

PUBLIC SECTOR PENSION INVESTMENT BOARD

TERMS OF REFERENCE FOR THE HUMAN RESOURCES AND COMPENSATION COMMITTEE

INTRODUCTION

1. 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, all of whom must be independent directors.
2. The HRCC will generally assist the Board in:
 - (a) ensuring that the necessary policies and procedures are in place to effectively manage the human resources of PSP Investments; and
 - (b) ensuring that the necessary policies and procedures are in place by which all Employees will be fairly and competitively compensated.

DUTIES AND RESPONSIBILITIES

3. **Appointment of Officers**
 - (a) review and recommend to the Board for approval, the appointment of Officers.
4. **Evaluation and Compensation of the Chief Executive Officer**
 - (a) recommend to the Board for approval a performance evaluation policy for the Chief Executive Officer that sets out the process and parameters for conducting such an evaluation;
 - (b) annually review and recommend to the Board for approval, any remuneration adjustment based on the HRCC’s annual evaluation of the performance of the Chief Executive Officer;
5. **Evaluation and Compensation of Officers and Employees**
 - (a) approve the Corporate Compensation Approval Guidelines for Employees including for example: salary, bonus or incentive plans, signing bonuses, perquisite accounts, retiring allowance arrangements or termination arrangements. Any exception deemed necessary by the Chief Executive Officer requires the approval of the HRCC;
 - (b) annually review, on an aggregate basis, the total compensation of all Employees;
 - (c) annually review the Chief Executive Officer’s evaluation of the performance of the Officers and the Chief Executive Officer’s direct reports;

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- (d) recommend to the Board for approval the remuneration of Officers, based on the recommendations of the Chief Executive Officer;
- (e) recommend to the Board for approval, the establishment, amendment or termination of any incentive plans for Employees; and
- (f) approve the thresholds level of performance and value-added objectives (targets) for incentive compensation purposes;
- (g) oversee the preparation of the report on executive compensation required to be disclosed in PSP Investments' annual report.

6. Succession Planning

- (a) review and report to the Board on succession planning within PSP Investments at least every two years and more frequently if needed; and
- (b) approve employment arrangements for new Officers and termination arrangements for departing Officers in case such termination arrangements require special consideration.

7. Employee Benefits and Human Resources Policies

- (a) 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;
- (c) review and approve any amendments to the benefit plans for Employees. 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 Employees (other than Officers) on a commensurate basis, the HRCC will review and recommend to the Board for approval the proposed amendments; and
- (d) ensure that the human resources policies and practices of PSP Investments are in compliance with applicable legislation.

8. Pension Plan and Supplemental Employee Retirement Plan

With respect to pension matters, the HRCC is responsible for PSP Investments' Pension Plan (the "Plan"), the Supplemental Employee Retirement Plan (the "SERP") and any successor pension plan maintained by PSP Investments for its Employees. In particular, the HRCC shall:

- (a) recommend to the Board for approval, the establishment or termination of any pension plans for the Employees;
- (b) review and approve any amendments to the Plan, the SERP and any successor pension plan. If such amendments increase the liabilities of the Plan and the SERP by more than 5% for a given year, or such amendments relate to benefits provided

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only to Officers without addressing Employees (other than Officers) 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 and as set out in the Plan's investment policy and related strategy;
- (d) approve the asset mix policy and strategic ranges for asset classes and, with the advice of Management, review and approve the Plan's related Statement of Investment Policies and Procedures annually;
- (e) review the performance of the investment manager(s) not less than annually;
- (f) approve the funding policy for the Plan and the SERP, based on actuarial and legal advice;
- (g) establish and maintain a governance policy identifying the roles, responsibilities and accountabilities of all participants in the Plan and SERP governance process;
- (h) review and approve the annual audited financial statements and actuarial report of the Plan and the annual financial statements, if applicable, of the SERP and any successor registered pension plan and/or supplementary pension plan maintained by PSP Investments for its Employees;
- (i) receive a semi-annual report from Management on relevant pension issues, including the investment performance of the pension fund for the Plan; and
- (j) approve and deliver an annual update on pension matters to the Board.

9. 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 the Terms of Reference for the Human Resources and Compensation Committee.

DEFINITIONS

- 10. "Employees" refers to all personnel employed by PSP Investments including Officers, Management and other staff.

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11. “Management” refers to the Officers and the other members of the senior management team of PSP Investments as may be determined from time-to-time by the Chief Executive Officer and communicated to the Board.
12. “Officers” refers to those employees who are appointed as officers by the Board in accordance with By-Law No. 1.

These Terms of Reference were most recently reviewed and amended by the Board on February 10th, 2009.