

# **PUBLIC SECTOR PENSION INVESTMENT BOARD**

## **TERMS OF REFERENCE FOR THE**

### **PRESIDENT AND CHIEF EXECUTIVE OFFICER**

**Revised by the Board of Directors as at February 15, 2007**

#### **INTRODUCTION**

1. The Chief Executive Officer is the senior executive of the Public Sector Pension Investment Board (“PSP Investments”) and serves at the pleasure of its Board of Directors (the “Board”).

#### **DEFINITIONS**

2. “Employees” refers to all personnel employed by PSP Investments and its subsidiaries including Officers, Management and other staff.
3. “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.
4. “Officers” refers to those employees who are appointed as officers by the Board in accordance with By-Law No. 1.

#### **DUTIES AND RESPONSIBILITIES**

##### **Leadership**

5. The Chief Executive Officer shall provide executive leadership to PSP Investments in setting and achieving its mission, goals and objectives and shall manage PSP Investments in accordance with policies established by the Board and its committees. In doing so, the Chief Executive Officer shall solicit advice and counsel from the Board and individual directors, as necessary and appropriate. Subject always to such directions and limitations as may be imposed from time to time by the Board, the *Public Sector Pension Investment Board Act* (the “Act”), the regulations established thereunder and the By-Laws, the Chief Executive Officer shall have the full power and authority required to manage and direct the day-to-day affairs of PSP Investments and to carry out the duties as set forth herein. Such power and authority shall, subject to the By-Laws and any other resolutions of the Board, include the power and authority to enter into contracts, engagements or commitments of any nature or kind in the name and on behalf of PSP Investments, and to engage and employ and to dismiss any firm, employee or agent of PSP Investments other than firms, officers, agents, or other persons appointed directly by the Board.

## **PUBLIC SECTOR PENSION INVESTMENT BOARD**

### **Policy Analysis**

6. The Chief Executive Officer shall provide support to the Board in establishing the policies of the Board. This shall involve working with the Board to continually identify issues requiring Board policy, conducting the necessary analysis of such issues and providing clear and well-supported policy recommendations for Board approval.

### **Human Resources**

7. The Chief Executive Officer shall provide the Board or, as appropriate, its committees, with recommendations on matters relating to human resources policies including, but not limited to, the following:
  - (a) Salary and other compensation arrangements for employees, including retirement allowance arrangements and termination arrangements;
  - (b) Salary ranges, advancement and bonus policies;
  - (c) Probationary and part-time arrangements;
  - (d) Annual or more frequent review processes;
  - (e) Arrangements for Employees to serve at the request of PSP Investments as directors or officers of subsidiary corporations of PSP Investments or similar entities in which assets of PSP Investments are invested;
  - (f) Matters relating to indemnities or insurance for Employees referred to in paragraph (e) above;
  - (g) Expense reimbursement and travel advances;
  - (h) Learning and professional development; and
  - (i) Succession planning.

### **Investment Policy**

8. The Chief Executive Officer shall develop and recommend to the Investment Committee, policies for achieving investment objectives, and shall subsequently implement and monitor such policies.
9. Within the policy parameters approved by the Board, the Chief Executive Officer shall develop investment structures for each asset category in which PSP Investments invests, including the money to be allocated to active and passive portfolios, internal and external portfolios and investment styles.

## **PUBLIC SECTOR PENSION INVESTMENT BOARD**

### **Risk Management**

10. The Chief Executive Officer shall develop an effective organizational risk management system for mitigating the investment and organizational risks faced by PSP Investments.
11. Within the above-described framework, the Chief Executive Officer shall develop risk management policies and procedures, as appropriate.

### **Organizational Planning**

12. The Chief Executive Officer shall develop and recommend to the Board:
  - (a) Strategic and/or business plans, as appropriate, in accordance with a planning policy approved by the Board; and
  - (b) An annual budget for PSP Investments.

### **Key Appointments**

13. The Chief Executive Officer shall:
  - (a) Develop and recommend for the Board's approval, an appropriate organizational structure, including Officers' job descriptions;
  - (b) Recruit, hire and retain the Management necessary to effectively manage PSP Investments and develop the necessary learning and professional development programs and oversee PSP Investments' active plan for Management's development and succession;
  - (c) Notwithstanding paragraph 13(b) above, recommend to the Human Resources and Compensation Committee, the appointment and remuneration of all Officers and confirm that the levels of compensation for the Officers are within the approved compensation policy;
  - (d) Inform the Board promptly of the termination of an Officer and, before proceeding with the termination of the Chief Financial Officer or the Chief Internal Auditor, the Chief Executive Officer shall discuss the matter with the Chair of the Audit and Conflicts Committee and, before proceeding with the appointment and termination of the Corporate Secretary shall discuss the matter with the Chairperson.
  - (e) On request, provide information or recommendations to the Audit and Conflicts Committee concerning the appointment of the independent auditor;
  - (f) Conduct all necessary due diligence relating to investment managers in accordance with Board policy,
  - (g) Establish and approve guidelines and contracts for investment managers;

## **PUBLIC SECTOR PENSION INVESTMENT BOARD**

- (h) Recommend to the Investment Committee for approval, the engagement or termination of investment managers empowered with discretionary authority to invest the assets of the Board;
- (i) Recommend for Board approval, the appointment of other key service providers including the custodian, as appropriate; and
- (j) Appoint other service providers for which the Board has not specifically retained appointing authority and which are necessary to carry out the duties and responsibilities assigned to the office of Chief Executive Officer.

### **Stakeholder Communications**

- 14. The Chief Executive Officer shall recommend a corporate communications policy to the Board for approval, and, with the Chairperson, serve as PSP Investments' spokesperson, undertaking effective and timely communications with all stakeholders of PSP Investments and ensuring that the information communicated to the public fairly portrays the position of PSP Investments.
- 15. The Chief Executive Officer shall prepare and recommend for Board approval, an annual report on the operations of PSP Investments containing the information required by the Act and the *Financial Administration Act*.
- 16. The Chief Executive Officer shall co-ordinate the annual meetings with the members of the advisory committees in accordance with the Act.

### **Operations**

- 17. The Chief Executive Officer shall be responsible for managing the day-to-day operations of PSP Investments, delegating such responsibilities as the Chief Executive Officer deems appropriate, provided that such delegation is consistent with the organizational structure approved by the Board. All Employees shall report to the Chief Executive Officer through such organizational structure.
- 18. The Chief Executive Officer shall have the authority to make all necessary operational expenditures, consistent with operating budgets and internal controls approved by the Board.

### **Reporting and Monitoring**

- 19. The Chief Executive Officer shall ensure that the Board is provided with relevant, appropriate and timely information to enable it to properly carry out its monitoring and oversight responsibilities.
- 20. The Chief Executive Officer shall:
  - (a) Review the investment performance of PSP Investments, as appropriate, and report on the performance of the funds to the Investment Committee and the Board;
  - (b) Monitor and evaluate the activities and performance of Management;

## **PUBLIC SECTOR PENSION INVESTMENT BOARD**

- (c) Review annually the statement of investment policies, standards and procedures of PSP Investments;
- (d) Review all other policies of PSP Investments on a regular and appropriate basis;
- (e) Ensure that PSP Investments operates within applicable laws and regulations at all times;
- (f) Maintain books of account and records for each pension fund for which PSP Investments manages money;
- (g) Maintain records of the investments held by each fund;
- (h) Ensure that internal audits of PSP Investments and its subsidiaries are performed on a timely basis; and
- (i) Review periodically in consultation with the Governance Committee the Terms of Reference for the President and Chief Executive Officer.

### **HISTORY**

21. These Terms of Reference were:

- Initially adopted by the Board on March 13, 2001;
- Reviewed and amended by the Board on September 16, 2004;
- Reviewed and amended by the Board on February 9, 2006; and
- Reviewed and amended by the Board on February 15, 2007.