September 13, 2023

TERMS OF REFERENCE
PENSION ADMINISTRATION COMMITTEE (PAC)
BANK OF CANADA

1. Introduction

The Bank of Canada (the "Bank") is the administrator of the Bank of Canada Pension Plan (the "Pension Plan") and the Bank of Canada Supplementary Pension Arrangement (the "SPA") (collectively, the "Plans" and, singly, a "Plan"), 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 powers and all authorities of a Plan sponsor.

2. Creation

The Pension Administration Committee ("PAC") has been established by the Pension Committee of the Bank.

3. Governance

(a) PAC Membership

The structure of the PAC membership shall be approved by the Pension Committee and shall comprise:

(i) a senior officer of the Bank's Human Resources function as proposed by the Managing Director of Human Resources;

(ii) one or more other Bank employees with relevant expertise or experience from each of the Human Resources, Financial Services, Executive and Legal Services and Communications Departments, proposed by the Managing Director of each;

(iii) such other Bank employees with relevant experience or expertise as may be proposed by the Chair of the PAC; and

(iv) the Pension Plan Director contemplated in subparagraph 7(e), as an ex officio non-voting member.

(b) Chair

The Chair of the PAC shall be a senior officer chosen by the Chair of the Pension Committee.

(c) Secretary

The PAC shall appoint a Secretary.

(d) Meetings

The PAC shall establish the date, time and place of its meetings, but shall meet no less frequently than quarterly, and at such other times upon written or oral notice from the Chair. If the position of Chair is vacant, a member of the PAC may call a special meeting. The PAC may make a decision without holding a meeting by means of a decision unanimously consented to in writing.

(e) Records

The PAC shall keep minutes of its meetings.

(f) Quorum

A quorum for the conduct of business shall comprise a majority of the members of the PAC.

(g) Reporting

The PAC shall prepare and deliver not less frequently than quarterly a written report to the Pension Committee.

The quarterly reports made by the PAC to the Pension Committee shall include, without limitation, a summary of the activities of the PAC, a summary of administrative activities and any communications initiatives during the period.

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

4. Standard of Performance

The PAC shall exercise, in the administration of the Pension Plan, the degree of care that a person of ordinary prudence would exercise in dealing with the property of another person.

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

The members of the PAC 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.

The members of the PAC shall endeavour to attend educational and orientation sessions implemented by the PAC and the Pension Committee.

5. Compliance with Policies

Members of the PAC shall comply with the *Code of Conduct and Plan-Related Conflict of Interest Policy for Participants* as set out in paragraph 8 of the Pension Governance Policy.

6. Delegation

Where the PAC determines that it is reasonable and prudent in the circumstances, the PAC may delegate to any director, officer or employee of the Bank or to any outside agent any act required to be done by it in connection with the administration of the Pension Plan and the SPA, provided that the PAC is satisfied as to the suitability of such director, officer, employee or outside agent to perform such act. The PAC shall carry out such supervision of the person or outside agent as is reasonable and prudent.

7. Duties of the PAC

The PAC has the following duties:

(a) Funding of Plans

(i) Recommend to the Pension Committee the retention of competent professional actuaries to advise in respect of the Plans and the Funds and as the PAC deems in the best interests of the Pension Plan and the SPA. Recommendations as to such retention and replacement shall be submitted to the Pension Committee for its approval.

(ii) In consultation with the actuaries, the Bank's Financial Services Department and the Pension Fund Investment Committee, oversee the development and submission for approval of the Pension Committee of major actuarial assumptions for valuations and updates.

(iii) In consultation with the Bank's Financial Services Department, oversee the development and delivery of recommendations to the Pension Committee with respect to funding the Pension Plan and the SPA in accordance with actuarial valuations.

(iv) Monitor the liabilities of the Pension Plan and SPA at least annually and more often as required and report the results of such monitoring to the Pension Committee at such times and in such detail as it may require.

(b) Pension Benefits Administration

The PAC shall ensure that a system of pension benefit administration is implemented and maintained. The PAC shall be guided by internal policies adopted by the Bank from time to time. The PAC shall as part of its responsibilities:

(i) Recommend to the Pension Committee the retention of competent professional third-party service providers to perform the pension benefits administration

services. Recommendations as to such retention and replacement shall be submitted to the Pension Committee for its approval.

(ii) Document the provisions and administrative procedures of the Pension Plan and the SPA for each pension benefit (this may include the role played by third-party providers).

(iii) Establish and maintain standards for benefit services.

(iv) Monitor the performance of third-party service providers to ensure that benefits are provided according to the established standards.

(v) Provide guidance on the interpretation of administrative provisions and procedures in special cases.

(vi) Update administrative provisions and procedures as required.

(c) Accounting

(i) Make recommendations to the Pension Committee on engaging and replacing external auditors for the Pension Plan and SPA.

(ii) Consult with the Pension Fund Investment Committee when preparing the annual financial statements for submission to the Board.

(d) Communication and Member Relations

(i) Establish standards for communications to Pension Plan and SPA members in relation to the various pension services provided by the Bank.

(ii) Monitor and supervise how third-party providers of pension administration services deal with members of the Pension Plan and the SPA.

(iii) Generally establish and maintain effective channels with members of the Pension Plan and the SPA to obtain their input on how the Pension Plan and the SPA are being administered.

(e) Pension Plan Director

The Chair of the PAC shall oversee, in conjunction with Bank management, the activities of the Pension Plan Director with respect to the Plans. The Chair of the PAC (or a delegate) shall participate in all decisions relating to the employment of the Pension Plan Director, including the hiring of the Pension Plan Director, annual performance management and compensation decisions, and any disciplinary action or ending of the employment relationship with the Pension Plan Director. The Chair of the PAC shall report on such activities to the Chair of the Pension Committee.

(f) Plan Amendments

(i) Monitor pension and other legislation to identify the need for amendments to the Pension Plan and the SPA.

(ii) Prepare, for recommendation to the Pension Committee and the Board for approval, Plan amendments resulting from legislative requirements or Bank-initiated changes to the Pension Plan and SPA.

(g) Pension Fund Expenses

(i) Prepare, for approval by the Pension Committee, an annual Resource Plan estimating Pension Fund expenses for the following year, and revisions to the Resource Plan that may be required.

(ii) Monitor Pension Fund expenses on an ongoing basis in relation to the Resource Plan.

(h) Other Duties and Responsibilities

Such other duties and responsibilities as may be assigned by the Pension Committee from time to time.

Amendment

The Pension Committee shall have the authority to amend these Terms of Reference from time to time.