

Governance Policy



Owner/Approver: Corporate Board

Date Approved: January 25, 2019

Amendments: January 30, 2020; December 4, 2023

Next Scheduled Review: Every three years

POLICY STATEMENT

The *Employment Pension Plans Act* (EPPA) requires a written governance policy to be established in respect of the structures and processes for overseeing, managing, and administering a pension plan registered under the EPPA. This policy provides a summary of the governance structure for the Special Forces Pension Plan (SFPP or Plan) and SFPP Corporation as administrator and trustee of the Plan and Plan fund.

This policy was prepared to comply with section 42(1) of the EPPA and section 53 of the Employment Pension Plans Regulation. It reflects the governance structure mandated by the *Joint Governance of Public Sector Pension Plans Act* (JGA) and recognizes certain constraints imposed on the SFPP by the JGA, including the statutory obligation to use legislated service providers for the pension administration services for the Plan and the investment management services for the Plan.

GOVERNANCE FRAMEWORK

In 2018, the Government of Alberta enacted the *Joint Governance of Public Sector Pension Plans Act* (JGA) to allow SFPP to become jointly governed by those who contribute to it – employers (represented by the City of Calgary, the City of Edmonton, and the Municipalities of Lethbridge, Medicine Hat, Lacombe, Camrose and Taber), and employees (represented by the Edmonton Police Association, the Calgary Police Association, and the Alberta Federation of Police Associations, representing the police associations of Lethbridge, Medicine Hat, Lacombe, Camrose, and Taber). The jointly sponsored governance structure allows employers and plan members to share the risks and rewards of plan sponsorship.

On March 1, 2019, the Plan transitioned to the jointly sponsored governance structure, which saw the creation of two new entities to oversee and make decisions about the Plan and the Plan fund:

1. SFPP Sponsor Board – responsible for Plan design, including benefits, rules, eligibility, and Plan funding and setting contribution rates.
2. SFPP Corporation – Administrator and trustee of the Plan and Plan fund.

Pursuant to the JGA, SFPP Corporation is governed by a Board of Directors (the Corporate Board), which is responsible for overseeing the activities of SFPP Corporation.

The Plan, subject to certain exemptions granted under the EPPA Exemption Regulation, also became a registered pension plan under the EPPA. The EPPA and its regulations set out the minimum standards that registered pension plans, such as SFPP, must meet. The Alberta Superintendent of Pensions has regulatory oversight over plan compliance with the EPPA. The Plan is also subject to the *Income Tax Act* (Canada) and its regulations.

On November 22, 2019, SFPP Corporation became a public agency subject to the *Alberta Public Agencies Governance Act* (APAGA) and a Provincial corporation subject to the *Financial Administration Act* and the *Fiscal Planning and Transparency Act*. Pursuant to APAGA, SFPP Corporation is required to establish a Mandate and Roles Document (MRD) to describe the mandate of SFPP Corporation, its relationship with the Government of Alberta as represented by the President of Treasury Board and Minister of Finance, its governance and operational structure, and the respective roles and responsibilities. The MRD is currently under development.

PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework outlines the processes in place to support the prudent management of the Plan and Plan fund. The governance structures described in this policy ensure there is accountability of decision-makers, and that decisions are made by the person or entity with the most appropriate knowledge or skill. The goal is to ensure that SFPP Corporation meets its responsibilities as administrator and trustee in accordance with applicable legislation.

AUTHORITY

This policy was prepared in accordance with the following:

- *Employment Pension Plans Act*, section 42(1)
- Employment Pension Plans Regulation, section 53
- *Joint Governance of Public Sector Pension Plans Act*, Schedule 3

The Government of Alberta has the ability to legislate changes to the Plan's overall governance structure by amending the JGA. Wherever possible, this policy must be interpreted consistently with the JGA, but in the event of a conflict between this policy and the requirements of the JGA, the JGA prevails.

ROLES AND RESPONSIBILITIES

SFPP Sponsor Board

The SFPP Sponsor Board is a representative, unincorporated body consisting of six members appointed directly by specified sponsor organizations. The roles, responsibilities, and authorities of the SFPP Sponsor Board are expressly set out in the JGA and are in respect of setting the benefits reflected in the Plan by making and amending the provisions of the Plan (plan text), setting contribution rates, setting the funding policy, and setting rules relating to the participation and withdrawal of employers.

The SFPP Sponsor Board also has the authority to provide the following directions to SFPP Corporation:

- reviewing the proposed annual budget of SFPP Corporation and providing directions in relation to the budget;
- subject to any requirements under the *Reform of Agencies, Boards and Commissions Compensation Act*, making rules in respect of the remuneration paid to the Directors;
- making rules respecting the costs, charges and expenses that may be charged to the Plan fund by SFPP Corporation, subject to SFPP Corporation being entitled to charge all amounts reasonably expended in carrying out its roles, responsibilities, duties, functions, and obligations; and
- making rules respecting the entering, by SFPP Corporation, of agreements for the reciprocal transfer or portability of pension benefits between the Plan and other pension plans.

The SFPP Sponsor Board is also required by the JGA to consider the interest of pensioners in carrying out its responsibilities.

SFPP Corporation

SFPP Corporation is a provincial statutory corporation without share capital. It operates on a cost-recovery basis, with all expenses incurred being recovered from the Plan fund.

SFPP Corporation is responsible for managing and investing the Plan fund and for carrying out and performing all of the duties, functions, and responsibilities of an administrator under the EPPA except to the extent that responsibility has been expressly assigned to the SFPP Sponsor Board pursuant to the JGA. The EPPA provides that SFPP Corporation, in its capacity as administrator, stands in a fiduciary capacity to the members of the Plan and others entitled to benefits. This means that SFPP Corporation must act in the best interest of Plan members and others entitled to benefits when exercising authorities granted to SFPP Corporation through legislation and within the governance structure.

SFPP Corporation's responsibilities include, without limitation:

- Ensuring Plan compliance with the JGA, EPPA, and other applicable legislation
- Overseeing pension payments
- Having an actuarial valuation of the Plan prepared at least every three years, or more frequently as directed by the SFPP Sponsor Board
- Arranging for and overseeing external service providers as may be required
- Making payments from the Plan fund in respect of Plan costs
- Communicating with Plan members and employers
- Establishing and maintaining a Plan website

SFPP Corporation is also responsible for providing or arranging for all support, services and advice required by the SFPP Sponsor Board.

The CEO of SFPP Corporation, subject to any directions or limitations as may be imposed by the Corporate Board from time to time, is authorized to enter into transactions and execute agreements, which agreements shall be binding upon SFPP Corporation.

SFPP Corporation Board of Directors (Corporate Board)

SFPP Corporation is governed by a board consisting of six members nominated by certain sponsor organizations and appointed by an order of the Lieutenant Governor in Council. Pursuant to the JGA, the Corporate Board is responsible for:

- overseeing the activities of SFPP Corporation
- overseeing the pension services provided by APS and the investment services provided by AIMCo
- making bylaws governing the business and affairs of SFPP Corporation
- approving Board policies and applicable corporate policies

The Corporate Board ensures effective oversight of SFPP Corporation through regular reporting and Corporate Board approval of the following:

- SFPP Corporation Strategic Plan
- SFPP Corporation annual Business Plan which sets out the SFPP Corporation annual budget
- SFPP Corporation Financial Statements
- Plan Financial Statements
- Accounting valuation assumptions
- SFPP Annual Report

- Assumptions to be used in the actuarial valuation of the Plan
- Statement of Investment Policies and Procedures (SIPP) including the asset mix of the Plan fund
- Pension Services Agreement
- Investment Management Agreement
- SFPP Corporation CEO appointment, termination, compensation, goal setting, and performance evaluations.

Legislated Service Providers

Alberta Pensions Services Corporation (APS) – APS provides pension administration services to the Plan. SFPP Corporation is required by the JGA to engage APS as its exclusive pension administration services provider. The terms and conditions of the services provided are outlined in a Pension Services Agreement between APS and SFPP Corporation.

Alberta Investment Management Corporation (AIMCo) – AIMCo provides investment management services in relation to the Plan fund. SFPP Corporation is required by the JGA to engage AIMCo as its exclusive investment manager. The terms and conditions are outlined in a Ministerial Order or an Investment Management Agreement.

Although pension administration and investment functions are required by the JGA to be contracted to APS and AIMCo, SFPP Corporation is responsible for overseeing the services provided.

PERFORMANCE MEASURING AND MONITORING

SFPP Corporation

The CEO of SFPP Corporation is accountable to the Corporate Board for the overall performance of SFPP Corporation. SFPP Corporation's performance is measured against the annual business plan approved by the Corporate Board. The CEO's individual performance is measured against annual goals approved by the Corporate Board that reflect SFPP Corporation's strategic and business plans. The Corporate Board evaluates the CEO's performance annually.

SFPP Corporation has an internal process for the annual performance evaluation of all other staff, led by the CEO.

Corporate Board

The Corporate Board is responsible for establishing and administering an annual evaluation process for the Board (as a whole), individual Directors, and the Chair. The evaluation process is designed to assist Corporate Board members with assessing their collective and individual performance and identifying gaps and opportunities for development. Evaluation feedback for the Board as a whole is aggregated and presented to the Corporate Board for review, discussion, and development of an annual action plan.

APS & AIMCo

Performance targets and other service levels for legislated service providers are outlined in the Pension Services Agreement for the administration of the Plan, a Ministerial Order or Investment Management Agreement, and SIPP for the investment of the Plan fund. SFPP Corporation receives quarterly and other regular reporting from APS and AIMCo in relation to service levels and compliance.

APS and AIMCo each provide SFPP Corporation with an independent benchmarking report in which fees are compared with those of Canadian peers.

INFORMATION AND REPORTING

SFPP Corporation receives regular reporting from legislated service providers in accordance with service agreements. Reporting from APS includes, but is not limited to, reports on legal and legislative compliance, Plan text compliance, write-offs and settlements, service dashboards, and administrative service costs. Reporting from AIMCo includes, but is not limited to, reports on net cash flows, fund values, investment returns, investment strategy, economic analysis, changes in key investment personnel, compliance certificates, and investment management fees. Both AIMCo and APS provide annual and quarterly reporting.

The above information, as well as briefing notes and reports from SFPP Corporation on various Corporate Board business, are reported to the Corporate Board and its committees at meetings for information, discussion, or decision. Meeting minutes approved by the Corporate Board are the official record of the Corporate Board's decisions and proceedings.

When urgent issues arise between meetings, the CEO contacts the Corporate Board Chair to determine appropriate action.

Information regarding the Plan and SFPP Corporation is available on the SFPP website. Mass email

notifications and online news updates are used to disseminate information to Plan members and/or employers.

CODE OF CONDUCT

SFPP Corporation and the Corporate Board have publicly available codes of conduct for employees and Corporate Board members. The Codes are compliant with the Government of Alberta's *Conflicts of Interest Act* and outline the procedures to disclose and address conflicts of interest. The codes are reviewed at least once every three years.

Corporate Board members and SFPP Corporation staff are required to make an annual declaration regarding their compliance with their respective codes of conduct.

EXPERIENCE, KNOWLEDGE AND SKILLS REQUIRED

The Corporate Board adopted a skills matrix and Competency Guidelines document outlining the skills and competencies required for a Board member to effectively carry out their responsibilities. The competencies required of the Board are linked to the Board's responsibilities. The skills matrix is updated annually.

When there is a vacancy on the Corporate Board, the Guidelines document and most recent skills matrix are provided to sponsor organizations for consideration when making nominations, as well as to the Government of Alberta when making appointments. The JGA states that the Lieutenant Governor in Council may reject a nomination to ensure the Corporate Board is comprised of individuals who, in the aggregate, have the full range of skills, knowledge, and experience necessary to be able to effectively lead SFPP Corporation in carrying out its roles, responsibilities, and authorities under the JGA. Corporate Board members are encouraged to continue developing the knowledge and skills required to properly fulfill their responsibilities and may do so in accordance with the Education policy adopted by the Corporate Board.

In respect of its staff, SFPP Corporation has job descriptions for each position and makes recruitment and selection decisions based on the job description.

RISK MANAGEMENT

SFPP Corporation promotes a risk-aware culture and has established an Enterprise Risk Management program to align risk appetite and the corporate strategy. Quarterly risk assessment includes a description of each risk, an evaluation of the likelihood and impact of the risk, a risk rating and how the risk is trending, and controls in place that serve to reduce or mitigate the risk.

Management provides an update including the full risk register at each quarterly Corporate Board meeting and engages the Directors in a risk-based discussion regarding the currently identified risks and any changes to the ratings. Directors are encouraged to ask questions about the risks and to bring potential risks forward for discussion. Twice a year, Corporation staff conduct a deep-dive assessment of the risk register.

Policies in place to assist with risk mitigation include, but are not limited to the following:

- SFPP Funding Policy Statement – established by the SFPP Sponsor Board to ensure that sufficient assets are accumulated to meet the cost of accrued benefits and guide decisions about the funding of the Plan, and document funding controls and risks to the Plan’s financial health.
- SIPP – establishes eligible investments, asset class weights, and the amount of discretion given to fund managers to ensure that the Plan fund is managed within an appropriate and prudent level of risk.
- Expenditure and Accounting Officer Policy – SFPP Corporation policy setting out financial approval and limit controls.

DISPUTE RESOLUTION

SFPP Corporation has established a process for the resolution of disputes involving Plan members or beneficiaries of administrative decisions provided to them by APS, in respect of the application and interpretation of benefits provisions of the Plan Text and other applicable governing legislation.

A summary of the Appeal Policy and process is available on the SFPP website.