Changes in Net Assets Available for Benefits.

Total investment management fees incurred by the Plan are:

	2019 (000's)	2018 (000's)
Incurred directly by the Plan	$ 34,294	$ 29,355
Incurred through Sunrise	735	685
Incurred through Horizon	10,364	10,332
TOTAL INVESTMENT MANAGEMENT FEES	$ 45,393	$ 40,372

NOTE 10 - INVESTMENT FEES (CONTINUED)

Total performance fees incurred by the Plan are:

	2019 (000's)	2018 (000's)
Incurred directly by the Plan	$ 7,641	$ 1,024
Incurred through Sunrise	723	1,996
Incurred through Horizon	6,808	11,355
TOTAL PERFORMANCE FEES	$ 15,172	$ 14,375

NOTE 11 - COMPARATIVE INFORMATION

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

NOTE 12 - SUBSEQUENT EVENTS

Subsequent to December 31, 2019, financial markets have been negatively impacted by the novel Coronavirus or COVID-19, which was declared a pandemic by the World Health Organization on March 12, 2020. SHEPP continues to monitor its investment portfolios and assumptions used within its pension obligations and assess the impact COVID-19 will have on its business activities. The extent of the effect of the COVID-19 pandemic on SHEPP is uncertain at this time.

List of Key Service PROVIDERS

ACTUARY

Aon

AUDITOR

KPMG LLP

CUSTODIAN

CIBC Mellon Global Securities Services Company

INVESTMENT CONSULTANT

Aon

LEGAL COUNSEL

Lawson Lundell LLP

Miller Thomson LLP

INVESTMENT MANAGERS

Aeolus Capital Management

Baillie Gifford & Co

BentallGreenOak

BlackRock Asset Management

Brookfield Asset Management

Causeway Capital Management

Christofferson Robb & Co

Connor Clark & Lunn Investment Management

Foyston Gordon & Payne

Global Infrastructure Partners

IFM Investors

I Squared Capital

Invesco Ltd.

Informed Portfolio Management

JP Morgan Asset Management

Manulife Investment Management

MFS Investment Management

Meridiam Infrastructure

Nephila Capital

Pantheon Ventures

Phillips, Hager & North Investment Management

Systematica Investments

TD Asset Management

Unigestion Asset Management

Wellington Management

SHEPP

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