

**BANK OF CANADA  
TERMS OF REFERENCE  
PENSION COMMITTEE**

**INTRODUCTION**

The Bank of Canada (the "Bank") is the Administrator of the Bank of Canada Pension Plan (By- Law No. 15) (the "Pension Plan") and the Bank of Canada Supplementary Pension Arrangement (By-law No. 18) (the "SPA") and accordingly has established and maintains trust funds in respect of each of the Pension Plan and the SPA (the "Funds").

The Bank is also the sponsor of the Pension Plan and the SPA and performs and exercises in connection with the Pension Plan and the SPA all roles and all authorities of a sponsor of a pension plan.

The Bank's Board of Directors (the "Board") has established the Pension Committee and has delegated to the Pension Committee, as provided in these Terms of Reference, all acts required to be done by the Bank, in its capacity as Administrator of the Pension Plan, SPA and the Funds except as specifically provided in these Terms of Reference. The Board has also delegated to the Pension Committee, as provided in these Terms of Reference, certain acts in connection with the Bank's sponsorship of the Pension Plan and the SPA.

**GOVERNANCE**

**Committee Membership:**

The Pension Committee shall consist of the following members and such additional members as may be appointed by the Board from time to time:

- Senior Deputy Governor;
- a minimum of three and a maximum of five other members of the Board, appointed by the Board; and
- three other senior officers of the Bank, appointed by the Board.

Each member of the Pension Committee shall continue in office until he or she is removed from the Pension Committee by the Board or, unless prior to such removal, such member shall have died, resigned or retired.

Members of the Pension Committee who are not officers or employees of the Bank shall be entitled to a retainer and per diem in an amount equal to the retainer and per diem payable to members of the Executive Committee of the Board and shall be reimbursed for their reasonable out of pocket expenses incurred in connection with the Pension Committee in accordance with the Bank's regular reimbursement policies.

**Chair:**

The Chair of the Pension Committee shall be the Senior Deputy Governor and, in the event that the Senior Deputy Governor is temporarily unavailable to act as Chair, the Pension Committee shall select another of its members to act as Chair in the absence of the Senior Deputy Governor.

**Presiding Officers:**

The Chair will preside at meetings of the Pension Committee.

**Secretary:**

Either the General Counsel, Assistant General Counsel or the Senior Counsel shall act as Secretary of the Pension Committee.

**Meetings:**

The Pension Committee shall establish the date, time and place of its meetings, provided that it meets no less frequently than quarterly; in addition, the Pension Committee may hold a special meeting at any time upon written or verbal notice from the Chair. If the position of Chair is temporarily vacant, a member of the Pension Committee may call a special meeting. When required because of time constraints, the Pension Committee may make a decision without holding a meeting by means of a decision unanimously consented to in writing.

**Records:**

The Pension Committee shall keep minutes of its meetings and shall record in such minutes all decisions of the Pension Committee and factors which have been considered by the Pension Committee in reaching its decision.

**Regular Report to the Board:**

The Pension Committee shall prepare and deliver not less frequently than semi-annually a written report to the Board.

The Chair of the Pension Committee shall make such other periodic reports to the Board with regard to any matter for which the Pension Committee is responsible or with regard to the activity of the Funds at such times as the Board may request or as the Chair of the Pension Committee shall deem necessary or appropriate.

The semi-annual reports made by the Pension Committee to the Board shall include, without limitation, the following:

- A summary of the activities of the Pension Committee during the relevant period;
- An evaluation of the performance of the Funds;
- Where there has been any change in any Investment Manager during the relevant period, a summary of the factors leading up to the decision for such change, a report on the process that was undertaken to implement such change and a summary of the factors which influenced the decision of the Pension Committee in selecting any new Investment Manager;
- Where there has been any change in any third party providers of pension-related services during the relevant period (other than changes in Investment Managers), including actuaries, auditors, pension consultants and outsourcers of pension administration, a report on such change.

### **Annual Submissions to the Board:**

In addition to semi-annual reports to the Board, the Pension Committee shall submit annually to the Board:

- for its information, the audited financial statements of the Funds;
- for its review and approval, the Statement of Investment Policy and Procedures for each of the Funds, containing such amendments as have been recommended by the Pension Committee.

### **Standard of Performance:**

The Pension Committee shall exercise, in the administration of the Pension Plan and the SPA and in the administration and investment of the Funds, the degree of care that a person of ordinary prudence would exercise in dealing with the property of another person.

The members of the Pension Committee who possess, or by reason of profession or business ought to possess, a particular level of knowledge or skill relevant to the administration of a pension plan or pension fund shall employ that particular level of knowledge or skill in the administration of the Pension Plan, the SPA and the Funds.

The members of the Pension Committee may rely in good faith on financial statements of the Pension Plan, SPA and the Funds prepared by an accountant, or a written report of the auditor or auditors of the Pension Plan, the SPA and the Funds that has been represented to the members of the Pension Committee as fairly reflecting the financial condition of the Pension Plan, the SPA or the Funds, as the case may be.

The members of the Pension Committee may rely in good faith on a report of an accountant, an actuary, a lawyer, a notary or other professional person whose profession lends credibility to the report.

### **Compliance with Policies:**

Members of the Pension Committee shall comply with policies adopted by the Bank from time to time including the Bank's policy on Conflict of Interest and any other policies applicable to those persons that exercise fiduciary duties in connection with the administration of the Pension Plan, the SPA or the Funds.

### **Delegation:**

Where the Pension Committee determines that it is reasonable and prudent in the circumstances:

- the Pension Committee may create a Pension Administration Committee and a Pension Fund Investment Committee and delegate to them, in accordance with these Terms of Reference, such responsibilities and functions as the Pension Committee may consider appropriate;
- the Pension Committee may delegate to any director, officer or employee of the Bank or to any committee established by it or to any outside agent any act required to be done by it in connection with the administration of the Pension Plan, the SPA, or in the administration and investment of the Funds provided that the Pension Committee is satisfied as to the suitability of such director, officer, employee or outside agent to perform such act;

provided that the Pension Committee carries out such supervision of such committees, directors, officers, employees and outside agents as is reasonable and prudent.

**Quorum:**

To constitute a quorum, there must be a majority of the members of the Pension Committee and at least two of those members must be directors appointed pursuant to section 9 of the *Bank of Canada Act*.

**Member Education and Orientation:**

The Pension Committee shall develop policies with respect to the attendance of persons or members of committees (including, without limitation, members of a Pension Fund Investment Committee and Pension Administration Committee), to whom the Pension Committee has delegated responsibilities or functions, at educational or orientation sessions and shall monitor compliance with such policies.

**Duties:**

The Pension Committee shall have the following duties:

The Pension Committee is responsible to administer the Pension Plan and the SPA and to administer and invest the Funds in accordance with the provisions of the Pension Plan, the SPA and the trust agreements for the Funds, as the case may be, and all applicable legislation and shall perform all of the duties and obligations of the Bank, as administrator of the Pension Plan, the SPA and the Funds except as otherwise provided in these Terms of Reference.

In addition to the Pension Committee's duties hereunder to administer the Plan and the SPA and to invest the Funds, it shall perform such roles and exercise such functions of the Bank as sponsor of the Pension Plan and the SPA as may be delegated by the Board to the Pension Committee pursuant to these Terms of Reference and as may be otherwise delegated by the Board from time to time.

Should the Pension Committee create a Pension Fund Investment Committee and a Pension Administration Committee, it shall supervise and monitor the activities of those committees.

Without limiting the generality of the foregoing, the Pension Committee shall have the following responsibilities:

- (a) **Benefits Administration:** The Pension Committee shall be responsible to ensure that a system of pension benefit administration is implemented and maintained, all or part of which responsibility may be delegated to a Pension Administration Committee.
- (b) **Plan Amendments:** All proposed amendments to the Pension Plan or the SPA required by applicable legislation shall be reviewed by the Pension Committee which shall make recommendations in respect thereof to the Board.

All proposed amendments to the Pension Plan or to the SPA, shall be reviewed by the Pension Committee, which shall make recommendations to the Board.

The Pension Committee may receive and review reports of a Pension Administration Committee with respect to Plan and SPA amendments.

- (c) **Communication and Stakeholder Relations:** The Pension Committee shall ensure that a program of stakeholder communication is implemented and maintained, which program may be implemented and maintained through a Pension Administration Committee.

- (d) **Funding:** The Pension Committee shall review and approve the actuarial reports prepared by the actuaries retained in connection with the Pension Plan and the SPA, including, without limitation, such actuarial reports as have been prepared in accordance with applicable legislative requirements.

In receiving and reviewing the reports of the actuaries and any reports of a Pension Administration Committee with respect to plan liabilities, the Pension Committee shall consider the implications thereof on funding and investment policies.

After receiving any recommendations of a Pension Administration Committee, the Pension Committee shall approve the actuarial assumptions used by the plan actuaries in preparing their actuarial reports.

- (e) **Statements of Investment Policies and Procedures, Internal Investment Guidelines:** After receipt of any recommendations of a Pension Fund Investment Committee, the Pension Committee shall submit to the Board for approval a written Statement of Investment Policies and Procedures for each of the Pension Plan trust fund and the SPA trust fund.

The Pension Committee shall, at least annually after receiving and considering any report of a Pension Fund Investment Committee with respect to changes to the Statements of Investment Policies and Procedures, submit to the Board for approval any recommendations with respect to changes to the Statements of Investment Policies and Procedures which it considers appropriate.

In addition, the Pension Committee shall, after receiving and considering any report of a Pension Fund Investment Committee, approve Pension Trust Fund Internal Investment Guidelines governing investment of the assets of the Pension Plan trust fund and shall, at least annually after receiving and considering any report of a Pension Fund Investment Committee, review the Guidelines and approve such changes thereto as it considers appropriate.

- (f) **Investment Managers:** The Pension Committee will, after receiving any recommendations of a Pension Fund Investment Committee, retain one or more competent, professional Investment Managers and will, after receiving any recommendations of a Pension Fund Investment Committee replace or change such Investment Managers from time to time as it deems in the best interests of the Funds.

All or part of the Funds may be managed in-house.

- (g) **Monitoring and Supervising Investment Managers:** The Pension Committee will monitor and supervise the performance of Investment Managers. Such monitoring and supervision may be delegated in whole or in part to a Pension Fund Investment Committee, in which case the Pension Committee shall receive and review reports of the Pension Fund Investment Committee with respect to the performance of Investment Managers.

- (h) **Fund Trustees:** The Pension Committee shall, after receiving any recommendations of a Pension Fund Investment Committee or, in the case of any defined contribution component of the Pension Plan, any joint recommendation of a Pension Fund Investment Committee and a Pension Administration Committee, select one or more trustees to serve as custodians of the assets of the Funds. The Pension Committee shall after receiving any advice of a Pension Fund Investment Committee (or the joint advice of a Pension Fund Investment Committee and Pension Administration Committee as the case may be) retain and replace such trustee or trustees from time to time as it believes appropriate.
- (i) **Actuaries:** The Pension Committee shall be responsible to retain competent professional actuaries and to replace such actuaries from time to time as it deems in the best interests of the Pension Plan, the SPA and the Funds. The Pension Committee may delegate all or part of this responsibility to a Pension Administration Committee, in which case the Pension Committee shall review such retention and replacement of actuaries by the Pension Administration Committee.
- (j) **Audits:** The Pension Committee, after receiving any recommendations of a Pension Administration Committee, shall retain a firm of chartered accountants who shall audit the Funds as required by the provisions of applicable legislation or as directed by the Pension Committee. The Pension Committee shall review with the chartered accountants, the scope of the audit and shall review, the audited and any unaudited financial statements prepared in relation to each of the Funds. Upon review and approval of the financial statements for each of the Funds, the Pension Committee shall submit them to the Board for the Board's information.
- (k) **Third Party Providers or Advisors:** The Pension Committee, after receiving any recommendations of a Pension Administration Committee or Pension Fund Investment Committee, shall select, retain and replace such third party advisors or providers of pension-related services (other than Investment Managers and Trustees) as the Pension Committee may consider appropriate or in the best interests of the Plan, the SPA and the Funds. The Pension Committee may delegate all or part of this responsibility to a Pension Administration Committee or a Pension Fund Investment Committee, in which case the Pension Committee shall review such selection, retention and replacement by a Pension Administration Committee or Pension Fund Investment Committee.
- (l) **Governance Assessment:** The Pension Committee shall review the pension governance processes and procedures of the Bank from time to time and shall make such recommendations to the Board with respect thereto as it considers appropriate and in the best interests of the Plan and the SPA.

**Amendments:**

The Board shall have authority to amend these Pension Committee terms of reference from time to time.

APPROVED BY RESOLUTION OF THE BOARD OF DIRECTORS AT ITS MEETING OF  
19 JUNE 2009.