



Northern Employee Benefits Services

Pension Committee

Terms of Reference

Effective January 1, 2003

**NOVEMBER 2002
AMENDED DECEMBER 2003
AMENDED AUGUST 2004**

1. INTRODUCTION

- 1.1. Northern Employee Benefits Services (“**NEBS**”) sponsors the Northern Employee Benefits Services Pension Plan (the “**Plan**”) on behalf of itself and other employers in the Northwest Territories and Nunavut. The Plan provides defined benefit pensions to employees of NEBS and corporate members of NEBS that complete a participation agreement with NEBS.
- 1.2. The Plan is registered with the Canada Revenue Agency pursuant to the *Income Tax Act* (Canada) and its regulations (the “**Tax Act**”).
- 1.3. The Board of Directors of NEBS (the “**Board**”) has, by formal resolution, committed to voluntary compliance to the provisions of the *Pension Benefits Standards Act, 1985* (Canada) and its regulations (the “**PBSA**”), provided that the terms of the Plan and the actions of the Board and Committee (as defined below) in respect of the Plan may diverge from the PBSA if the Board or Committee deems such divergence to be warranted on the basis of good governance standards for a public-sector, multi-employer plan.
- 1.4. Subsection 7(1) of the PBSA establishes that a multi-employer pension plan such as the Plan is to be administered by a pension committee constituted in accordance with the plan, subject to section 7.1 of the PBSA.
- 1.5. Pursuant to Section 9 of the by-laws of NEBS, the Board may establish a pension committee to administer the Plan and to act on behalf of NEBS and the Board to facilitate any action required to be taken under the provisions of the Plan, and the Board has established such a pension committee (the “**Committee**”) to perform the functions set out in Sections 4 and 5 hereof.
- 1.6. Unless otherwise indicated, the Committee may delegate its responsibilities as it deems appropriate to management and staff of NEBS and to any other agents authorized pursuant to the Plan or these Terms of Reference, provided the Committee ensures that any parties to whom it delegates any such responsibilities are properly supervised and have the appropriate skills and training.

2. MEMBERSHIP

- 2.1. The Committee shall consist of all of the individuals who serve on the Board from time to time and the individuals selected in accordance with Section 2.2 or 2.3, if applicable.
- 2.2. If the majority of the active members of the Plan petition NEBS to appoint a member representative to the Committee, such a representative may be appointed by the Board in voluntary compliance with section 7.1(a) of the PBSA following the procedure set out in section 7.3 of the PBSA.

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- 2.3. If the majority of the retired members of the Plan petition NEBS to appoint a retired member representative to the Committee, such a representative may be appointed by the Board in voluntary compliance with section 7.1(b) of the PBSA following the procedure set out in section 7.3 of the PBSA.

3. MEETINGS OF THE COMMITTEE

- 3.1. Meetings of the Committee may be held either at the head office of NEBS or at any place within Canada. A meeting of the Committee may be convened by the President or any two members of the Committee at any time.
- 3.2. The Committee may meet in person, by telephone conference or by any other means which allows each of the Committee members to hear each of the other Committee members in attendance at the meeting.
- 3.3. Notice of any meeting of the Committee shall be delivered or mailed or sent by telecopier or otherwise communicated to each Committee member not less than 7 days if mailed and not less than 2 days if delivered, sent by telecopier or otherwise communicated (exclusive of the day on which the notice is delivered or mailed or sent by telecopier or otherwise communicated but inclusive of the day on which notice is given) before the meeting is to take place; provided always that meetings of the Committee may be held at any time without formal notice if all the Committee members are present or those absent have waived notice or have signified their assent in writing to such meeting being held in their absence. Notice of any meeting or any irregularity in any meeting or in the notice thereof may be waived by any Committee member.
- 3.4. For the first meeting of the Committee to be held immediately following the election of a new Board or for a meeting of the Committee at which a Committee member is appointed to fill a vacancy in the Committee, no notice of such meeting need be given to the Committee member or members so elected or appointed in order for the meeting to be duly constituted, provided that a quorum of the Committee members is present.
- 3.5. A quorum at any meeting of the Committee shall be five members (at least four of whom are directors of NEBS) present in person or participating by telephone or video conference or by any other means by which each of the participants is able to hear each of the others.
- 3.6. Questions arising at any meeting of the Committee shall be decided by a majority of votes. The chair of the meeting shall not vote, unless there is an equality of votes on a question, in which case the chair of the meeting shall cast the deciding vote.
- 3.7. At any meeting, unless a poll is demanded, a declaration by the chair that a resolution has been carried or carried unanimously or by a particular majority or

lost or not carried by a particular majority shall be conclusive evidence of the fact without proof of the number or proportion of votes recorded in favour of or against the motion.

- 3.8. The President of NEBS shall preside at all meetings of the Committee at which he or she is present.
- 3.9. The Secretary-Treasurer of NEBS shall, when present, act as secretary of all meetings of the Committee. Minutes of all meetings shall be taken by the Secretary-Treasurer, and need not be verbatim. Copies of the Committee meeting minutes shall be provided to the Board.
- 3.10. The Committee may invite from time to time such persons as it sees fit to attend meetings and take part in discussions.

4. GENERAL RESPONSIBILITIES

- 4.1. The Committee has been established to:
 - (a) Serve as administrator of the Plan, as defined by the PBSA.
 - (b) Oversee and monitor the administration of the Plan with a view to ensuring compliance with the terms of the Plan and the Tax Act, each as amended from time to time, and voluntary compliance with the PBSA, as amended from time to time, except where the Committee deems divergence from the PBSA to be warranted on the basis of good governance standards for a public-sector, multi-employer plan.
 - (c) Enrol participating employers and their employees in the Plan and maintain an appropriate flow of information among stakeholders in the Plan.
 - (d) Oversee the financing of the Plan with a view to ensuring that sufficient financial resources are and will be available to fund the benefits provided under the Plan.
 - (e) Appoint and instruct a fundholder for the Plan's assets, which fundholder shall be either a trust company or life insurance company (the "**Fundholder**").
 - (f) Oversee the Fundholder's investment of the fund established for the Plan (the "**Fund**") with a view to ensuring the prudent and effective management of the Fund.
 - (g) Select and supervise agents, including actuaries, investment managers, lawyers and others who perform services in respect of the Plan, and to

terminate the services of or replace such agents as required from time to time.

5. **SPECIFIC RESPONSIBILITIES**

- 5.1. The Committee shall have full authority to determine all questions of coverage, eligibility and methods of providing or arranging for the provision of benefits and all other related matters under the Plan.
- 5.2. The Committee shall have the power to construe all ambiguous or doubtful provisions of the Plan or these Terms of Reference and the terms used therein or herein and any construction adopted by the Committee reasonably and in good faith shall be binding upon all persons or participating employers whatsoever.
- 5.3. The Committee shall have the power, in addition to any other powers or authorities to which the Committee may be entitled at law, to:
 - (a) Oversee and review all administrative and business processes with respect to the Plan, including appointing signing officers, cash management controls, authorizing benefit payments, approving payment of valid charges to the Plan, interfacing with internal and external auditors, reviewing custodial and investment manager statements and related transaction reports.
 - (b) Enrol participating employers and their employees in the Plan, including preparing and approving such forms and statements as may be required to share information among stakeholders in the Plan.
 - (c) Determine the amount of contributions to be paid to the Plan by a participating employer and by the participating employer's employees.
 - (d) Establish policies and procedures for the collection and remittance of contributions.
 - (e) Appoint and terminate investment managers, external auditors, actuaries, trustees and/or custodians (including the Fundholder), performance measurement services, consultants, counsel and other service providers, oversee the performance of such service providers, and review all reports provided by such service providers.
 - (f) To authorize payments out of the Fund to such persons as the Committee may decide so as to carry out the purposes of the Plan.
 - (g) To authorize payments out of the Fund for expenses reasonably incidental to the administration of the Plan or the Fund, including to reimburse agents for expenses paid by them on behalf of the Plan.

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- (h) To cause the Fundholder of the Plan to invest and re-invest the principal and income of the Fund without distinction between principal and income in such investments as may be selected by the Committee or the investment managers appointed by the Committee and which at the time of investment are not inconsistent with the investments permitted pursuant to the provisions of the Tax Act in respect of registered pension plans or any legislation or regulations relating to registered pension plans established and promulgated by federal or applicable territorial authority that applies to the Plan.
 - (i) To cause the Fundholder to sell for cash, convert, redeem, exchange for other investments permitted by paragraph 5.3(h) or otherwise dispose of any investments entered into pursuant to paragraph 5.3(h) hereof.
 - (j) Review and implement the Statement of Investment Policies and Procedures for the Plan (the “**SIPP**”) in voluntary compliance with section 7.1 of the PBSA regulations.
 - (k) Carry out such responsibilities and duties as may be set out for the Committee in the SIPP, including ensuring the appropriate allocation of the Fund among investment managers and specialized investment vehicles, monitoring such asset allocations and ensuring rebalancing is achieved as necessary.
 - (l) Meet with the investment managers at such intervals as required by the SIPP or more frequently if necessary, to assess their suitability within the overall investment management structure, as well as monitor investment performance and mandate compliance.
 - (m) Review and consult with the Plan’s actuary at least annually on the actuarial status of the Plan, the methods and assumptions used by the actuary, and annual contribution and expense levels for the Plan, and report same to the Board.
 - (n) Prepare and present a report at least semi-annually to the Board on the financial position of the Plan, investment performance of the Fund and the Plan’s compliance with respect to Plan provisions and the Tax Act and voluntary compliance with the PBSA.
 - (o) To compromise, settle or release claims or demands by or against the Plan or the Fund on such terms and conditions as the Committee sees fit.
 - (p) To commence or defend suits or legal proceedings and to represent the Plan and Fund in all suits or legal proceedings.

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- (q) Enter into such contracts or other arrangements with any person it deems advisable to provide for all or part of the administration of the Plan.
 - (r) Promote awareness and understanding of the Plan among participating employers and their employees.
 - (s) Carry out such other tasks relating to the Plan as the Committee considers appropriate from time to time.
- 5.4. The Committee may and is hereby authorized to appoint an officer, employee or agent of NEBS to inspect, copy or cause an audit to be performed of the payroll and time records of a specified participating employer relating to participating employees and that such officer, employee or agent shall conduct such an investigation upon reasonable notice during normal business hours and in accordance with the instructions of the Committee. Each participating employer will on written request by the Committee make such records available for such inspection, copying and audit.
- 5.5. The exercise of any one or more of the foregoing powers or any combination thereof from time to time shall not be deemed to exhaust the rights of the Committee to exercise such power or powers or a combination of them thereafter from time to time.
- 5.6. The Committee may adopt policies of the Board with respect to administration of benefit plans sponsored by NEBS and apply them to the administration of the Plan.

6. **AMENDMENT/TERMINATION OF THE PLAN**

- 6.1. The Committee shall have the power to implement any changes to the Plan which (a) have become necessary in order to maintain the registered status of the Plan, or (b) are otherwise required by law, or (c) in the opinion of the Committee, have become desirable, provided that:
- (a) the Committee shall give notice in writing of any proposed change to the Plan that would affect benefits or contribution levels to participating employers and their participating employees not less than 30 days before the effective date of such proposed change;
 - (b) if the amendment affects benefits or contribution levels, the Committee shall inform the participating employers and their participating employees of the estimated effect of the proposed change on future contributions;
 - (c) the Committee shall prepare and submit a report on any such amendment to the Board; and

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- (d) subject to paragraph (a) above, the Committee shall provide a written explanation of each amendment to the Plan to each participating employee not later than 6 months following the effective date of the amendment.
- 6.2. Subject to Section 6.1, the Committee may make a retroactive change to the Plan and determine the dates on which the changes are to take effect from, provided, however, that:
- (a) the amount of contributions payable by participating employers or their participating employees cannot be increased retroactively;
- (b) benefits under the Plan shall not be reduced retroactively unless such reduction is required to comply with the requirements of an enactment governing the Plan.
- 6.3. The Committee may recommend the termination of the Plan to the Board. However, no termination shall be effective unless a majority of the members of NEBS support a resolution to terminate the Plan at a general meeting of members.

7. REPORTING REQUIREMENTS

- 7.1. The Committee shall report to the Board at such times as the Board may request.
- 7.2. The Board shall have unfettered access to all records and minutes of the Committee.
- 7.3. Any party to whom the Committee has delegated responsibilities must report to the Committee at such intervals as may be established by the Committee.

8. LIMITATION OF LIABILITY AND INDEMNIFICATION

- 8.1. No member of the Committee shall be liable to any person whatsoever for anything done or omitted to be done in respect of the administration of the Plan, except where the act or omission was fraudulent or in bad faith on the part of the person against whom a claim is made.
- 8.2. As provided in the NEBS By-Law, NEBS shall indemnify and save harmless the members of the Committee and any employees or agents who are involved in the administration of the Plan from the effects and consequences of their acts, omissions and conduct in their formal capacity to the extent permitted by law except for their own wilful and intentional malfeasance or misconduct.

For greater certainty, any indemnity under this provision shall be in addition to, and not in derogation of, any other indemnity that may apply to a Committee member.

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- 8.3. The Committee members' right to indemnity for all expenses properly incurred or authorized by them and for the Committee's obligation to repay monies borrowed by them for the purposes of the Plan as permitted by these Terms of Reference, shall constitute a charge on the Fund in priority to the payment of the benefits provided for in the Plan.
- 8.4. The Committee members shall be covered by fiduciary claims insurance paid for out of the Fund or by NEBS on terms to be approved by the Committee.
- 8.5. Each member of the Committee shall:
- (a) act honestly, in good faith and in the best interests of the participating employees in the Plan, and any other persons to whom a fiduciary duty is owed; and
 - (b) exercise the care, diligence and skill in fulfilling his or her duties hereunder that a person of ordinary prudence would exercise when dealing with the property of another person;

provided that, where there are higher standards required by the PBSA, each member of the Committee is responsible to ensure that he or she meets those standards.

9. **CONFLICTS OF INTEREST**

- 9.1. The Committee shall develop and adopt policies and procedures on Committee members' conflicts of interest.
- 9.2. The Committee members shall satisfy themselves that an appropriate policy regarding conflicts of interest exists and is followed by any investment manager appointed by the Committee. As a minimum, the CFA Institute Code of Ethics and Standards of Professional Conduct, as may be amended from time to time, shall be expected to apply to such investment managers.

10. **AMENDMENTS TO TERMS OF REFERENCE**

- 10.1. The Committee may recommend amendments to these Terms of Reference to the Board. However, only the Board may amend these Terms of Reference.

By Motion M02-67, the Board approved and adopted these Terms of Reference and hereby delegates to the Pension Committee the duties and responsibilities outlined herein.

Approved and adopted this 14 day of November, 2002.

Chairman

Secretary - Treasurer