

**RETIREMENT PLAN FOR NON-TEACHING EMPLOYEES OF SCHOOL
DISTRICT NO. 43 (COQUITLAM)**

GOVERNANCE POLICY

Effective January 1, 2016

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1. BACKGROUND AND SCOPE

The Board of School Trustees of School District No. 43 (Coquitlam) (the “**Board**”), is the sponsor and administrator of the Retirement Plan for Non-Teaching Employees of School District No. 43 (Coquitlam) (the “**Plan**”). The Board has established a Retirement Committee for the Plan to which certain administration duties have been delegated (the “**Retirement Committee**”).

The Plan provides retirement, death and termination benefits to Plan members, former members and spouses and beneficiaries. The purpose of the Plan is to efficiently deliver pensions and other benefits promised under the Plan with a high degree of security.

The Plan is registered in British Columbia and is subject to the *Pension Benefits Standards Act* and the *Pension Benefits Standards Regulations* (the “**Act**”). The Plan is also registered with the Canada Revenue Agency and is subject to the *Income Tax Act* (Canada) and all relevant Regulations and policies adopted by CRA.

This Policy has been drafted in accordance with section 42 of the Act, which requires that the Plan have a formal Governance Policy. Despite any other documents, policies or procedures adopted by the Board of Trustees (the “**Board**”) in respect of the Plan, this Policy is the sole “Governance Policy” for the Plan as that term is used in the Act.

Nothing in this Policy is intended to be construed or to impose on the Board or on any agent or employee 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.

In the event of a conflict between this Governance Policy and any of the text for the Plan, the Trust Agreement (as defined below), any other policy adopted in respect of the Plan, the Statement of Investment Policies and Procedures or the Act, the Governance Policy will be interpreted so as to be consistent with that other document.

Any capitalized terms used but not defined in this Policy will have the meaning given to them by the Plan as is applicable.

2. PLAN OVERSIGHT, MANAGEMENT AND ADMINISTRATION

(a) Governance Structure

The Board is the “Administrator” of the Plan as that term is used in the Act. The Board also acts as the sponsor for the Plan.

The Board has delegated to the Retirement Committee a number of administration related duties described in greater detail below.

- The Retirement Committee is established pursuant to Article 16 of the Plan text. As described above, the Board has delegated certain administration duties to the Retirement Committee, but retains ultimate authority and responsibility for administering the Plan in accordance with the terms of the Plan text and the applicable legislation.

- The Retirement Committee consists of nine members (“**Retirement Committee Members**”). Eight of the Retirement Committee Members shall be full voting members of whom four shall be appointed by the Superintendent of the Board (“**Board Appointed Members**”) and four shall be appointed by the President of the Canadian Union of Public Employees, Local 561. One non-voting Retirement Committee member shall be elected by retired Plan members.
- The Retirement Committee may adopt rules and procedures concerning how meetings are held, how decisions are made and how vacancies are filled.

The Board has also delegated some of the day-to-day Plan management duties to certain Board employees (“**Board Staff**”), who report to the Retirement Committee.

(b) Board Obligations

The Board has all of the powers given to it by the Act, the Plan and the Trust Agreement, including (without limitation) the power to:

- at all times be and remain the administrator of the Plan for purposes of the Act;
- exercise the functions of an employer in respect of its employees participating in or eligible to join the Plan, including making employer contributions to the Plan and providing employment and compensation data that the Retirement Committee and Board Staff require for Plan administration;
- appoint Board Appointed Members to the Retirement Committee;
- decide on all matters related to benefit design, certain Plan amendments, and decisions related to Plan termination, mergers or annuitizations;
- maintain this Policy and make any amendments to it as may be warranted from time to time; and
- with the advice of the Retirement Committee, adopt and maintain a SIPP for the Plan.

The Board may delegate certain of its day-to-day plan administration duties to the Retirement Committee but the Board will exercise appropriate supervision of the Retirement Committee.

In the course of performing all of its duties the Board will:

- act honestly, in good faith and in the best interest of the members of the Plan and of others entitled to benefits from the Plan;
- exercise the care, diligence and skill that a person of ordinary prudence would exercise when dealing with the property of another person; and

- (iii) avoid knowingly allowing the interests of the Board members to conflict with their powers and duties as Administrator.

(c) Retirement Committee Obligations

The Retirement Committee shall perform the following functions:

- (i) Oversee the Board Staff and external service providers in respect of the following:
 - A. Making the determination of benefit payments;
 - B. Interpreting the provisions of the Plan and resolving questions relating to its administration in a way that is consistent with its provisions;
 - C. Authorizing and directing all payments from the Plan funds; and
 - D. Employing, on behalf of the Board, counsel and agents to provide clerical, medical, legal, investment, administrative, and actuarial services necessary or appropriate for administration of the Plan.
- (ii) Approving and adopting actuarial methods and assumptions for the Plan, arranging for valuations of the Plan's assets and liabilities and reviewing and approving actuarial reports;
- (iii) In conjunction with investment agents and advisors, formulating a SIPP and recommending it for adoption by the Board;
- (iv) Dealing with regulatory authorities involving the Plan;
- (v) Monitoring of the compliance of the Plan with the Act;
- (vi) Pension related communications with Plan members and other stakeholders; and
- (vii) Such other duties or functions related to the Plan as the Retirement Committee may choose to monitor and as are generally consistent with this Policy.

(d) Board Staff Obligations

The Board Staff will report to the Retirement Committee. The Retirement Committee shall consider but not be bound to follow any analysis, options and recommendations made by the Board Staff in respect of decisions to be made by the Retirement Committee. The Board Staff shall on behalf of the Retirement Committee:

- (i) Organize meetings of the Retirement Committee and maintain records as directed;
- (ii) Manage the day-to-day operations of the Plan;
- (iii) With the assistance of external service providers:

- A. present analysis, options and recommendations concerning the selection, retention and periodic review of the custodian, the actuary, the auditor and other agents and advisors to the Retirement Committee;
 - B. provide administrative direction and review the performance of the custodian, the investment managers, actuaries and other agents and advisors on matters pertaining to their area of expertise;
 - C. assess changes in the applicable law; and
 - D. monitor implementation of the SIPP and consider if any actions are required;
- (iv) execute such other tasks as the Retirement Committee may direct; and
 - (v) to the extent necessary, report to the Retirement Committee on the above tasks.

(e) Goals of Governance Structures

The goals of the structures set out in subsections (a) through (d) are to:

- (i) help ensure governance of the Plan that complies with the Act and any other applicable law;
- (ii) identify the specific roles and obligations for each person and entity involved in the administration of the Plan;
- (iii) help ensure accountability of those involved in the administration of the Plan;
- (iv) minimize risks associated with poorly defined governance; and
- (v) promote effective decision making with decisions being made by the person or entity with the most appropriate knowledge or perspective.

3. PERFORMANCE MEASURES

(a) Third Party Service Providers

On behalf of the Board the Retirement Committee will appoint, terminate and supervise third party service providers, which shall include one or more investment manager(s), an actuary, an auditor, an asset consultant and legal counsel. The Retirement Committee may delegate authority to supervise an external service provider, generally or in respect of a specific project, to Board Staff or to a subcommittee of the Retirement Committee, provided such delegates report to the Retirement Committee.

Before appointing an external service provider, and on a regular basis while a service provider is retained, the Retirement Committee (or delegated Board Staff or subcommittee of the Retirement Committee) will consider the appropriateness of that service provider based on relevant factors which may include:

- (i) appropriateness of professional training;
- (ii) experience;
- (iii) specialization;
- (iv) cost;
- (v) understanding of legislation and rules;
- (vi) consistency of service over geographical areas;
- (vii) quality of work;
- (viii) financial and human resources capacity to meet obligations; and
- (ix) presence or absence of conflict of interest.

If the Retirement Committee considers it appropriate, it shall, on behalf of the Board, enter into written contracts with external service providers for the Plan.

If appropriate given the nature of the service provider, the Board may issue a formal request for proposal before selecting a service provider.

(b) The Board, Retirement Committee and Board Staff

The Board will assess its own performance with the procedures adopted by the Board for that purpose. Such assessment will occur no less frequently than as is required by the Act. The Board will assess its own performance in the manner required by the Act, and will have the discretion to determine the best process by which to conduct that assessment.

At the assessment intervals referred to above, the Board will also consider the performance of the Retirement Committee in light of the duties delegated to the Retirement Committee. The Board Staff are employed by the Board. In addition to the performance reviews that are conducted as part of their employment by the Board, the Board will also consider the performance of the Board Staff in respect of the Plan related duties assigned to the Board Staff.

4. PROCEDURES TO ENSURE TIMELY ACCESS TO RELEVANT PLAN INFORMATION

Information relevant to the Plan and its administration are always available to the Board, the Retirement, Board Staff and third party service providers (to the extent that such access is appropriate given the nature of services being provided). Such information includes:

- (i) copies of the Plan;
- (ii) all policies adopted in respect of the Plan;
- (iii) valuation reports, cost certificates and any other similar document prepared in respect of the Plan; and

(iv) any significant amendments to the documents referred to above.

5. CODE OF CONDUCT AND CONFLICT OF INTEREST PROCEDURES

(a) Application to the Board Given its Dual Role

The Board's own code of conduct and conflict of interest policies shall apply fully to the Retirement Committee and Board Staff, except as modified by the provisions that follow.

The Board acts as both the "administrator", as that term is defined in the Act and the "plan sponsor". This dual role is expressly permitted by the Act, but it creates the possibility that the Board's interests could conflict with the Board's duty as the "administrator" under the Act (to act in the best interests of the members and former members of the Plan (the "**Plan Beneficiaries**"))).

If a decision of the Board, whether acting through the Retirement Committee or otherwise, does not involve or affect a statutory power, duty or responsibility of the Board as the Plan's "administrator", no conflict arises.

If a decision involves or affects a statutory power, duty or responsibility of the Board as the Plan's "administrator", the Board or the Retirement Committee may have conflicting duties to the Board and the Plan Beneficiaries and the following principles apply:

- The existence of such conflicting duties is not, in and of itself, a breach of the duties owed to the Plan Beneficiaries;
- The Board or the Retirement Committee may make such a decision having regard to the impact on the Board to the extent that doing so does not create a substantial risk that the Plan Beneficiaries would be materially and adversely affected by the decision.
- If there is a substantial risk that a decision poses such a risk, or that the Board's ability to carry out one of its duties or responsibilities as "administrator" will be materially and adversely affected by the decision, the Board or the Retirement Committee must take measures to remedy the conflict in a meaningful way, which measures must be tailored to the particular circumstances and may include, but are not limited to, providing notice to the affected Plan Beneficiaries of the decision or providing them with independent representation.

(b) Application to the Retirement Committee

- "**Conflict of Interest**" means a conflict between the Personal Interest of a member of the Retirement Committee or Board Staff and his or her duties in respect of the Plan.
- "**Personal Interest**" means a pecuniary or non-pecuniary interest that an individual has, directly or indirectly, in relation to a pension or other Plan matter,

and which materially interests him or her at an individual level or as a member of a small class or group of similarly situated persons.

An individual's entitlement to a pension or other benefit that is generally available to all other members of a Plan does not constitute a Conflict of Interest on its own.

An individual's position as an employee, officer or director of the Board does not constitute a Conflict of Interest on its own.

If a member of the Retirement Committee has a Conflict of Interest, the individual shall:

- (i) advise the Chair of the Retirement Committee (or where it is the Chair of the Retirement Committee the rest of the Retirement Committee); and
- (ii) abstain from decision making with respect to the issue.

If a person abstains from decision making with respect to an issue he or she will, nonetheless, be considered present for the purposes of establishing quorum provided he or she is otherwise present.

Every disclosure of a Conflict of Interest shall be recorded in the minutes of the relevant Retirement Committee meeting.

6. EDUCATIONAL AND OTHER REQUIREMENTS FOR DECISION MAKERS

In addition to their own professional and other experience, members of the Board and the Retirement Committee will strive to obtain and maintain general understanding of the following:

- (i) pension and tax legislation that impacts the Plan;
- (ii) actuarial principles and liability management;
- (iii) fiduciary duties and trust principles;
- (iv) financial markets; and
- (v) risk management.

Retirement Committee members will be encouraged to attend educational seminars to further their understanding of the issues that relate to the Plan and its administration. Individuals who attend such sessions are encouraged to discuss issues arising from those seminars with the others involved in the administration of the Plan.

7. RISK MANAGEMENT

(a) Identification of Risks

There are a number of risks that apply with any pension plan including the Plan. The material risks that arise in relation to this Plan are as follows:

- (i) Investment risk: the risk that changes in the market will negatively affect the return on the investment of the Plan's assets.
- (ii) Valuation risk (to the extent that it arises given the nature of the benefits provided through the Plan): the risk that the methods and assumptions used to estimate the relevant portion of the Plan's assets and liabilities will result in values that differ from actual experience.
- (iii) Operational risk: the risk that deficiencies or breakdowns in internal controls or processes, human errors or fraud will negatively affect Plan administration.
- (iv) Legal and regulatory risk: the risk that the Plan will not be administered in accordance with the applicable law.

(b) Management of Risks

There are no methods to eliminate all risk associated with the administration of a pension plan. However, the Board and Retirement Committee have adopted the following risk management strategies to address each of the risks identified above.

Investment risk will be managed through the retention and oversight of qualified investment managers, and the establishment and adherence to an appropriate SIPP.

Operational or administration risk will be managed by:

- (i) following an appropriate process for retaining, monitoring and terminating service providers and using formal contracts with such providers where appropriate that set out standards, roles and responsibilities and that help facilitate an assessment of that provider's services;
- (ii) regularly reviewing all of the policies relevant to the Plan at appropriate intervals;
- (iii) maintaining benefit calculation procedures that address data collection and the method of calculating the benefit and consistency of calculations;
- (iv) maintaining procedures for verifying that contributions and special payments are made as required in accordance with applicable law;
- (v) maintaining procedures related to recordkeeping, storage, privacy protection and data retention; and
- (vi) assessing the appropriateness of Plan amendments and ensure that the full effect of an amendment is understood before being introduced.

Valuation risk will be managed through the valuation of the relevant portion of the Plan's assets and liabilities and ensuring compliance with the legislative requirements and the professional standards of the Canadian Institute of Actuaries in respect of such valuations. Regular communication with the Plan Actuary is important to help ensure the sharing of all appropriate

information including Plan amendments and changes to relevant policies and to Plan administration.

Legal and regulatory risk will be managed by maintaining a good relationship with the regulator for the Plan and working with legal counsel as appropriate to help ensure that statutory and other legal requirements are understood in a timely way and responded to as is appropriate.

8. DISPUTE RESOLUTION

Plan members are entitled to use any dispute resolution mechanism available to them at law, but they are encouraged to communicate any concerns with the Board Staff. Board Staff will respond to such questions and raise issues with the Retirement Committee to the extent appropriate.