PUBLIC SECTOR PENSION INVESTMENT BOARD
(PSP INVESTMENTS)

TERMS OF REFERENCE FOR THE HUMAN RESOURCES
AND COMPENSATION COMMITTEE
Approved by the Board of Directors on November 13, 2015

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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 Officers 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. Evaluation and Compensation of the Chief Executive Officer
   
   (a) Recommend to the Board for approval a performance evaluation process for the Chief Executive Officer.
   
   (b) Annually review and recommend to the Board for approval the Chief Executive Officer’s annual scorecard to be used for determining the Chief Executive Officer’s compensation.
   
   (c) Annually review the Chief Executive Officer’s performance evaluation.
   
   (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 evaluation of the Chief Executive Officer’s performance and taking into consideration PSP Investments’ performance results.
3. Evaluation and Compensation of Other Officers

(a) Annually review the Chief Executive Officer’s evaluation 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.

(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.

(c) Annually approve PSP Investments’ base salary structure and to the extent required the incentive compensation bonus pools for Employees and Officers.

(d) 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.

(e) Recommend to the Board for approval, the establishment, amendment or termination of any incentive plans for Employees and Officers.

(f) Approve the threshold levels of performance and value-added objectives (targets) for incentive compensation purposes for all asset classes and recommend for approval by the Board the threshold level of performance and value-added objective (target) for incentive compensation purposes for the Total Fund.

6. Risk Management

Oversee PSP Investments’ human resources risks by ensuring that an appropriate governance environment is in place to manage human resources risks inherent to PSP Investments’ ongoing activities.
7. Succession Planning

(a) Ensure that the 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.

8. 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 approve any amendments to the benefit plans for Employees and Officers. If such amendments increase the annual cost of these benefit plans by more than 10% as compared with the annual cost of benefit plans which were last approved by the Board, or such amendments relate to benefits provided only to Officers without addressing other Employees on a commensurate basis, the HRCC will review and recommend to the Board for approval the proposed amendments.

(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 women, Aboriginal persons, persons with disabilities and members of visible minority groups.

(e) Ensure that the human resources policies and practices of PSP Investments are in compliance with applicable legislation.

9. Pension Plans and Supplemental Employee Retirement Plans

With respect to pension matters, the HRCC is responsible for the defined benefit pension plan (the “DB Plan”) and the defined contribution pension plans (collectively, the “Plans”), the Supplemental Employee Retirement Plans (the “SERPs”) and any successor pension plan maintained for the benefit of Employees. In particular, the HRCC shall:

(a) Recommend to the Board for approval, the establishment or termination of any pension plan for the Employees and Officers;

(b) Review and approve any amendments to the Plans, the SERPs and any successor pension plan. If such amendments increase the liabilities of one of the Plans and its related SERP by more than 5% for a given year, or such amendments relate to
benefits provided only to Officers without addressing other Employees on a
commensurate basis, the HRCC will review and recommend to the Board for
approval the proposed amendments;

(c) Approve the selection of investment manager(s), plan trustees, custodians and
administrators, and review selection and performance criteria as recommended by
Management;

(d) Approve the asset mix policy and strategic ranges for asset classes and, with the
advice of Management, review and approve annually the Plans' related statements
of investment policies and procedures;

(e) Review the performance of the investment manager(s) not less than annually;

(f) Approve the funding policy for the DB Plan and related SERP, based on actuarial
and legal advice;

(g) Establish, maintain and approve a governance policy identifying the roles,
responsibilities and accountabilities of all participants in the Plans and SERPs
governance process;

(h) Review and approve the annual audited financial statements of the Plans and
actuarial report of the DB Plan and any successor plans maintained by
PSP Investments for its Employees and Officers; and

(i) Receive a semi-annual report and an annual report from Management on relevant
pension issues, including the investment performance of the Plans’ assets.

10. Disclosure

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

11. 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 evaluation, 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; and

(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 personnel employed by PSP Investments and PSP Investments’ wholly-owned entities established for the purposes of its operations including Officers, Management and other staff.

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

“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.

“Total Fund” refers to the composite of all assets managed by PSP Investments.

These Terms of Reference were most recently reviewed and amended by the Board on November 13, 2015.