

**TERMS OF REFERENCE
PENSION FUND INVESTMENT COMMITTEE (PFIC)
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 Fund Investment Committee (“PFIC”) has been established by the Pension Committee of the Bank.

3. Governance

a) PFIC Membership

The structure of the PFIC membership shall be approved by the Pension Committee and shall comprise the following Bank employees as proposed by the Chair of PFIC:

- (i) the Director, Pension Fund Investments, of the Funds Management and Banking Department (“the Department”);
- (ii) not fewer than two senior officers with relevant expertise or experience;
- (iii) such other Bank employees who have relevant expertise or experience; and
- (iv) the Pension Plan Director contemplated in subparagraph 7 (e) of the Pension Administration Committee Terms of Reference, as a non-voting ex officio member.

The PFIC shall be comprised of such persons who shall, individually or collectively, possess the requisite skills, knowledge or expertise deemed necessary or desirable by the Pension Committee for service on such a committee. These may include, but shall not necessarily be limited to, the following areas of knowledge or expertise: investment, regulatory, and governance.

b) Chair

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

c) Secretary

The PFIC shall appoint a Secretary.

d) Meetings

The PFIC 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 verbal notice from the Chair. If the position of Chair is vacant, a member of the PFIC may call a special meeting. The PFIC may make a decision without holding a meeting by means of a decision unanimously consented to in writing.

e) Records

The PFIC shall keep minutes of its meetings.

f) Quorum

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

g) Reporting

The PFIC shall prepare an investment and performance review of the Funds to be included in the Plan's Annual Report, as well as any amendments to the Funds' Statement of Investment Policies and Procedures ("SIPP") and Internal Investment Guidelines ("IIG").

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

The quarterly reports made by the PFIC to the Pension Committee shall include, without limitation, the following:

- (i) An evaluation of all investment activity, including transactions and performance of the Funds. This performance report shall be based on market values for the Funds' marketable securities and on the best external independent estimates of fair value for non-marketable securities.
- (ii) A summary of all other activities and initiatives undertaken by the PFIC during the relevant period.

The PFIC shall prepare and review monthly performance reports for the Funds.

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

4. Standard of Performance

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

The PFIC shall invest the assets of the Funds in accordance with the *Pension Benefits Standards Act, 1985*, the *Pension Benefits Standards Regulations, 1985* and the *Income Tax Act*, as applicable, and in a manner that a reasonable and prudent person would apply in respect to a portfolio of investments of a pension fund.

The members of the PFIC 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 PFIC may rely in good faith on the 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 PFIC as fairly reflecting the financial condition of the Pension Plan, the SPA, or the Funds, as the case may be. The members of the PFIC 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 PFIC shall comply with the Pension Committee's policies with respect to the attendance of PFIC members at educational and orientation sessions.

5. Compliance with Policies

Members of the PFIC 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 PFIC determines that it is reasonable and prudent in the circumstances, the PFIC 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 and investment of the Pension Plan, the SPA or the Funds provided that the PFIC is satisfied as to the suitability of such director, officer, employee or outside agent to perform such act. The PFIC shall carry out such supervision of any person or outside agent as is reasonable and prudent.

7. Duties of the PFIC

The PFIC has the following duties:

- a) **Management of Investment Portfolio:** Direct the management of the investment of the Funds in accordance with their respective SIPP and the IIG and any specific directives from the Pension Committee. This includes, but is not limited to, pursuing the Funds' rate of return objective without taking undue risk; undertaking regular valuations of the assets of the Funds; advising the Pension Committee on the risk profile of the Funds' portfolios and, when deemed appropriate and approved by the Pension Committee, taking steps to mitigate such risks; using discretion when exercising the voting rights pertaining to securities held by the Funds; making recommendations to the Pension Committee as to the selection and replacement of external investment managers and trustees of the Funds; as well as monitoring and managing the performance of those managers and custodians.
- b) **Monitoring and Managing Investment Managers:** The PFIC will ensure that each investment manager undertakes to exercise the care, diligence and skill in the investment

of the Funds that a person of ordinary prudence would exercise in dealing with the property of another person and that the investment manager further undertakes to use, in the investment of the Funds, all relevant knowledge and skill that the investment manager possesses or, by reason of his profession or business qualifications, ought to possess. The PFIC shall require each investment manager to comply with the investment guidelines set out in the agreements with the investment managers, and with the SIPP, as may be feasible at the discretion of the PFIC, and to administer the Funds in compliance with the requirements of the *Pension Benefits Standards Act, 1985*, the *Pension Benefits Standards Regulations, 1985* and the *Income Tax Act*, as applicable.

- c) **Assessment of Asset Management:** Undertake an annual review and make recommendations to the Pension Committee regarding the management of assets or any other issue related to the SIPP and the IIG and any recommended changes thereto. In its recommendations, the PFIC will consider various factors, including any changes in plan liabilities as reported by the Pension Administration Committee, any changes in the expected return of assets, and any implications those changes may have on the surplus or deficit positions of the Funds.
- d) **Meet with Fund Trustee and Custodian:** Meet with the trustee and custodian of the Funds at least once annually to review their performance.
- e) **Other Duties and Responsibilities:** Such other duties and responsibilities as may be assigned by the Pension Committee from time to time.

8. Amendments

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

APPROVED BY THE PENSION COMMITTEE AT ITS MEETING OF SEPTEMBER 15, 2020.