Public Service
Pension Board of Trustees

Public Service Pension Plan Governance Policy

Purpose and Scope

The *Pension Benefits Standards Act* and regulations (PBSA) require that the Board of Trustees of the Public Service Pension Plan (the board and pension plan respectively) ensure that a written governance policy is established in respect of the structures and processes for overseeing, managing and administering the pension plan. The Public Service Pension Plan Governance Policy (policy) is established to guide and inform the various stakeholders on the governance framework of the pension plan, including the board of trustees, plan partners, agents, service providers and pension plan members as those terms are used in the policy.

This policy is the only "governance policy" for the purposes of the PBSA.

Nothing in this policy is intended to be construed or to impose on the board (or on any delegate or agent of the board), a standard of care or a duty that exceeds the standard of care or duty that is applicable by law at the relevant time. Further, nothing in this policy changes the terms or effect of the Joint Trust Agreement (JTA), as defined, below, or the terms of the pension plan rules. In the event of a conflict, the terms of the JTA or pension plan (as applicable) will prevail.

Governance Framework

The *Public Sector Pension Plans Act* (PSPPA) establishes the ability for the plan partners to enter into a joint management agreement that provides, amongst other things, for:

- The joint management of the pension plan and the pension fund
- The establishment of who will manage the joint management agreement
- The composition of the board, the appointment process and the powers, duties and functions of the board
- The method for amending the pension plan by agreement of the plan partners

As contemplated by the PSPPA, the plan partners entered into a joint management agreement called the Public Service Pension Plan Joint Trust Agreement (JTA), effective on January 1, 2001.

The plan partners for the pension plan are the Government of British Columbia (plan employer partner) and the BC Government and Service Employees' Union (plan member partner). The plan partners appoint the trustees to the board in the manner set out in the JTA.

The JTA states that for the purposes of the *Income Tax Act (Canada*) and the PBSA, the board is the administrator of the Pension Plan. The JTA confers on the board all the powers necessary to administer the pension plan and manage the pension fund, in accordance with applicable federal and provincial statutes, the JTA and the pension plan rules.

The PSPPA establishes two agencies which provide services to the board:

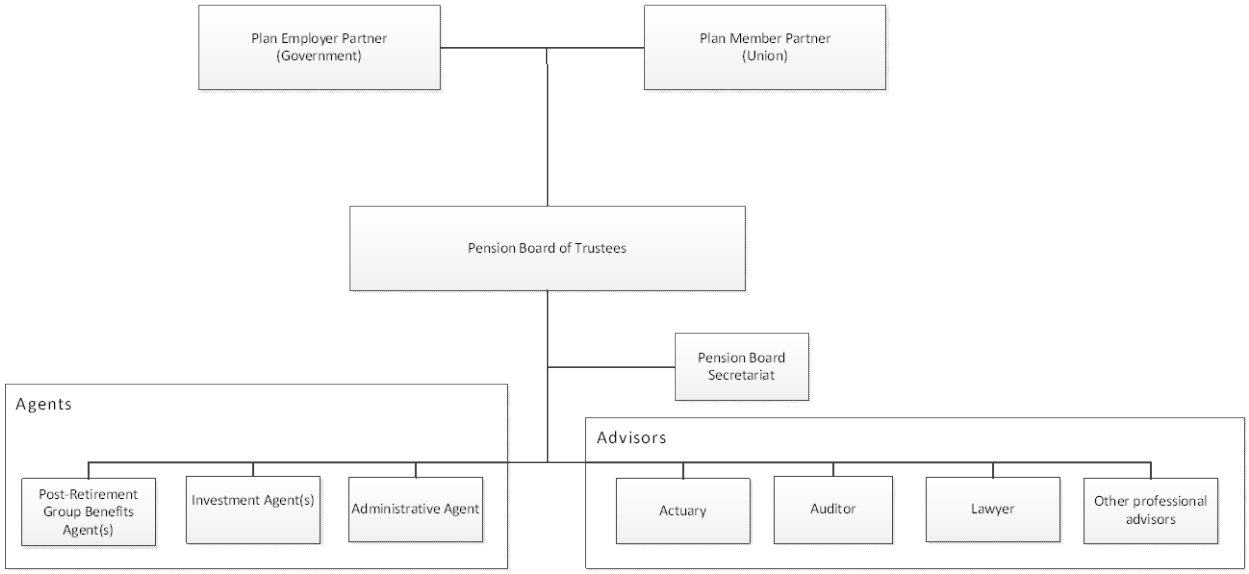
1. the BC Pension Corporation (Pension Corporation or plan administrative agent), which must provide the pension plan administration services required to deliver pension benefits to plan members, and
2. the BC Investment Management Corporation (BCI or plan investment agent) which may provide investment management services including the making of investments and loans and any additional services as may be agreed, for funds placed with BCI.

As contemplated by the JTA, the board:

- monitors the performance of the Pension Corporation and BCI;
- ensures that the pension fund is invested in the best financial interests of plan members;
- directs the plan administrative agent in the application of the pension plan rules;
- sets out the required plan administration services to be performed by the Pension Corporation in a service agreement between the board and the Pension Corporation;
- sets out the investment management services to be performed by BCI or any other investment manager in an investment management agreement between the board and the respective fund manager or managers;
- adopts annual budgets for plan administration, investment management and board activities;
- prepares an annual report, including audited financial statements, on the pension plan and the pension fund;
- obtains an actuarial valuation on the pension plan and pension fund at least every three years;
- retains professional, technical and other advisors the board feels necessary for the purpose of assisting the board with the administration of the pension plan and management of the pension fund;
- provides for the financial administration of the pension plan; and
- establishes committees of the board, and determines the composition, mandate, duties and responsibilities of those committees.

The following graphic illustrates the governance framework for the pension plan:

ILLUSTRATION OF GOVERNANCE FRAMEWORK



Purpose of the Governance Framework

The JTA states its purpose as "to provide for the prudent management of the pension plan and the pension fund in a framework where the plan members and employers share the responsibility of plan governance and share the risks and rewards of plan sponsorship."

The JTA also sets out the principles on which the joint trusteeship structure is based. These are:

- equal sharing of responsibility for management of the pension assets in the best financial interests of plan beneficiaries;
- sharing of contributions;
- equal sharing of responsibility for any unfunded liabilities generated during the period of joint trusteeship;
- equal ownership of any surpluses generated during the period of joint trusteeship; and
- protection of the pension plan from unilateral actions by plan sponsors or principals.

The governance structures described in this policy also help ensure accountability of decision makers and helps ensure that decisions are made by the person or entity with the most appropriate knowledge or skill.

Governance Framework Participants and Responsibilities

Plan Partners: are the signatories to the JTA and may make amendments to the JTA. The plan partners are responsible for appointing the trustees to the board, and for nominating a director of the Pension Corporation board. The plan partners have the authority to remove a trustee they appointed. There is one exception in the pension plan whereby one trustee is appointed by the BC Government Retired Employees' Association, a non-plan partner organization. The partners may direct the board to amend the plan rules, having first received and considered advice from the board on the cost and administrative impact of the proposed amendment and provided the board can make the amendment given the terms of the JTA. The plan partners may terminate the JTA or the pension plan, in whole or in part at any time, but only after first receiving a recommendation from the board to do so.

Board of Trustees: is the administrator of the pension plan. As permitted by the JTA the board may:

- pass resolutions it considers necessary or advisable to administer the pension plan and the pension fund;
- exercise its duties and functions;
- make and/or amend the pension plan rules;
- make recommendations to the plan partners about amending the JTA; and
- take other actions as described in the JTA.

The board must make amendments to ensure that the pension plan complies with law.

The board is responsible for having an actuarial valuation report conducted on the pension plan at least every three years and will respond to the report as required by law and the terms of the JTA. If the valuation report indicates that the pension plan has surplus assets, the board may apply the surplus assets in the manner set out in the JTA and the board's funding policy and in accordance with applicable law.

The board is responsible for appointing trustees to act as directors of the management boards of the Pension Corporation and BCI, and for rescinding those appointments.

The board is accountable to the pension plan members and any other party to whom a fiduciary duty is owed as set out in the PBSA and the JTA.

Pension Corporation: as an agent of the board, the Pension Corporation provides pension plan administration services as set out in the service agreement between the board and the Pension Corporation (service agreement).

The Pension Corporation must adhere to the standards set out in the service agreement.

The Pension Corporation is accountable to the board for the conduct and completion of the delegated activities and must report on that accountability as required by the board.

BCI: as an agent of the board, BCI provides investment management services as set out in the funds investment and management agreement (FIMA).

As described in the FIMA, BCI must invest funds in a manner consistent with the board's policies and relevant legislation.

BCI is accountable to the board for the conduct and completion of the delegated activities and must report on that accountability as required by the board.

Extended health and dental benefits provider: administers the group extended health and dental benefit plans (post-retirement group benefit plans), established by the board in accordance with the Public Service Pension Plan Post-retirement Group Benefit Plan Rules, for retired members of the pension plan.

The extended health and dental benefits provider must report on its administration of the post-retirement group benefit plans as required by the board.

Performance Measuring and Monitoring

Plan Partners: The plan partners have a unique role in the governance framework of the pension plan and, therefore, there are no applicable performance measures.

Board of Trustees: The board conducts a comprehensive triennial assessment which reviews the board's practices in fulfilling its governance responsibilities. The assessment examines the board's responsibilities and accountabilities with respect to the pension plan and pension fund including legislative compliance, plan funding, asset management, benefit administration and communication. The board's processes also include trustee assessment, chair and vice chair assessments, trustee skills gap analysis and board committee assessments.

As permitted by the JTA, the board establishes committees which may, in accordance with their respective mandates as set out by the board from time to time, assist the board in its oversight and monitoring of the board's agents and service providers through reports and recommendations to the board.

Pension Corporation: The service agreement between the board and the Pension Corporation includes a service delivery plan which sets out the performance measures for administration services. The Pension Corporation reports to the board on its achievements against the service standards at regular intervals. The Pension Corporation may provide from time to time an independent benchmarking report in which its administration costs and service complexity are compared to those of Canadian and international peers.

BCI: The board's Statement of Investment Policies and Procedures sets out the investment performance objectives and required reporting and other criteria which are used by the board to review and evaluate the investment results of the Pension Fund. BCI reports to the board on its achievements against the performance objectives at regular intervals. In addition, BCI provides, an attribution analysis which summarizes whether the organization added value due to its tactical asset mix decisions and security

selection. BCI may provide from time to time an independent benchmarking report in which its management fees are compared to those of Canadian peers.

Extended health and dental benefits provider: The contract between the board and the extended health and dental benefits provider sets out the post-retirement group benefit plans. The benefits provider provides in-person reports and receives board feedback at least once per year.

Access to Relevant Information

The board receives regular reports from the Pension Corporation as described in the service agreement and service delivery plan, and from BCI as described in the FIMA and the Statement of Investment Policies and Procedures.

Reporting from the Pension Corporation includes, but is not limited to, reports on legal and legislative compliance, plan rules compliance, write-offs and settlements, service dashboards and administrative service costs. Reporting from BCI includes, but is not limited to, reports on net cash flows, fund values, investment returns, investment strategy, investment risk, economic analysis, changes in key personnel, compliance certificates and investment management fees.

The board also receives briefing notes and reports from its committees, agents and secretariat staff on various issues regarding board-related business, for the board's decision or information.

When urgent issues arise between reporting periods, the board is contacted by the Pension Board Secretariat and takes appropriate action.

The Pension Board Secretariat produces and distributes a number of documents, as described in the Pension Board Secretariat Service Standards, summarizing decisions of the board and requests of the board to the agents and service providers. The board-approved meeting minutes are the official record of the board's decisions and proceedings. Meeting minutes are distributed to the board's agents as is appropriate in the quarter following the subject meeting. Information about the board's decisions is also provided to the plan partners.

For the purposes of transparency to the pension plan members and others, an array of documents about the pension plan is posted on the pension plan website.

Code of Conduct and Conflict of Interest Policy

The board has a Code of Conduct Policy, which includes conflict of interest provisions, that outlines the primary duties that apply to the trustees and the rules and procedures for addressing conflicts or potential conflicts of interest. The terms of the Code of Conduct and Conflict of Interest Policy will prevail but by way of summary, each trustee must:

- in the administration of the pension plan, exercise the degree of care that a person of ordinary prudence would exercise in dealing with the property of another person;

- in respect of the investment of the plan fund, invest the assets in a manner that a reasonable and prudent person would apply in respect of the assets of a pension fund; act on behalf of the plan beneficiaries and must act in the beneficiaries' best financial interests; and
- not knowingly permit their personal interests, or interests from their roles with other organizations, to conflict or appear to conflict with their duties and powers with respect to the management of the pension plan and the pension fund.

Trustees must review and reaffirm their commitment to, and compliance with, the Code of Conduct Policy annually.

Cyber Security Procedures and Oversight

The Board recognizes the critical importance of cyber security in protecting plan member data, maintaining operational integrity, and safeguarding the reputation of the pension plan. It relies on the cyber security and business continuity practices of its agents and service providers. Cyber security prevention, controls, testing, and assurance are the responsibility of the board's agents and service providers; the Board's role is limited to governance-level oversight.

The following procedures outline the Board's approach to cyber security oversight over and above what is already contained in service agreements with its agents and service providers:

1. Annual Reporting

- The Board receives annual enterprise risk management reports from its agents (BC Pension Corporation and BCI). These reports will include an update on cyber security risk, key mitigation strategies, any material changes to their cyber risk profile, and any relevant cyber security incidents. Triennially, it will include a description of the governance, key roles and responsibilities, and process lifecycles for cyber security.

2. Incident Response and Communications

- In the event of a cyber security incident where a material incident (as defined in Appendix 1 of the BCFSA's *Information Security Guideline for Pension Plan Administrators*) has occurred, the Chair and Vice-Chair (via the Board's Executive Director) will receive notification from affected agent or service provider as soon as operationally possible.
- A material incident is defined as:
    - Disrupts the operations of the pension plan to an extent that the plan can no longer be effectively administered;
    - Is likely to negatively affect other entities or individuals regulated by BCFSA, or is an incident that is likely to reoccur with other entities or individuals regulated by BCFSA;
    - Compromises confidential plan member data; or
    - Impacts the ability of the administrator to pay benefits, receive remittances or manage investments.
- When a communications plan is needed to manage reasonably expected reputational consequences or deliver a timely message to a broad audience, the Board will work with its agents to develop an appropriate strategy.
- The Board expects the impacted agent or service provider to complete required disclosures of material incidents (as defined in Appendix 1 of the BCFSA's *Information Security Guideline for Pension Plan Administrators*) to BCFSA within the 24-hour notice period when the agent or service provider becomes aware of a cyber security incident that may impact the pension plan.

3. Cybersecurity Training

- As per the Service Agreement, at the request of the board, BC Pension Corporation will arrange to provide general education on information security principles and practices and critical issues or emerging risks to the board.
- From time to time, the Pension Board Secretariat will arrange for external education on cyber security.

4. Business Continuity and Resilience

- The Board will request and maintain on file an annual confirmation, that its agents and key service providers have current business continuity response plans in place for all major business and member facing systems and data.
- The Board will request and maintain on file a list of the broad categories of plan and member data that is held by its agents and key service providers, if applicable. An updated list of data held will be requested at least triennially, or sooner if material changes occur.

5. Authority of Agents

- In the event of a cyberattack requiring urgent response, and where the incident relates to systems or services under the responsibility of BC Pension Corporation or BCI, the Board understands that BC Pension Corporation and BCI are responsible for taking the necessary steps to contain the attack.

6. Policy Review

- This section of the governance policy will be reviewed annually to ensure continued relevance and alignment with evolving cyber security threats and best practices.

Trustee Knowledge, Skills and Ongoing Development

The board is comprised of trustees with varied backgrounds and experiences which broadly reflect the membership of the pension plan itself.

Trustees are encouraged to develop the knowledge and skills required to properly fulfill their responsibilities and do so in accordance with procedural documents adopted by the board from time to time.

The board participates in an Interplan Trustee Education Committee (ITEC) with the College, Municipal and Teachers' Pension Boards of Trustees. The mandate of the ITEC is to develop the knowledge and skills of the trustees, to work together on common educational issues. ITEC maintains an in-house curriculum training program comprised of online and in-person modules.

Risk Management

The board's Strategic and Risk Management Framework lists 8 strategic objectives; the risks to meeting these objectives and their likelihood, impact and mitigations. The board reviews and updates the risks and monitors actions taken to mitigate them at each quarterly meeting. The board reviews the

Strategic and Risk Management Framework itself every three years. For the risks that are in the purview of the board's agents or service providers, the board receives reports on the risk mitigation measures implemented by the agents and service providers.

Dispute Resolution for Those Entitled to Benefits under the Plan

If a member of the pension plan, or any other person entitled to a benefit under the pension plan, disagrees with a decision by the Pension Corporation about the application of the pension plan rules, the member is encouraged to try and resolve that dispute with the Pension Corporation. If such resolution is not achieved, the individual may appeal to the board in accordance with the process adopted by the board and amended from time to time. Any such review process is established in accordance with the JTA and the pension plan rules.

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