

UNIVERSITY OF BRITISH COLUMBIA
STAFF PENSION PLAN

GOVERNANCE POLICY

Effective December 31, 2017

Reviewed and approved by
Pension Board on October 27, 2017

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TABLE OF CONTENTS

| | | |
|------------|-----------------------------------------------------------------------------|----------|
| 1.0 | BACKGROUND AND SCOPE | 3 |
| 2.0 | PLAN OVERSIGHT, MANAGEMENT AND ADMINISTRATION..... | 3 |
| 3.0 | PERFORMANCE MEASURES..... | 5 |
| 4.0 | PROCEDURES TO ENSURE TIMELY ACCESS TO RELEVANT PLAN INFORMATION..... | 6 |
| 5.0 | CODE OF CONDUCT AND CONFLICT OF INTEREST PROCEDURES | 6 |
| 6.0 | KNOWLEDGE, SKILLS AND ONGOING DEVELOPMENT | 6 |
| 7.0 | RISK MANAGEMENT..... | 7 |
| 8.0 | DISPUTE RESOLUTION..... | 9 |
| 9.0 | NO INCORPORATION BY REFERENCE | 9 |

1.0 BACKGROUND AND SCOPE

The University of British Columbia (the “**University**”) is a corporation continued pursuant to its the *University Act* (the “**Act**”).

Pursuant to the Act, the board of governors of the University (the “**Board of Governors**”) has the power to manage the University’s administration, property and business affairs. Acting under this power, the Board of Governors has established the University of British Columbia Staff Pension Plan (the “**Staff Plan**”) to provide pension benefits to the non-faculty employees (unionized and non-unionized) of the University.

The Staff Plan is registered in British Columbia and is subject to the *Pension Benefits Standards Act* (the “**PBSA**”), the *Pension Benefits Standards Regulation* (the “**PBSR**”), the *Income Tax Act* (Canada) (the “**ITA**”) and the *Income Tax Regulations* (the “**ITR**”).

This Policy is intended to constitute the “governance policy” as contemplated in accordance with section 42 of the PBSA and section 50 of the PBSR. This Policy does not apply to any other registered or supplemental pension plan sponsored or administered by the University.

Nothing in this Policy is intended to be construed or to impose on the University, any respective employees or agents of the University or any person or entity providing services in respect of the Staff Plan, a standard or duty (fiduciary or otherwise) that exceeds the standard or duty under the applicable law at the applicable time.

2.0 PLAN OVERSIGHT, MANAGEMENT AND ADMINISTRATION

2.1 The University’s Role as Administrator of the Staff Plan

The University, acting through its Board of Governors and senior management, is the sponsor and administrator of the Plan for the purposes of the PBSA. As administrator, the University will perform each of the duties assigned to it under the PBSA and in so doing shall:

- (a) act honestly, in good faith and in the best interest of the members of the Staff Plan and of others entitled to benefits from the Staff Plan;
- (b) exercise the care, diligence and skill that a person of ordinary prudence would exercise when dealing with the property of another person; and
- (c) avoid knowingly allowing the interests of the University to conflict with its powers and duties as administrator.
- (d) ensure that the Staff Plan and all of its documents and policies comply with the PBSA and ITA; and

- (e) provide members with information about the Staff Plan and their entitlements under the Staff Plan as required by the PBSA.

2.2 Governance Structures

The University has established a pension board to perform administration duties related to the Staff Plan and to act on behalf of the University as described herein (the “**Pension Board**”). The Pension Board, acting through the Executive Director, Pensions, provides an annual report in writing and in person to the Board of Governors in the manner mandated by the Pension Board’s Terms of Reference. The Pension Board consists of nine members: four members appointed by the University (the “**Appointed Members**”), four members elected by the members of the Staff Plan, and a non-voting chair appointed by the Board of Governors.

The Board of Governors has also established the Pension Administration Office (the “**PAO**”) staffed by University employees to perform day-to-day management of the Staff Plan, report to the Pension Board and serve as the Pension Board’s secretariat.

While the Finance Committee of the Board of Governors, acting on the Pension Board’s advice, sets investment policy, responsibility for implementing that policy has been delegated by the University to the UBC Investment Management Trust Inc. (“**IMANT**”), a University owned investment manager of the University’s endowment funds working capital and the pension fund of the Staff Plan. Pursuant to the Pension Board’s Terms of Reference, the Board of Governors shall appoint the Executive Director, Pensions, to IMANT’s board of directors.

2.3 Goals of Governance Structures

The goals of the structures set out in subsection 2.2 are to:

- (a) help ensure governance of the Staff Plan that complies with the PBSA and any other applicable law;
- (b) identify the specific roles and obligations for each person and entity involved in the administration of the Staff Plan;
- (c) help ensure accountability of those involved in the administration of the Staff Plan;
- (d) clarify the difference between the University’s role as sponsor of the Staff Plan and its role as administrator of the Staff Plan;
- (e) identify and manage to the extent possible, the Staff Plan’s risks; and
- (f) promote effective decision making, with decisions being made by the person or entity with the most appropriate knowledge or perspective.

2.4 Duties of the Pension Board

The Pension Board, acting as necessary through the PAO, shall have the responsibilities, powers and duties with respect to the Staff Plan that are set out in its Terms of Reference, as it may be amended from time to time.

3.0 PERFORMANCE MEASURES

3.1 Third Party Service Providers

The University requires the services of third party service providers in the administration of the Staff Plan. Before appointing a service provider the Pension Board through the PAO shall consider the service provider's:

- (a) training, skill, specialization and experience;
- (b) cost;
- (c) quality and consistency of work;
- (d) references provided by other clients of the provider;
- (e) the presence of any conflicts of interest relevant to the provider's services; and
- (f) any other factors that may in the Pension Board's view be relevant.

The Pension Board will be responsible for approving a service provider.

At regular intervals and any time that is warranted by the circumstances the Pension Board, through the PAO if appropriate, will assess the performance of the service provider and will use the factors outlined above to assess the provider's performance. If, at any time, the Pension Board or the PAO has a concern about the activities of a service provider, it may seek an explanation or a report from the service provider, provide further clarification on the expectations of the provider or may terminate a service provider's services in accordance with the terms of the agreement with that service provider. If appropriate given the nature of the service provider, the Pension Board, through the PAO, may engage in a formal request for proposal to replace or choose a service provider.

3.2 Pension Board and the PAO

All employees of the University, including those who are members of the Pension Board and the PAO, have their performance assessed in accordance with the University's policies and procedures for assessing employee performance. Each of the duties set out herein forms part of the employment obligations of those employees serving on the Pension Board and of the PAO, and their obligations as set out in this Policy will be reviewed in accordance with the University's employment assessment policies and practices.

As part of the assessment of the Staff Plan conducted in accordance with the PBSA, the Pension Board will review the activities of the PAO and of the Pension Board itself to determine whether correction, clarification or further instruction is appropriate.

4.0 PROCEDURES TO ENSURE TIMELY ACCESS TO RELEVANT PLAN INFORMATION

Information relevant to the Staff Plan and its administration is always available to members of the Pension Board, the PAO and the Board of Governors, including copies of the Staff Plan text, all amendments to the Staff Plan text, all policies adopted in respect of the Staff Plan, all valuation reports and any significant agreements entered into in respect of the Staff Plan.

When amendments are made to significant Staff Plan related documents, they will be made available to all persons who have decision-making power with respect to the Staff Plan and will be provided to third party service providers if appropriate.

5.0 CODE OF CONDUCT AND CONFLICT OF INTEREST PROCEDURES

The members of the Pension Board and of the PAO are bound by any Code of Conduct established by the University, which is designed to apply to them except as modified by the rules set out below. The Pension Board and the PAO will be cognizant of the fact that the University acts as the administrator and not just the sponsor of the Staff Plan.

There may also be times where the Pension Board and the PAO will be acting on behalf of the University in its capacity as sponsor and not administrator and in such circumstances they will comply with this Policy, any conflict of interest rules adopted by the University in respect of that dual role and the applicable law.

Where the personal interests of a member of the Pension Board or of the PAO conflict or may conflict with the duty owed to the University, the individual will advise the chair of the Pension Board in order to determine an appropriate response to the potential or actual conflict. If the individual with a potential or actual conflict is the chair of the Pension Board, the individual will advise the Board of Governors in order to determine an appropriate response to the potential or actual conflict.

Similarly, where the personal interests of a member of the Pension Board or of the PAO conflict or may conflict with the duties owed by the University in respect of the Staff Plan, the individual will advise the chair of the Pension Board in order to determine an appropriate response to the potential or actual conflict.

6.0 KNOWLEDGE, SKILLS AND ONGOING DEVELOPMENT

In addition to their own professional and managerial experience, members of the Pension Board and of the PAO should strive to obtain and maintain general understanding of the following:

- (a) pension and tax legislation that impacts the Staff Plan;

- (b) actuarial principles and liability management;
- (c) fiduciary duties and trust principles;
- (d) financial markets;
- (e) pension risk management; and
- (f) the terms of the Staff Plan.

Members of the Pension Board are expected to expand their knowledge in all of these areas to improve their ability to meet their responsibilities as a member of the Pension Board. Expenses for such activities will be paid for by the Staff Plan in accordance with expense policies developed for this purpose.

7.0 RISK MANAGEMENT

7.1 Identification of Specific Plan Management Risks

There are a number of risks that apply to any target benefit pension plan, including the Staff Plan. Some key plan management risks are:

- (a) **Investment risk:** the risk that changes in the market will negatively affect the return on the investment of the Staff Plan's assets.
- (b) **Financial risk:** the risk that the Staff Plan's assets will not be sufficient to meet the funding requirements.
- (c) **Operational risk:** the risk that deficiencies or breakdowns in internal controls or processes, human errors or fraud will negatively affect Staff Plan administration.
- (d) **Legal and regulatory risk:** the risk that the Staff Plan will not be administered in accordance with applicable law.

7.2 Management of Specific Plan Management Risks

- (a) Investment risk will be managed through:
 - (i) the establishment of an appropriate Statement of Investment Policies and Principles (**SIPP**) that is consistent with the plan liabilities and investment objectives; and
 - (ii) oversight of UBC IMANT's implementation and ongoing execution of the SIPP.

- (b) Financial risk will be managed through:
- (i) ensuring the Funding Policy and the SIPP are aligned for the ongoing sustainability of the benefits determined under the Staff Plan.
 - (ii) the valuation of the Staff Plan's assets and liabilities and ensuring compliance with legislative requirements and the professional standards of the Canadian Institute of Actuaries in respect of such valuations. It also encompasses any advice, analysis, testing or special reports which may be provided by the actuary at the Pension Board's request. The Pension Board will strive to regularly communicate with the actuary to help ensure that the actuary possesses all relevant information for the valuation, such as Staff Plan amendments and changes to any relevant policies as well as changes to the administration of the Staff Plan. The Pension Board will also strive to promptly review actuarial reports and respond to actuarial recommendations;
 - (iii) the establishment of and adherence to an appropriate Funding Policy; and
 - (iv) regular monitoring of Staff Plan costs.
- (c) Operational or administration risk will be managed by having the Pension Board:
- (i) follow an appropriate process for retaining, monitoring and terminating service providers, maintaining formal contracts where appropriate that detail the roles and responsibilities of the provider and having a process by which the service provider's performance can be measured;
 - (ii) regularly review all of the policies relevant to the Staff Plan at appropriate intervals;
 - (iii) maintain benefit calculation procedures that address data collection and the method of calculating the benefit and consistency of calculations;
 - (iv) review quarterly administration reports from the PAO;
 - (v) maintain procedures for verifying that contributions are made as required in accordance with applicable law;
 - (vi) review the Staff Plan's communication plan;
 - (vii) maintain procedures related to recordkeeping, storage, privacy protection and data retention; and
 - (viii) assess the appropriateness of Staff Plan amendments and ensure that the full effect of an amendment is understood before being introduced. Before amendments are made ensure that there has been an analysis of their effect

and that required steps to effect the amendment based on the applicable law and regulatory rules have been followed.

- (d) Legal and regulatory risk will be managed by maintaining a good relationship with the regulator for the Staff Plan and working with legal counsel to help ensure that statutory and other legal requirements are met. Legal advice received by the University related to either risk avoidance or risk mitigation may be solicitor-client privileged as between the University and the legal counsel.

8.0 DISPUTE RESOLUTION

Staff Plan members are strongly encouraged to be in contact with the University if they have any concerns about the administration of the Staff Plan and their entitlement to benefits from the Staff Plan. The University (through the Pension Board or the PAO) will respond to the inquiry or complaint and may involve any third party service providers to the extent required to do so.

If a concern cannot be resolved by the University, Staff Plan members have access to all dispute resolution mechanisms permitted by law including making inquiries with or a complaint to the pension regulator or commencing a claim against the University in respect of its administration of the Staff Plan.

9.0 NO INCORPORATION BY REFERENCE

For greater certainty, it is confirmed that despite the references herein to the Pension Board's Terms of Reference, that document, and any other policy or other document referred to in this Policy is not incorporated by reference into this Policy, nor do the terms of any such document form part of this Policy.