

Vestcor Inc.

Terms of Reference – Board of Directors

1. Introduction and Purpose

Part 3 of the *Vestcor Act* (the “Act”) established Vestcor Pension Services Corporation (“Vestcor Services”) with the objects, pursuant to Section 39 of the Act to:

- provide pension and benefits administration and related services to the Members and to any other person or pension fund or similar fund; and
- carry out such other activities or duties as may be authorized or required by the Board of Vestcor Services.

Part 4 of the *Vestcor Act* (the “Act”) continues the New Brunswick Investment Management Corporation under the name Vestcor Investment Management Corporation (“Vestcor Investments”) with the objects, pursuant to Section 70 of the Act to:

- provide investment management and advisory services and other services in respect of the management and administration of investments to the Members and to any other person, pension, trust, endowment or similar fund; and
- carry out such other activities or duties as may be authorized or required by the Board of Vestcor Investments.

The Act also establishes a Board of Directors as follows:

- The management and control of Vestcor Services and Vestcor Investments is vested in the Board of Directors and the Board of Directors may, subject to this Act, the by-laws and any Members Agreement, exercise all of the powers of Vestcor Services and Vestcor Investments (s. 41 & 73).
- A person who is a director of Vestcor Corp. is not eligible to hold office as a director of Vestcor Services and Vestcor Investments (s. 42 & 74).
- The Board of Directors shall administer the affairs of Vestcor Services and Vestcor Investments on a commercial basis and all decisions and actions of the Board are to be based on sound business practice (s. 43 & 75).

Vestcor Services and Vestcor Investments amalgamated pursuant to Section 104 of the Act and continue as Vestcor Inc. (Vestcor) effective as of January 1, 2018.

These terms of reference are designed to clarify the Vestcor Board of Directors’ responsibilities.

2. Board Responsibilities

In addition to meeting the requirements established by the Act, the Members’ Agreement and corporate By-laws, the Board of Directors of Vestcor will provide effective stewardship and strategic leadership for the organization by fulfilling the following key governance responsibilities:

2.1 Mission, Vision and Values

- Periodically review and continually support the Mission, Vision and Values of Vestcor
- Ensure Vestcor's values are clearly stated, widely shared and provide a framework for decision-making throughout the organization, e.g. code of conduct and conflict of interest policies in place to support values

2.2 Relationship with the President and Chief Executive Officer ("CEO")

- Select and recommend the appointment of the CEO
- Monitor and evaluate the CEO's performance annually
- Approve the CEO's compensation (including salary adjustments and Incentive Compensation Awards) annually
- To the extent feasible, ensure itself as to the integrity of the CEO and that the CEO and senior management are fostering a culture of integrity throughout the organization
- Provide advice and counsel to the CEO in the execution of the CEO's duties

2.3 Corporate Plans and Performance

- Provide strategic direction in the development, and final approval, of the strategic plan for Vestcor
- Approve the process for the development and approval of strategic and annual business plans
- Approve the process for the development and approval of significant corporate policies
- Ensure alignment between Vestcor Strategic Plan and the Annual Business Plan through the approval of each Annual Business Plan (including allocation of resources in the budget)
- Monitor the performance of Vestcor against its plan(s)
- Review results of external reviews of operations and monitor appropriate follow-up plans
- Monitor compliance of the organization with legal requirements

2.4 Investments

- Approve the creation and related investment policies of the Vestcor Investment Entities.
- Approve delegation of investment authorities to Management, and approve transactions exceeding those delegated authorities, as required under the By-laws - Section 16.

2.5 Financial Oversight

- Monitor and review financial results on a quarterly basis
- Monitor compliance under securities and tax regulations
- Approve annual audited financial statements
- Review and approve the annual budget for the operating and capital expenditures and fee recovery structure of Vestcor and recommend its approval to the Vestcor Corp. Board of Directors

- Approve delegation of execution of contracts to management, and approve transactions exceeding those delegated authorities, as required under the By-laws – Section 15.
- Approve delegation of banking authorities to management, and approve transactions exceeding those delegated authorities, as required under the By-laws – Section 17.
- Ensure the financial performance of Vestcor is adequately and promptly reported and the financial results are reported fairly and in accordance with generally accepted accounting principles
- Recommend the appointment or replacement of the external auditor to the Vestcor Corp. Board of Directors

2.6 Risk Management

The Board's role is to understand Vestcor's principal business risks and the systems that have been put into place by Management to protect the organization against damage or loss due to risks. The Board will:

- (a) review and approve the risk management framework, principles and policies recommended by Management
- (b) review on a regular basis Vestcor's risk management process
- (c) obtain reasonable assurance by discussions with and comprehensive reports from Management, the risk manager, the internal auditor and external advisors as appropriate, that:
 - (i) Vestcor has adequate and reliable systems and procedures for the identification, evaluation, management and monitoring of risks facing Vestcor, and that
 - (ii) the risk management systems and procedures are properly designed and effectively implemented.

The Board as a whole provides overall risk oversight. In addition, the various Board Committees provide oversight with respect to categories in Vestcor's Risk Management Framework that fall within their mandates.

The Board, as a whole, retains risk management oversight in the following areas:

- ▶ Mission and Vision
- ▶ Strategy, Corporate Plans and Performance
- ▶ Investments
- ▶ Quality
- ▶ Accountability

It is supported in its risk management oversight in the following areas by the following board committees:

| <i>Stewardship Responsibility</i> | <i>Board Committee</i> |
|---|--|
| Relationship with the CEO | Human Resources and Compensation Committee |
| Financial Oversight | Audit Committee |
| Internal Controls and Information Systems | Audit Committee |
| Risk Management | Audit Committee |
| Human Resources Oversight | Human Resources and Compensation Committee |
| Communications and Stakeholder Relations | Governance Committee |
| Board Effectiveness and Efficiency | Governance Committee |

2.7 Internal Controls and Management Information Systems

- Ensure, through the CEO, that effective management information systems, processes and internal controls are in place at all levels of the organization

2.8 Human Resources Oversight

- Approve any changes to the compensation framework for Vestcor's management and employees
- Review employee benefits and approve material changes¹ when warranted
- Approve salary ranges for all positions and review and approve the CEO's proposed salary adjustments for and Incentive Compensation Awards (where applicable) to all employees within the organization
- Review and approve the directors and executive compensation disclosure in the Annual Report
- Approve major changes to organizational structure
- Review and approve (a) position descriptions for officers and (b) the appointment of officers
- Ensure, through the CEO, that Vestcor develops and maintains a long-term, comprehensive, human resource plan
- Ensure that policies and systems are in place to foster a work environment that attracts and retains talented people
- Ensure that a succession plan is in place for the CEO's position and that the CEO, in turn, has a succession plan in place for senior leadership and other key positions within the organization

¹ Material for these purposes means any change that produces a change in the relevant costs that exceeds the lower of 10% of current costs and \$200,000, as well as any change of strategic importance to the organization.

2.9 Communications, Stakeholder Relations and Accountability

- Ensure that Vestcor has policies and systems in place to:
 - protect and continuously enhance Vestcor’s brand and reputation
 - maintain strong and effective relations with all clients and stakeholders, including the provincial government and fund sponsor organizations
 - monitor the effectiveness of Vestcor stakeholder relations and communications policies and systems
- Approve the Annual Report which contains the information required by the Act and regulations

2.10 Board Effectiveness and Efficiency

- Contribute to the nomination of high quality, diverse and competent leadership for the Board, through a rigorous nominations process, supported by an annual skills gap assessment
- Ensure that directors have a thorough initial orientation followed by ongoing opportunities to increase their capabilities as directors of Vestcor
- Annually establish goals for the work of the Board and organize/adapt the Board committees and meeting agendas to accomplish these goals
- Biennially evaluate the performance of the Board, its Chair and its Committees
- Foster an effective relationship with the CEO and recognize the distinct roles
- Regularly review By Laws, Governance Policies and Board practices in the context of evolving standards of governance

2.11 Crisis Management

The Board delegates the responsibility to manage immediate crises affecting the leadership and reputation of the organization to an ad hoc committee comprised of the Board Chair and each of the Committee Chairs. It is understood that the entire Board will be advised of the situation as soon as reasonably practicable and that every effort will be made to respect the collective decision-making authority of the full Board.

3. Delegation

3.1 Delegation to Management

The Board operates by delegating to Management certain of its authorities, including spending authorizations, and by reserving certain powers to itself.

3.2 Delegation to Board Committees

Subject to the By-laws and the Act, the Board may constitute, seek the advice of, and delegate powers, duties and responsibilities to Board Committees.

The Board may not delegate to Board Committees the power to:

- (a) Adopt, amend or repeal by-laws

- (b) Establish related Investment Policies
- (c) Fill a vacancy in a Board Committee of Vestcor
- (d) Appoint officers and/or fix their remuneration pay ranges
- (e) Approve Vestcor's annual audited financial statements and any other financial statements issued by the organization

3.3 Risk Management

Management is responsible for ensuring that there is a robust and reliable framework and system in place to identify, evaluate, manage, monitor and report risks facing Vestcor.