



# Governance Policy

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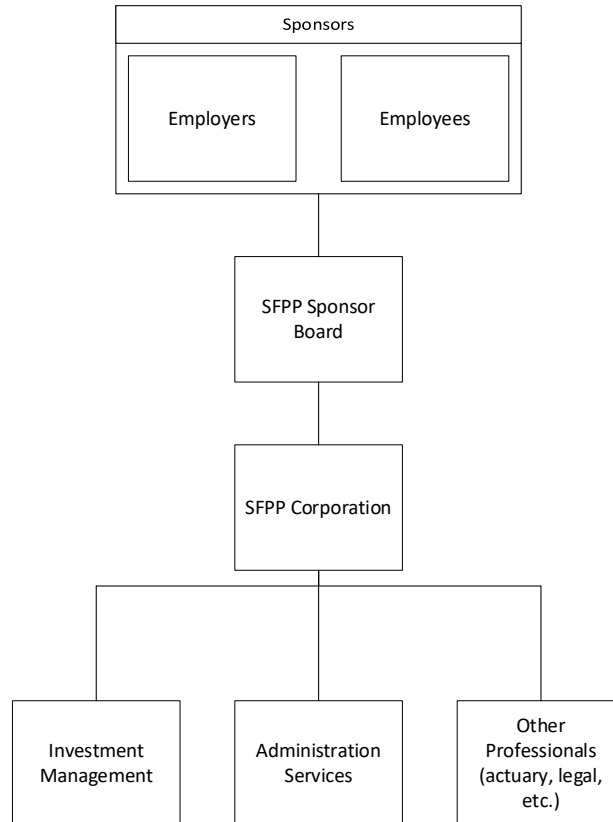
## PURPOSE AND SCOPE

The *Employment Pension Plans Act* and regulations (EPPA) require that the SFPP Corporation, as Administrator of the Plan, ensure that a governance policy is established for the Special Forces Pension Plan (SFPP). The SFPP Governance Policy is established to guide and inform stakeholders on the governance framework of the Plan, including the SFPP Sponsor Board, the SFPP Corporation, agents, service providers and plan members, as those terms are used in the Governance Policy.

Nothing in this Governance Policy is intended to be construed or to impose on the SFPP Corporation (or on any delegate or agent of the SFPP Corporation) a standard of care or a duty that exceeds the standard of care or duty that is applicable by law at the relevant time. Nothing in this Governance Policy changes the terms or effect of the *Joint Governance of Public Sector Pension Plans Act* (Joint Governance Act) or Plan Text Document. In the event of a conflict, the terms of the Joint Governance Act or Plan Text Document will prevail.



## A. OVERSIGHT, MANAGEMENT AND ADMINISTRATION OF THE PLAN



## B. ROLES, RESPONSIBILITIES AND ACCOUNTABILITIES

- SFPP Sponsor Board:** The Joint Governance Act establishes the Sponsor Board. The Sponsor Board has a representative role, with each of its members representing the views of the organization that nominated that member. The Sponsor Board will be responsible for setting the pension deal. The Sponsor Board:
  - is responsible for making and amending the Plan Text Document;
  - is responsible for setting contribution rates that are applicable to the Plan;
  - is responsible for making any decision to terminate the Plan or to convert it to a different kind of pension plan;
  - is responsible for establishing a Funding Policy including in relation to:
  - the frequency of actuarial valuations of the Plan; and
  - investment risk and other risks;



- (g) is responsible for reviewing the proposed annual budget of the Corporation and any updates to that budget, and may provide directions to the Corporation in relation to the budget;
- (h) shall establish a code of conduct and conflict of interest policy governing its members;
- (i) shall determine and communicate to the Corporation the nature and level of support that it requires to be provided to it by or through the Corporation; and
- (j) shall provide information regarding the above and any Sponsor Board rules to the Corporation.

The Joint Governance Act establishes the initial composition of the Sponsor Board. The Sponsor Board can make changes to its composition, in accordance with the provisions of the Joint Governance Act.

The Sponsor Board establishes the process for recruiting members of the SFPP Corporation Board of Directors.

2. **SFPP Corporation:** The Corporation is the administrator of the Plan and trustee of the Plan Fund. The Corporation is governed by a Board of Directors. The Corporation is responsible for carrying out and performing all of the duties, functions and responsibilities of an administrator (other than those expressly prescribed in the Joint Governance Act to the Sponsor Board) under the EPPA, subject to the Joint Governance Act. The Corporation is also responsible for:

- (a) the Plan's Statement of Investment Policies and Goals;
- (b) arranging for external service providers that may be required for the administration of the Plan and the investment of the Plan Fund;
- (c) arranging for actuarial valuations;
- (d) ensuring that the Plan complies with all applicable provincial and federal legislation;
- (e) entering into any transfer agreements with other pension plans;
- (f) communicating with members; and
- (g) other duties specified in the Joint Governance Act.

The SFPP Corporation Board of Directors is accountable to the pension plan members and any other party to whom a fiduciary duty is owed.

3. **Investment Manager:** Alberta Investment Management SFPP Corporation (AIMCo), as an agent of the SFPP Corporation, provides investment management services as set out in the investment management agreement.



As described in the investment management agreement, AIMCo must invest funds in a manner consistent with the SFPP Corporation's policies and relevant legislation.

AIMCo is accountable to the SFPP Corporation for the conduct and completion of the delegated activities and must report on that accountability as required by the SFPP Corporation.

4. **Administration Provider:** Alberta Pensions Services Corporation (APS), as agent of the SFPP Corporation, provides pension administration services as set out in the pension service agreement between the SFPP Corporation and APS.

APS must adhere to the standards set out in the pension service agreement.

APS is accountable to the SFPP Corporation for the conduct and completion of the delegated activities and must report on that accountability as required by the SFPP Corporation.

## C. PERFORMANCE MEASUREMENT AND MONITORING

1. **SFPP Sponsor Board:** The SFPP Sponsor Board a unique role in the governance framework of the pension plan and, therefore, there are no applicable performance measures.
2. **SFPP Corporation:** The SFPP Corporation conducts, at intervals chosen by its Board of Directors, an assessment which reviews the Board's practices in fulfilling its governance responsibilities. The assessment examines the SFPP Corporation's responsibilities and accountabilities with respect to SFPP and pension fund including legislative compliance, plan funding, asset management, benefit administration and communication. The SFPP Corporation's processes also include Director assessment, Chair and Vice-Chair assessments, and Director skills gap analysis.

As permitted by the bylaws of the SFPP Corporation, the Corporation may establish committees which may, in accordance with their respective mandates as set out by the Board of Directors from time to time, assist the Board in its oversight and monitoring of the Board's agents and service providers through reports and recommendations to the Board.

3. **Investment Manager:** The SFPP Corporation's Statement of Investment Policies and Goals sets out the investment performance objectives and required reporting and other criteria which are used by the board to review and evaluate the investment results of the Pension Fund. AIMCo reports to the SFPP Corporation on its achievements against the performance objectives at regular intervals. In addition, AIMCo provides, on an annual basis, an attribution analysis which summarizes whether the organization added value due to its tactical asset mix decisions and security selection. AIMCo may



provide from time to time an independent benchmarking report in which its management fees are compared to those of Canadian peers.

4. **Administration Service Provider:** The service agreement between the SFPP Corporation and APS includes a service delivery plan which sets out the performance measures for administration services. APS reports to the SFPP Corporation on its achievements against the service standards at regular intervals. APS may provide from time to time an independent benchmarking report in which its administration costs and service complexity are compared to those of Canadian and international peers.

#### D. ACCESS TO RELEVANT INFORMATION

1. SFPP Corporation receives regular reports from AIMCo as described in the investment management agreement and from APS as described in the pension services agreement.
2. The SFPP Corporation Board of Directors receives briefing notes and reports from its Officers on various issues regarding Board-related business, for the Board's decisions or information. When urgent issues arise between reporting periods, the most senior Officer at the Corporation will contact the Board and the Board will take appropriate action.
3. For the purposes of transparency, the SFPP Corporation shall publish and maintain the following documents on the [www.sfpp.ca](http://www.sfpp.ca) website:
  - (a) the Plan Text;
  - (b) Sponsor Board rules;
  - (c) SFPP Corporation bylaws;
  - (d) the most recent annual report and audited financial statements of the Corporation and the Plan, as well as annual reports for the previous five years;
  - (e) the listing of current members of the Sponsor Board and the current SFPP Corporation Board of Directors; and
  - (f) any other information required by the Joint Governance Act.
4. SFPP Corporation also complies with the disclosure of information and records provisions of EPPA.



## E. CODE OF CONDUCT AND ETHICS POLICY

1. The SFPP Corporation has a Code of Conduct and Ethics Policy that outlines the primary duties that apply to the Directors and the rules and procedures for addressing conflicts or potential conflicts of interest. The terms of the Code of Conduct and Ethics Policy will prevail but by way of summary, each Director of the SFPP Corporation must:
  - (a) Director shall comply with all applicable laws.
  - (b) The SFPP Corporation shall conduct its affairs in accordance with fairness, impartiality, integrity and the highest ethical standards.
  - (c) The Code shall be integral to the SFPP Corporation's relationship with its service providers, the Administration Services Provider and the Investment Manager.
2. Each new Director shall confirm in writing that they have read and understood the Code of Conduct and Ethics Policy and that they will adhere to the Code and report any potential breaches. Each Director must review the Code annually and report any changes that may affect their appointment or any known or potential breaches to the Code.

## F. BOARD OF DIRECTOR KNOWLEDGE, SKILLS AND ONGOING DEVELOPMENT

1. The SFPP Corporation is comprised of Directors with varied backgrounds and experiences.
2. Directors are encouraged to develop the knowledge and skills required to properly fulfill their responsibilities and do so in accordance with procedural documents adopted by the Board of Directors from time to time.
3. The board participates in an Interplan Trustee Education Committee (ITEC) with the College, Municipal and Teachers' boards. The mandate of the ITEC is to develop the knowledge and skills of the trustees, to work together on common educational issues and to provide information to trustees on trends in benefits, pensions, investments, etc. in a variety of jurisdictions.

## G. RISK MANAGEMENT

1. The SFPP Corporation, on a periodic cycle, completes a risk management review, with its agents and service providers, to understand material risks to the plan, risk exposure, mitigation and action required. For the risks that are in the purview of the Corporation's agents or service providers, the



Corporation receives reports on the risk mitigation measures implemented by the agents and service providers.

2. The Corporation has identified the following major risk categories:
  - (a) Plan Funding: The risk Plan obligations are created in excess of what could reasonably be funded resulting in an unsustainable pension plan.
  - (b) Plan Liabilities: The risk of exposure related to changes in the liabilities of the Plan caused by factors (other than Plan design) resulting in an inability to provide sufficient funding to meet those liabilities as they come due.
  - (c) Contribution Rates: The risk of inadequate Plan funding caused by an inability to increase contribution rates resulting in a reduction in Plan benefits or reduction in Plan funding levels.
  - (d) Asset Shock: The risk of an asset shock caused by a severe market decrease resulting in the Plan's funded status deteriorating. The risk caused by investing in public markets to seek target returns resulting in potentially volatile investment returns.
  - (e) Investment Return Overreliance: The risk of overreliance on high investment returns causing the board, sponsors and Minister to not proactively address other risks to the Plan.

#### H. DISPUTE RESOLUTION FOR MEMBERS AND OTHER PEOPLE ENTITLED TO BENEFITS UNDER THE PLAN

1. If a member of the Plan, or any other person entitled to a benefit under the Plan, disagrees with a decision made by APS, the member is encouraged to request an explanation or formal review from APS. If, after the administrative review, you are not satisfied with APS's decision, the individual can appeal the decision to the SFPP Corporation, in accordance with the process adopted by the Board of Directors from time to time. Any such review process is established in accordance with the Joint Governance Act and Plan Text.