



**PUBLIC SECTOR PENSION INVESTMENT BOARD
(PSP INVESTMENTS)**

**TERMS OF REFERENCE FOR THE HUMAN RESOURCES
AND COMPENSATION COMMITTEE**
Approved by the Board of Directors on June 7, 2018

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INTRODUCTION

The Human Resources and Compensation Committee (the “HRCC”) is a standing committee of the Board of Directors (the “Board”) of the Public Sector Pension Investment Board (“PSP Investments”) and must be comprised of at least three Directors.

The HRCC will generally assist the Board in ensuring that the necessary policies and procedures are in place to effectively manage and fairly compensate Employees of PSP Investments.

DUTIES AND RESPONSIBILITIES

Subject to the duties and responsibilities of the Board and to the requirements of the *Public Sector Pension Investment Board Act* (the “Act”), the HRCC will perform the following duties:

1. Appointment of the Chief Executive Officer and Other Officers

- (a) Review and recommend to the Board for approval, the appointment of the Chief Executive Officer and other Officers;
- (b) Recommend to the Board for approval employment terms, including severance terms and transition arrangements when applicable, and material amendments thereto for the Chief Executive Officer and other Officers.

2. Performance Assessment and Compensation of the Chief Executive Officer

- (a) Recommend to the Board for approval a performance assessment process for the Chief Executive Officer;
- (b) Annually review and recommend to the Board for approval the Chief Executive Officer’s group and individual performance objectives to be used for determining the Chief Executive Officer’s compensation;
- (c) Annually review the Chief Executive Officer’s performance assessment;
- (d) Annually review and recommend to the Board for approval, the Chief Executive Officer’s proposed total direct compensation, including base salary, incentive compensation awards and incentive compensation payments, based on the HRCC’s annual assessment of the Chief Executive Officer’s performance and taking into consideration PSP Investments’ risk adjusted performance results.

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3. Performance Assessment and Compensation of Other Officers

- (a) Annually review the Chief Executive Officer's assessment of the Officers' performance;
- (b) Recommend to the Board for approval the proposed total direct compensation, including base salary, incentive compensation awards and incentive compensation payments to Officers, based on the recommendations of the Chief Executive Officer.

4. Compensation of Non-Officer Employees

Annually review, on an aggregate basis, the total compensation of all Employees.

5. Compensation Framework

- (a) Regularly review and recommend to the Board for approval the total compensation design that is linked to risk adjusted performance;
- (b) Approve the corporate compensation approval guidelines which set the approval process for compensation related matters such as: salary increases, incentive payments, signing bonuses or severance payments for Employees and Officers. Any exception to these guidelines deemed necessary by the Chief Executive Officer requires the approval of the HRCC or the Chair of the HRCC;
- (c) Annually review, and as applicable, approve amendments to PSP Investments' base salary structure and incentive compensation ranges for Employees and Officers;
- (d) Annually approve the group objectives factors and individual performance score pools to be used for incentive compensation purposes;
- (e) Annually review and recommend to the Board for approval, as part of the annual operating and capital budget, an annual base salary budget and an annual off-cycle salary adjustment budget;
- (f) Recommend to the Board for approval, the establishment, amendment or termination of any incentive or variable pay plans for Employees and Officers;
- (g) Recommend to the Board for approval, the benchmarks, the threshold levels of performance and value-added objectives (targets) for incentive compensation purposes for all asset classes and for the Total Fund.

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6. Succession Planning

- (a) Ensure that the Management succession planning process is adequate and rigorous;
- (b) Review and annually report to the Board on a succession plan for the Chief Executive Officer position and other key positions within PSP Investments.

7. Employee Benefits and Human Resources Policies

- (a) Unless otherwise indicated herein, recommend to the Board for approval the human resources policies and any amendments thereto;
- (b) Recommend to the Board for approval, the establishment or termination of any benefit plans for Employees and Officers;
- (c) Review and, as required, recommend to the Board for approval any material¹ amendments to the benefit plans for Employees and Officers;
- (d) Approve PSP Investments' Diversity Policy and ensure that PSP Investments' practices and programs do not have an adverse impact on the employment and advancement of Employees, more specifically as it relates to discrimination grounds protected by law.

8. Pension Plans and Supplemental Employee Retirement Plans

With respect to pension matters, the HRCC is responsible for the Pension Plans maintained for the benefit of Employees and Officers. In particular, the HRCC shall:

- (a) Recommend to the Board for approval, the establishment or termination of any Pension Plan;
- (b) Review and recommend to the Board for approval any amendments to the design and financial structure of the Pension Plans;
- (c) Review and, as applicable, approve the Pension Plans' related statements of investment policies and procedures, including asset mix policy and strategic ranges for asset classes;
- (d) Review, as required, the performance of the investment manager(s) not less than annually;

¹ Any amendment resulting in a variation in the relevant costs which exceeds 2.5 million in aggregate, as well as any amendment of strategic importance.

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- (e) Approve, as required the funding policy for the Pension Plans, based on actuarial and legal advice;
- (f) Establish, maintain and approve a governance policy identifying the roles, responsibilities and accountabilities of all participants in the Pension Plans governance process;
- (g) Review annually, as applicable, the actuarial report of the relevant pension plans maintained by PSP Investments for its Employees and Officers;
- (h) Receive a semi-annual report and an annual report from Management on relevant pension matters, including, as applicable, the investment performance of the Pension Plans' assets.

9. Disclosure

Review and recommend to the Board for approval the executive compensation information disclosed in PSP Investments' annual report.

10. Other

- (a) Undertake, on behalf of the Board, such other initiatives as may be necessary or desirable to assist the Board in ensuring that appropriate human resources development, performance assessment, compensation and succession planning programs are in place and operating effectively;
- (b) Retain, as necessary, any advisors, consultants, or other experts to assist the HRCC in fulfilling its responsibilities;
- (c) Review periodically, in consultation with the Governance Committee, the Terms of Reference for the Human Resources and Compensation Committee.

DEFINITIONS

In addition to terms elsewhere defined herein, the following defined terms apply to these Terms of Reference of the Human Resources and Compensation Committee:

“**Directors**” refers to members of the Board.

“**Employees**” refers to all individuals employed by PSP Investments and PSP Investments' wholly-owned entities established for the purposes of its operations including Officers, Management and other employees.

“**Governance Committee**” refers to the Governance Committee of the Board of PSP Investments.

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“**Management**” refers to the Officers and the other senior employees of PSP Investments as may be determined from time-to-time by the Chief Executive Officer and communicated to the Board.

“**Officers**” refers to those employees who are appointed as officers of PSP Investments by the Board in accordance with By-Law No. 1.

“**Pension Plan**” refers to all Employee-registered retirement plans and, as applicable, related supplemental employee retirement plans (“SERPs”) sponsored by PSP Investments and PSP Investments’ wholly-owned entities established for the purposes of its operations.

“**Total Fund**” refers to all assets under management by PSP Investments.

These Terms of Reference were most recently reviewed and amended by the Board on June 7, 2018.