



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

**TERMS OF REFERENCE FOR THE INVESTMENT AND
RISK COMMITTEE**

Approved by the Board of Directors on June 7, 2018

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INTRODUCTION

The Board of Directors (the “Board”) of the Public Sector Pension Investment Board (“PSP Investments”) is required by the *Public Sector Pension Investment Board Act* (the “Act”) to establish an Investment and Risk Committee (“IRC”) to perform the duties specified by the Act. The IRC shall be comprised of all of the members of the Board.

The IRC will be responsible for overseeing the investment and risk management functions of PSP Investments.

DUTIES AND RESPONSIBILITIES

Subject to the duties and responsibilities of the Board and to the requirements of the Act, the IRC will perform the following duties:

1. Investment Proposals

- a) Approve all investments not delegated under the delegation of investment authorities approved by the Board;
- b) Approve any significant investment or disposition of an investment that would have strategic or reputational implications for an asset class when deemed appropriate by the Chair of the Investment and Risk Committee and the President and Chief Executive Officer;
- c) Approve the engagement of investment managers empowered with discretionary authority to invest the assets of PSP Investments as provided for under the Act;
- d) Recommend to the Board for approval the appointment of custodians which does not include organizations whose custodial responsibilities are incidental to their principal responsibilities.

2. Investment Policies and Procedures

- (a) Recommend to the Board for approval on an annual basis, a written statement of investment policies, standards and procedures (“SIP&P”) for each Pension Plan Account managed by PSP Investments pursuant to the Act;
- (b) Approve investment related policies;
- (c) Require management to implement and maintain appropriate procedures to:
 - i. Monitor the application of and compliance with the SIP&P; and

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- ii. Ensure that PSP Investments' agents and mandataries comply with the Act and the SIP&P.
- (d) Review, evaluate and approve Management's procedures referred to in paragraph (c) above.

3. Risk Management

- (a) Review, evaluate and approve the guiding principles, limits and policies that govern the overall approach with respect to PSP Investments' risk management;
- (b) Review the Risk function to ensure that it has the resources needed to fulfill its mandate and that the function is free of any influence that could adversely affect its ability to objectively assume its responsibilities;
- (c) Ensure the timely identification of material risks to PSP Investments' business and the implementation of appropriate systems and processes to identify monitor and manage material investment and non-investment risks. In discharging this duty, the IRC will monitor:
 - i. the quality, adequacy and timeliness of risk-related information provided by Management to ensure that the IRC has the information and understanding needed to evaluate risks, how they may affect PSP Investments and how Management is addressing them; and
 - ii. the respective responsibilities of the IRC and Management for risk oversight and management of specific risks, to ensure that the risk oversight function is coordinated and appropriately addressed and to ensure a shared understanding as to accountabilities and roles.
- (d) Review on a quarterly basis enterprise risk management reports and other related risk reports and updates;
- (e) Receive reporting on corporate insurance coverage;
- (f) On a regular basis, meet separately with the Chief Risk Officer.

4. Performance

Review on a quarterly basis PSP Investments' investment activities and performance.

5. Other

- (a) Undertake, at the request of the Board, such other activities as may be necessary or desirable;

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- (b) Retain, as necessary, any advisors, consultants, or other experts to assist the IRC in fulfilling its responsibilities;
- (c) Review periodically, in consultation with the Governance Committee, the Terms of Reference for the IRC.

DEFINITIONS

In addition to terms elsewhere defined herein, the following defined terms apply to these Terms of Reference for the IRC:

“Chief Executive Officer” refers to the Chief Executive Officer of PSP Investments duly appointed by the Board.

“Chief Risk Officer” refers to the Chief Risk Officer of PSP Investments duly appointed by the Board.

“Funds” refers to the Canadian Forces Pension Fund within the meaning of the Canadian Forces Superannuation Act and the fund established under the regulations made under section 59.1 of that Act; the Public Service Pension Fund, within the meaning of the Public Service Superannuation Act; and the Royal Canadian Mounted Police Pension Fund within the meaning of the Royal Canadian Mounted Police Superannuation Act.

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

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

“Pension Plan Accounts” refers to the four separate accounts established and managed by PSP Investments for each of the Funds and which receive such Funds’ respective contributions from the Government of Canada.

“SIP&P” refers to the Statement of Investment Policies, Standards and Procedures adopted and amended from time to time by the Board of Directors.

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