



Newfoundland and Labrador
Teachers' Pension Plan

Joint Sponsorship Agreement

2016

INTRODUCTION

This special NLTA publication, entitled *Teachers' Pension Plan – Joint Sponsorship Agreement* is intended to provide detailed information to members of the NL Teachers' Pension Plan (TPP) regarding the implementation of the Pension Reform Agreement reached between Government and the NLTA in the spring of 2015. The steps and target dates of implementation are:

- legislation amending the TPP (June 2015)
- execution of a Joint Sponsorship Agreement, which sets out the terms and conditions of the joint sponsorship of the Pension Plan, contains the Funding Policy for the TPP, and establishes the framework for the Teachers' Pension Plan Corporation which will administer the pension plan and act as trustee for the pension fund (March 2016)
- establishing the Joint Sponsor Body (April 2016)
- legislation further amending the TPP and establishing the Teachers' Pension Plan Corporation (April 2016)
- establishing the TPP Corporation Board of Directors (May/June 2016)
- transition of the administration and investment responsibility to the TPP Corporation (June/July 2016)

The goal is the creation of a world class NL Teachers' Pension Plan Corporation to administer the NL Teachers' Pension Plan and its Pension Fund, jointly sponsored by the Government of NL and the members of the plan represented by the NLTA, that will become fully funded, and provide security of retirement income for past and future generations of teachers.

Considerable research was conducted by the parties on various pension corporation governance structures and models, including the Ontario Teachers' Pension Plan (OTPP), recognized as a world leader in strong governance and risk management practices. While the amount of the assets under management of the OTPP is outside the size and potential of the TPP, establishing a world class governance structure similar to the OTPP is the plan. Integral to strong and effective governance is a Sponsor Body comprised of equal representatives from the parties (members and government) that is committed to sound fiduciary decisions in the best interests of the pension plan and its members; paired with a strong specialty skills-based Board of Directors that independently directs the Corporation. Each of the Sponsor Body and the Board of Directors have their distinct roles and responsibilities. It is this model that we have adopted and which will be described in the following pages.

BACKGROUND

The Newfoundland and Labrador Teachers' Association negotiated a Teachers' Pension Plan Reform Agreement with the Government of Newfoundland and Labrador, which was ratified by a vote of teachers in April 2015, and signed by both Parties on June 15, 2015. Bill 15 – An Act to Amend the Teachers' Pension Act – was passed in the House of Assembly on June 23, 2015, and proclaimed on August 31, 2015. Bill 15 amended the Teachers' Pension Act to initiate the pension

reform measures which changed contribution rates, the pension benefit formula and the indexing program in accordance with the Pension Reform Agreement. It also required that upon Government entering into a joint sponsorship agreement that provides for the framework of a corporation to be established to administer the pension plans and act as trustee for the pension fund, that Government shall deliver a promissory note to that corporation when established.

Since the spring of 2015, the NLTA, represented by the NLTA Executive Director Don Ash and legal counsel Thomas Johnson Q.C. of O'Dea Earle and under the direction of the NLTA Provincial Executive, has been working with government representatives to establish the formal Joint Sponsorship Agreement (JSA), which incorporates the terms of the Pension Reform Agreement. The JSA sets out the terms and conditions of the joint sponsorship of the Pension Plan, establishes the Funding Policy, and establishes the pension corporation framework. The Joint Sponsorship Agreement was signed by the NLTA President, James Dinn, and the Minister of Finance, Cathy Bennett, on March 15, 2016.

Legislation to implement the JSA and to establish the corporation is expected to be introduced in the House of Assembly early in the spring sitting by Government.

The NLTA and Government will name their Representatives to the Sponsor Body and the process of selection of a skill-based Board of Directors of the TPP Corporation will follow in accordance with the specialty skills mandated under the Corporation Framework. The target for the transfer of responsibility for administration of the plan and the transfer of the teacher pension plan fund to the new corporation is June/July 2016. A transition plan is contemplated under the JSA to ensure a transfer from Government that is smooth and seamless to plan members.

SUMMARY

The realization of this Joint Sponsorship Agreement and the establishment of a jointly sponsored NL Teachers' Pension Corporation is the culmination of over 3 years of work by the Government of Newfoundland and Labrador and the Newfoundland and Labrador Teachers' Association. This accomplishment could only have been achieved with the commitment of both parties to a sustainable defined benefit pension plan which will be fully funded and managed independently with a goal of provision of a secure retirement income for past and future generations of teachers. Sacrifices and compromises have been made by both parties which will prove to be beneficial for the Province of Newfoundland and Labrador, its citizens and its teachers.

The teachers of the Province are to be congratulated for their patience and commitment to seeing this deal to its fruition. We look forward to the establishment of the TPP Corporation and its anticipated evolution from infancy to a world class corporation in the coming years.

Teachers' Pension Plan

THE PARTIES

- Government of NL
- NLTA representing members of the Pension Plan

SPONSOR BODY

- 3 - 4 Representatives appointed by Gov't of NL
- 3 - 4 Representatives appointed by NLTA

Responsible for ensuring the pension plan has sufficient assets to meet its long-term pension obligations.

Sponsor body is responsible for determination of future:

- benefit levels
- contribution rates
- decisions to address any funding shortfalls and surpluses in accordance with the Funding Policy

TPP CORPORATION BOARD OF DIRECTORS

- 4 Directors appointed by Gov't of NL
 - 4 Directors appointed by NLTA
- Oversees the management and prudent investment of the pension plan and direction of the TPP Corporation

Directors are required to:

- act independently of the plan sponsors and the management of the Corporation,
- make decisions in the best interests of all plan beneficiaries.
- hire the Chief Executive Officer

CHIEF EXECUTIVE OFFICER

Responsible for implementing:

- the strategic plans and policies of the Corporation
- the general supervision of the affairs of the Corporation subject to the authority of the Board

The following pages contain detailed and technical information from the formal agreements and texts of the Joint Sponsorship Agreement, Funding Policy, and the Pension Corporation Framework. This detail is included for teachers for the purpose of making complete information available and transparent.

Joint Sponsorship Agreement (JSA) – Summary of Major Provisions

The JSA fulfills the intentions of the parties to provide for the joint sponsorship and administration of the Teachers' Pension Plan, the establishment of a Funding Policy, and a pension corporation framework.

Transitional Administration and Pension Plan Investment Services

The JSA enables the Corporation to contract with the Government with respect to Pension Plan administration and investment services for a 12 month term, renewable for one further 12 month period, on a cost recovery basis.

Steps will be taken to enable the Corporation, once established, to invest the Pension Fund either on its own or with other pension plans.

Post-Transitional Pension Plan

The Directors of the Corporation shall submit to the Sponsor Body, for its approval, and the Sponsor Body shall approve, on or before February 1, 2017 a proposal for a non-statutory pension plan reflecting the provisions of the Teachers' Pensions Act, as those terms were on August 31, 2016, that contains the terms of the Pension Plan with only such changes as are necessary to transition from a statutory to a non-statutory pension plan. Government shall ask the House of Assembly to repeal the corresponding provisions of the Teachers' Pensions Act. The effective date of the non-statutory pension plan to be adopted by the Sponsor Body shall be the same as the date of the repeal of the corresponding provision of the Teachers' Pensions Act.

Sponsor Body Appointment

The sponsorship of the Pension Plan shall be the responsibility of the Sponsor Body. The Sponsor Body shall consist of 6 to 8 persons as follows:

- (a) the Government shall appoint 3 to 4 Representatives, using whatever method it adopts; and
- (b) the NLTA shall appoint 3 to 4 Representatives, using whatever method it adopts.

Representatives shall be chosen with a view to providing the Sponsor Body with a broad range of relevant competencies and experience. A Director of the Corporation shall not be eligible for appointment to the Sponsor Body.

There shall be a Chair and a Vice-Chair of the Sponsor Body. The initial Chair shall be appointed by the NLTA. The initial Vice-Chair shall be appointed by the Government. At the end of each 2 year term on a rotating basis, the Government Representatives shall, from their numbers, appoint a Chair or Vice-Chair of the Sponsor Body and the NLTA Representatives shall, from their numbers, appoint a Chair or Vice-Chair.

The Representatives shall serve without remuneration, but shall be reimbursed for their reasonable expenses by the

Corporation from the Fund in accordance with the policies of the Sponsor Body.

A Representative may be re-appointed for any number of terms. A Representative may be removed at any time by the party that appointed such Representative.

The Representatives shall meet to discuss and consider any matters at a meeting prior to any voting being undertaken in regard to those matters. Each Representative shall have one vote at meeting of the Sponsor Body.

The Chair is not entitled to a second or casting vote.

A quorum at a meeting of the Sponsor Body shall consist of a majority of the Representatives appointed by the Government and a majority of the Representatives appointed by the NLTA.

All decisions of the Sponsor Body shall be made by a resolution passed by an affirmative vote of at least a majority of the NLTA Representatives and a majority of the Government Representatives present at a duly called and constituted meeting of the Sponsor Body. In the case of a lesser number of votes or a tie, the status quo will prevail, subject only to the deadlock resolution provisions contained in the Funding Policy.

The Representatives shall meet at least twice in each calendar year and, in addition, shall meet with the Board of Directors at least once per year.

Powers and Functions of the Sponsor Body

The Sponsor Body may:

- (a) adopt resolutions it considers necessary or advisable to sponsor the Pension Plan and to exercise the Sponsor Body's powers and perform its duties;
- (b) establish committees or panels of the Sponsor Body, and determine the composition, duties, responsibilities, limitations and operating procedures of those committees or panels provided that such committees or panels shall consist of an equal number of appointees of the Government and the NLTA;
- (c) appoint persons other than Representatives to a committee or panel referred to in paragraph (b), and set the terms of appointment to the committee or panel that applies to those persons;
- (d) rescind an appointment made under paragraph (c); and
- (e) hire or direct the Corporation to hire staff and advisors and charge to the Fund the reasonable costs of such staff and advisors.

Duties and Responsibilities of the Sponsor Body

The Sponsor Body shall be responsible for the following:

- (a) subject to the Funding Policy, making amendments to the Pension Plan design, including amendments related to eligibility, benefits, contributions or restating the Pension Plan at such times as the Sponsor Body determines are necessary or appropriate, after receiving advice, if any, from

the Board of Directors in respect of such amendments or restatements;

- (b) subject to the Funding Policy, at its discretion, but subject to applicable law, instructing the Board of Directors as to the frequency with which actuarial valuations of the Pension Plan shall be prepared and filed with the applicable regulatory authorities;
- (c) in consultation with the Pension Plan actuary and the Board of Directors, amending the actuarial assumptions and methods for the Pension Plan, as necessary;
- (d) meeting with the Board of Directors, at least once a year, to consider matters of interest to either the Sponsor Body or the Board of Directors and to receive an explanation of the annual report of the Pension Plan and the Fund from the Board of Directors and at such other times as are requested by the Sponsor Body or by resolution of the Board of Directors to consider any matter including any issue regarding the frequency of the preparation and filing of actuarial valuations for the Pension Plan;
- (e) advising the Parties and the Board of Directors of any amendment to the Pension Plan;
- (f) making recommendations to the Board of Directors respecting the administration of the Pension Plan;
- (g) preparing a report at the end of every fiscal year of the Pension Plan setting out the activities of the Sponsor Body in that year, including a self-assessment of the Sponsor Body, in such form as may be agreed to between the Parties, such report to be delivered to the Parties as soon as reasonably possible after the end of the fiscal year of the Pension Plan;
- (h) implementing the Funding Policy;
- (i) establishing policies for remuneration of Board and committee members who are non-party employees that are consistent with attracting high quality talent and supporting expectations pertaining to the time and effort commitment required to remain abreast of Board challenges and requirements; and
- (j) establishing policies for reimbursement of reasonable expenses.

Termination, Wind-Up or Conversion

Any decision to terminate or, wind-up, in whole or in part or convert the Pension Plan from a jointly sponsored defined benefit Pension Plan to any other type of pension plan shall require the unanimous approval of the Government and the NLTA.

Protection of Accrued Benefits

- (a) **No decision of the Sponsor Body may reduce an Accrued Benefit.**
- (b) For greater certainty changes made pursuant to the Reform Agreement did not reduce Accrued Benefits and without limiting the generality of the foregoing, the following will not result in a reduction of Accrued Benefits:

- (i) no change is permitted to a benefit that a Pensioner is receiving at the effective date of the change to the Pension Plan;
- (ii) where the pension formula (the accrual rate and/or the earnings used to calculate the Pension) is changed, the entitlement of Members will be based on the pre-change formula for service already earned at the effective date of the change to the Pension Plan, without any projection of earnings and/or service. The new formula will apply to all service after the effective date of the change to the Pension Plan; and
- (iii) if the eligibility for an early retirement benefit is changed, subject to any transition period which may be granted, only Members who are eligible to commence early retirement with an immediate unreduced pension under the Pension Plan will retain eligibility for the pre-change early retirement benefit. All other Members will be subject to the new early retirement eligibility requirements at and after the effective date of the change to the Pension Plan in respect of all of their service.

Amendment to the JSA

The Sponsor Body has no authority to make any amendments to the JSA. This JSA may be amended at any time by the parties but only after first consulting with the Sponsor Body.

The Sponsor Body may make recommendations to the Parties with respect to amendments to the JSA.

Funding Policy – Summary of Major Provisions

The Funding Policy is fundamental and integral to the Pension Reform Agreement reached between Government and the NLTA. Among other things, it lays out the path to achieve the goal of 100% funding in 30 years. It outlines targets which must be met in each 3 year period, and specifies the process required for either positive or negative adjustments to premiums, benefits or plan design changes, according to minimum and maximum funding targets. The Funding Policy outlines the fund asset mix under which the funding and investment assumptions are made and identifies the actuarial assumptions to be used in the initial valuations.

Section 1 – General Principles

- (1) The Government and the NLTA agree that actuarial surpluses and deficits are to be shared equally by the Government and the Pension Plan members. Accordingly, adjustments required when funding is below the Minimum Funding Target or above the Maximum Funding Target will respect that agreement.
- (2) The Government and the NLTA agree that the intention of the Parties is that the Pension Plan will be fully funded within 30 years to ensure the future of the Pension Plan.

- (3) Effective September 1, 2015 indexation for future service will be suspended.
- (4) **Accrued Benefits cannot be reduced.** (See above JSA - Protection of Accrued Benefits)
- (5) The Funding Policy shall not contain any contribution cap with respect to the Pension Plan, other than required by the Income Tax Act (ITA).
- (6) Examples used as an aid in interpreting the adjustments to be made under the Funding Policy shall not override the provisions of this Funding Policy.
- (7) Changes in asset mix shall not reduce the probability of being fully funded in 2045 below the probabilities of being fully funded used to develop the applicable Minimum Funding Target. This principle will not compel a change in asset mix. The asset mix will exclude the Promissory Note.

Section 2 – Promissory Note

- (1) The Government shall deliver a fully enforceable promissory note, with an effective date of September 1, 2015, to the Corporation on or before August 31, 2016 with the terms set out in (2) and (3) of this section (“Promissory Note”).
- (2) The promissory note shall amortize \$1.862 billion, over a 30 year period commencing September 1, 2015, in equal annual amounts of \$135,272,273 million commencing on or before August 31, 2016. These payments shall be fixed and made regardless of the funded status of the Pension Plan in the future.
- (3) The present value of the residual payments described in subsection (2), discounted at 6%, shall be considered an asset of the Pension Plan. This asset is a non-investment asset which is non marketable and non-transferrable and is used solely for the purpose of determining the Funded Ratio.

Section 3 – Three Year Actuarial Valuation Reports

- (1) The Board of Directors shall require the Pension Plan’s Actuary to prepare Actuarial Valuation Reports for the Pension Plan using the actuarial methods and assumptions set out in Appendix “B” to this Funding Policy as amended from time to time in accordance with the Joint Sponsorship Agreement, and to submit such reports to the Board of Directors and to the Sponsor Body.
- (2) The first report under subsection (1) shall be prepared with a valuation date as at August 31, 2015. Subsequent reports shall be prepared with valuation dates as at August 31 every three years thereafter.
- (3) Subject to section 2 and subsections (2) and (3) where, in a Three Year Actuarial Valuation Report, the Funded Ratio of the Pension Plan is below the relevant Minimum Funding Target, applicable to that year,

“**Minimum Funding Target**” means for the relevant year the following:

2015	2018	2021	2024	2027	2030	2033
0%	80%	80%	85%	90%	90%	95%
2036	2039	2042	2045 and following			
95%	95%	100%	100%			

- (a) the Board of Directors shall provide to the Sponsor Body a full range of options that comply with applicable law and do not reduce Accrued Benefits, and
- (b) the Representatives, or any one of them, may, provide supplementary options, not more than 90 days after receiving the relevant Three Year Actuarial Valuation Report, as to how to adjust the Pension Plan such that the Present Value of the Adjustments is sufficient to render the Funded Ratio of the Pension Plan equal to the Minimum Funding Target. The Board of Directors shall cause the Pension Plan’s Actuary to provide the Board of Directors and the Sponsor Body with the costings of options.
- (c) The options shall
 - (i) adjust Employer Contribution Rates, or provide for the equivalent value of equal Employer monthly special payments, so that the Present Value of the Employer Contribution Adjustment is equal to 50% of the Present Value of the Adjustments; and
 - (ii) adjust Member Contribution Rates, Pension Plan Eligibility and/or Benefits, or any combination of them, so that the sum of the Present Value of the Member Contribution Adjustment and the Present Value of Pension Plan Eligibility and/or Benefits Adjustments is equal to 50% of the Present Value of the Adjustments.
- (4) The Sponsor Body shall, not more than 90 days after receiving the foregoing options from the Board of Directors and the Representatives, select one of the proposed options or provide its own method to adjust the Pension Plan as required above.
- (5) An increase of Contribution Rates as described under subsection (1) may occur only to the extent that each of the Member Contribution Rates and the Employer Contribution Rates does not exceed the maximum rate permitted under the ITA or permitted by Canada Revenue Agency (CRA), and, when such maximum percentage contribution rate is reached, after application to the CRA for waivers or other relief, there must be no further increase of Contribution Rates and any further amendments to the Pension Plan necessary to achieve the Minimum Funding Target must be by way of the adjustment of Pension Plan Eligibility and/or Benefits only and the Employers will be required to

contribute an amount to match the Present Value of Pension Plan Eligibility and/or Benefits Adjustments.

- (6) Until the criteria set out in Section 6 are satisfied, the adjustments in Pension Plan Eligibility and/or Benefits or Contributions made in accordance with this Section 5 shall continue in effect. At each future Actuarial Valuation Report a new Present Value of the Adjustments will be determined.

Section 4 – Restoration of Adverse Adjustments to Pension Plan Eligibility and/or Benefits of the Pension Plan or Increases in Contribution Rates

If a Three Year Actuarial Valuation Report discloses that the Funding Ratio is between the Minimum Funding Target plus 5% and the Maximum Funding Target, then, if there have been any adverse adjustments to Pension Plan Eligibility and/or Benefits subsequent to September 1, 2015, or any increases in Contribution Rates subsequent to September 1, 2015, then the value of those adverse adjustments and Contribution Rate increases shall be restored, to the extent possible, in a manner that allocates 50% of the restoration for the benefit of the Government and 50% of the restoration for the benefit of the Members.

Section 5 – Adjustment Where the Funding Ratio Exceeds the Maximum Funding Target

- (1) Where, in any Three Year Actuarial Valuation Report, the Funded Ratio of the Pension Plan is above the relevant Maximum Funding Target,

“**Maximum Funding Target**” means for the relevant year the following:

2015	2018	2021	2024	2027	2030	2033
1000%	1000%	1000%	1000%	125%	125%	125%

2036	2039	2042	2045 and following
125%	125%	125%	125%

- (a) the Board of Directors shall provide to the Sponsor Body a full range of options, and
- (b) the Representatives, or any one of them, may, provide supplementary options, not more than 90 days after receiving the relevant Three Year Actuarial Valuation Report, as to how to adjust the Pension Plan such that the Present Value of the Adjustments does not exceed the Available Surplus and is equally shared between the Government and the Members, provided that an option may also reduce the risk in the Pension Plan and such action would be deemed to be an equal share of actuarial surpluses by both the Government and the Members. The Board of Directors shall cause the Pension Plan’s Actuary to provide the Board of Directors and the Sponsor Body with costings for all options.

- (2) The Sponsor Body shall not more than 90 days after receiving the foregoing options from the Board of

Directors and the Representatives select one of the proposed options or provide its own method to adjust the Pension Plan as required above.

- (3) Where that portion of Contributions attributable to either Active Members or Employers, or both, would otherwise be prohibited by the ITA, the Sponsor Body shall increase the value of Pension Plan Eligibility and/or Benefits provisions of the Pension Plan, re-evaluate the risk profile of the Pension Plan’s asset allocation or reduce Contribution Rates, provided that such adjustment is equally shared between the Government and Members.

Section 6 – Appointment of Arbitration Panel

- (1) Where the Sponsor Body is required to amend Contribution Rates or Pension Plan Eligibility and/or Benefits provisions of the Pension Plan under sections 5, 6 and 7 above, and the Sponsor Body is unable to reach a decision within 90 days following the earliest date upon which the Sponsor Body could reasonably have commenced consideration of the options, provided by the Board of Directors, the Chair shall forthwith notify the Representatives in writing of the initiation of the arbitration process by a three person panel in accordance with the *Arbitration Act* (Newfoundland).
- (2) The arbitration panel shall reach a decision appropriate to achieve the requirements referred to in subsection 8(1) within the time specified in the *Arbitration Act* to do so, and shall communicate its decision in writing to the Chair and Vice-Chair forthwith.
- (3) The decision of the arbitration panel made pursuant to subsection (1) is:
 - (a) final and binding on the Government, the Employers, the NLTA and all Members, and any party deriving a benefit through a Member and not subject to appeal; and
 - (b) a decision of the Sponsor Body for the purpose of this Funding Policy,and the Sponsor Body shall forthwith implement the arbitration panel’s decision including, if necessary, by amending the Pension Plan.

Asset Mix

The Funding Policy and its projections are based in the following constant asset mix with the following allocation:

- 25% Canadian Equity
- 25% Global Equity
- 35% Fixed Income
- 15% Alternatives

Probability of Being Fully Funded in 2045

The following represents the probability of being fully funded in 2045 based on the asset mix criteria outlined above.

Year	Probability	Year	Probability
2015	86%	2030	88%
2018	86%	2033	89%
2021	86%	2036	89%
2024	87%	2039	90%
2027	87%	2042	93%

Actuarial Methods and Assumptions for 2015 Valuation

Discount rate	6.00%	
CPI increases	2.50%	
Indexing	1.20%	
Salary increases:	2013 & later	
< 10 yrs service	7.25%	
10-14 yrs service	4.00%	
15+ yrs service	4.00%	
Mortality	CPM2014 Public Mortality tables with improvement scale CPM-B (pre-retirement and post-retirement)	
Termination of employment (100% deferred pension election)	<26 26-34 35-44 45-54 55+	7.50% 5% decreasing to 1% 1.00% 0.50% 0%
Disability	<39 40-44 45-49 50-54 55+	0.20% 0.30% 0.40% 0.50% 0.60%
Retirement	Earliest age member is entitled to unreduced pension	
Married %	At retirement or death: 85%	
Spousal age difference	Male is 3 years older than female	
Cost Method	Projected Unit Credit	

Pension Corporation Framework – Summary of Major Provisions

The pension corporation framework specifies the terms of establishment of the NL Teachers' Pension Plan Corporation, its Board of Directors and their responsibilities. The goal is the establishment of a world class corporation with outstanding governance and risk management practices.

Effective Date

This Framework shall come into effect on the date that is the later of April 1, 2016 and the date that the amendments to the *Act* that are required to implement the Structure Changes delineated in the Reform Agreement are proclaimed.

Income Tax Act

The Corporation is a trust governed by a registered pension plan and shall be the administrator for the purposes of the *Income Tax Act (Canada)*.

Board of Directors

Board Established

The Board of the Corporation established pursuant to the Act shall consist of 8 persons who shall be appointed as follows:

- 4 Government Appointees; and
- 4 NLTA Appointees.

Qualifications of Directors

A representative on the Sponsor Body shall not be a Director.

An officer of the Corporation shall not be a Director.

Qualification as a Director is subject to Section 172 of the *Corporations Act*, RSNL 1990, c-36.

Director Competencies

All of the Directors shall be required to have the Personal Characteristics. In addition, the Directors shall, as a collective, have the **Specialty Skills**.

Personal Characteristics

The personal characteristics are as follows:

- Integrity, including familiarity with and a high regard for fiduciary obligations;
- strong commitment to time and effort required to undertake the role;
- demonstrated ability to contribute and operate with candour and intelligence while supporting other directors to do the same;
- effective negotiation skills in articulating viewpoints with influence to arrive at a conclusion in the best interests of the Pension Plan and for the benefit of all Members;
- strong conflict management skills to enable the identification and handling of conflicts in a sensible, fair and efficient manner;
- willingness to accept and support Board decisions;
- acting with a mindset of impartiality as it relates to Sponsors;
- freedom from influence by any factors other than the interest of the Pension Plan and all Members;
- team effectiveness, including the ability to work effectively in a collegial environment and to facilitate consensus and compromise;
- after the Government has ceased to provide plan administration and plan investment services to the TPP, absence of systemic conflicts of interest, it being understood that membership in or employment by the NLTA or the Government or entitlement to or receipt of a benefit from the Pension Plan does not constitute a systemic conflict of interest; and

- ability to identify the limitations of the Directors' own knowledge and the need for independent professional advice, and to understand and evaluate such advice.

Specialty Skills

The Directors as a collective shall have the following:

- Governance** – Prior or current experience as a board member or in a senior leadership position with a Canadian organization (public, private or non-profit) and knowledge of pension plan governance, including understanding the roles of the Sponsors, the fiduciary board and the service providers;
- Investment Expertise** – Prior or current experience in institutional investment, investment risk management, capital markets, principles of finance and an understanding of macroeconomic considerations and their impact on investment strategy and pension obligations;
- Financial Expertise** – Prior or current board member or senior officer position experience in financial accounting, reporting, corporate finance, pension plan funding and actuarial valuation;
- Human Resources** – Prior or current board member or senior leadership position experience in human resource management, succession planning and executive compensation;
- Pensions** – Substantial prior or current experience in the design, funding and administration of defined benefit pension plans and knowledge of asset/liability management and pension policy;
- Customer Service and Related Administration** – Substantial prior or current experience in a customer service organization;
- Risk Management** – Prior or current board member or senior officer experience in enterprise risk management;
- Stakeholder Involvement** – Prior or current experience in a senior leadership position in stakeholder involvement; and
- Regulatory** – Practical knowledge in the application of and compliance with pension laws and regulatory rules including the requirements of provincial laws and the *Income Tax Act (Canada)*.

Independent Director

Directors shall act:

- with a mindset of impartiality as it relates to the Sponsor Body, Representatives and management, and
- in a manner that is free from influence by any factors other than the interest of the Pension Plan as a whole.

The Board shall have a minimum of 4 independent Directors. The Government and the NLTA shall each appoint at least 2 independent Directors.

A Director is independent if he or she has no direct or

indirect material relationship with the Corporation or the entity that appointed him or her.

A material relationship means a relationship which could, in the view of the Board, reasonably interfere with the exercise of a Director's independent judgment. The following individuals are considered to have a material relationship with the Corporation and/or the appointing entity:

- an individual who is, or has been, an employee or officer of the Corporation or appointing entity, unless three years have elapsed since the end of the service or employment;
- an individual whose immediate family member is, or has been, an officer of the Corporation or appointing entity, unless three years have elapsed since the end of the service or employment;
- an individual who is, or has been, an affiliate of, a partner of, or employed by, a current or former auditor of the Corporation, unless three years have elapsed since the person's relationship with the auditor, or the auditing relationship, has ended;
- an individual whose immediate family member is, or has been, an affiliate of, a partner of, or employed in a professional capacity by, a current or former auditor of the Corporation, unless three years have elapsed since the person's relationship with the internal or external auditor, or the auditing relationship, has ended;
- an individual who has a relationship with the Corporation or an appointing entity pursuant to which the individual may accept, directly or indirectly, any consulting, advisory or other compensatory fee from the Corporation or appointing entity or any subsidiary entity of the Corporation or appointing entity, other than as remuneration for acting in his or her capacity as a member of the Board [or any board committee];
- an individual who is an affiliate of the Corporation; or
- an individual who holds an active membership in the NLTA.

Appointment of Chair and Vice-Chair

There shall be a Chair and a Vice-Chair of the Board. The initial Chair and Vice-Chair shall be appointed jointly by the Government and the NLTA from among the independent Directors. The Chair and Vice-Chair shall serve as Chair or Vice-Chair for a three year term.

At the end of each three year term the Board shall appoint a Chair and Vice-Chair of the Corporation from among the independent Directors.

Remuneration of Directors

The Sponsor Body shall, as soon as is reasonably possible, establish a policy regarding the remuneration of Directors. The remuneration policy shall be consistent with attracting

high quality talent and supporting expectations pertaining to the time and effort commitment required to remain abreast of Board challenges and requirements.

Residency

Each Director shall be a resident of Canada for the duration of his or her appointment.

Terms for Directors

Subject to below, a Director shall serve for a three year term.

For the initial appointment of Directors, two Directors appointed by each of the Government and the NLTA shall serve for an initial four year term and two Directors appointed by each of the Government and the NLTA shall serve for an initial three year term. A Director shall be eligible to serve for more than one term.

No later than six months before the expiry date of a Director's term, the Chair shall give written notice to the Party that appointed the Director of the expiry of the term.

Appointment of an Actuary and Auditor of the Corporation

The Board shall appoint one or more persons licensed under the *Chartered Professional Accountants and Public Accountants Act*, SNL 2014 c. C-10.1 to audit the accounts of the Corporation and the Fund each year and to express an opinion on its financial statements.

The Board shall appoint a Fellow of the Canadian Institute of Actuaries to act as the actuary of the Pension Plan.

The Parties do not intend that the Corporation be part of the government reporting entity as defined by public sector accounting standards.

Appointment of Investment Committee

The Board shall appoint an investment committee to assist the Board in the investment management of the Pension Plan.

The investment committee shall have 6 to 8 members as follows:

- (a) two to four Directors, one of whom shall be the chair of the committee; and
- (b) two to four external members having senior financial industry or institutional investment experience.

Voting

The Directors shall meet to discuss and consider any matters prior to any voting being undertaken in regard to those matters. Each Director shall have one vote at any duly called and constituted meeting of the Board.

Voting by Chair

The Chair is entitled to a second or casting vote in the event of a tie.

Quorum

A quorum for a meeting of the Board shall be 6 directors.

Decisions

Resolutions of the Board shall not be adopted unless they receive a majority of votes cast at a duly called and constituted meeting of the Board.

Meetings

The Directors shall meet at least four times in each calendar year.

Removal and Replacement of Directors

A Director may be removed at any time by the party that appointed such Director. Regardless of the reason for the removal of a Director, the party that appointed the Director shall appoint the successor for that Director for the remainder of the term.

Powers and Duties of the Corporation

The powers and duties of the corporation are quite detailed and are consistent with those expected of a pension corporation. They are included as an Appendix A at the end of this document.

Fiduciary Obligations

Each Director shall act honestly and in good faith with a view to the best interests of the Pension Plan and for the benefit of all Members.

No Director shall act in respect of a matter if the Director has a conflict of interest in regard to the matter.

Amendment and Termination of Agreement

The Framework may only be amended by the parties after consulting with the Sponsor Body.

The Board may recommend amendments to the Framework to the Sponsor Body for its consideration.

Meetings of the Board of Directors

Calling of Meetings

At the beginning of each fiscal year, the Board shall schedule four meetings to be held during that year.

Any Director may request the Chair to convene a meeting of the Directors, which meeting shall be held within fifteen days of the date upon which the request was received by the Chair.

Committees

The Board may from time to time appoint any committee or other advisory body, as it deems necessary or appropriate for such purposes and with such powers as the Board shall see fit.

Powers, Functions and Duties of Board

Resolutions, Committees and Appointments

The Board may:

- pass resolutions it considers necessary or advisable to exercise the Corporation's powers and perform its duties;

- appoint officers of the Corporation and assign duties to them;
- appoint persons other than Directors to a committee;
- set the term of appointment to the committee or panel that applies to those persons; and
- hire staff and advisors and charge to the Fund the reasonable costs of such staff and advisors.

Description of Offices

The Board shall develop clear position descriptions for Directors, including the Chair and Vice-Chair and each committee, if any.

The Board, together with the Chief Executive Officer of the Corporation, shall develop a clear position description for that employee, including a delineation of:

- Chief Executive Officer's responsibilities; and
- the corporate goals that the Chief Executive Officer is responsible for meeting.

The Chief Executive Officer and any other employee of the Corporation shall not be Directors.

Unless otherwise specified by the Board, which may restrict or supplement such duties and powers, the offices and officers of the Corporation (where appointed) shall have the following duties and powers associated with their positions:

- **Chair:** The Chair shall, when present, preside at all meetings of the Board and shall have such other duties and powers as the Board may specify;
- **Vice-Chair:** If the Chair is absent or is unable or refuses to act, the Vice-Chair shall, when present, preside at all meetings of the Board and perform other duties of the Chair as set out in the Framework and this By-Law, and shall have such other duties and powers as the Board may specify;
- **Chief Executive Officer:** The Chief Executive Officer shall be responsible for implementing the strategic plans and policies of the Corporation. The Chief Executive Officer shall, subject to the authority of the Board, have general supervision of the affairs of the Corporation and shall have such other duties and powers as the Board may specify;
- **Secretary:** If appointed, the secretary shall attend and be the secretary of all meetings of the Board and committees of the Board. The secretary shall enter or cause to be entered in the Corporation's minute book, minutes of all proceedings at such meetings; the secretary shall give, or cause to be given, as and when instructed, notices to any Director, officer, auditor, actuary or member of a committee of the Board; the secretary shall be the custodian of all books, papers, records, documents and other instruments belonging to the Corporation.

The powers and duties of all other officers of the Corporation shall be in accordance with the terms of their engagement or as the Board or Chief Executive Officer requires. The Board may, from time to time and subject to the Framework, add to or limit the powers and duties of any officer.

This completes the details for the major provisions of the JSA, its Funding Policy, and the framework for the pension corporation contemplated by the Parties.

Appendix A – Powers and Duties of the Corporation

The Corporation is hereby empowered, in addition to any other power, as set forth herein or conferred by law, but subject always to the articles of the Corporation and the powers, duties and responsibilities expressly reserved to the Sponsor Body under the Joint Sponsorship Agreement and the Funding Policy, as follows:

- (a) to administer and invest the TPP and the Fund for the benefit of the Members, and other beneficiaries, as the case may be, subject to the terms of the *Act*, this Framework and the TPP, and the requirements of applicable federal and provincial legislation;
- (b) to create and administer a written statement of investment policies and procedures for the Fund, with respect to the allocation of the assets of the Fund, and the selection of asset classes appropriate for the Fund as a whole (“**Statement of Investment Policies and Procedures**”);
- (c) to invest and manage the Fund in a prudent manner, which shall include, without limitation the duty to:
 - i. establish, and review annually the Statement of Investment Policies and Procedures;
 - ii. invest and reinvest such portion of the Fund as is not required for current expenditures, in any type of investments that are permitted by applicable federal and provincial laws and regulations and by the Statement of Investment Policies and Procedures, and to take any and all actions with respect to the holding, buying, selling or exchanging of such investments as they, in their sole discretion, may deem appropriate or necessary;
 - iii. ensure that the money and assets of the Fund are invested having regard to the following criteria, in addition to any others that are relevant to the circumstances:
 - a. general economic conditions;
 - b. the possible effect of inflation or deflation;
 - c. the role that each investment or course of action plays within the overall Fund portfolio;
 - d. the expected total return from income and the appreciation of capital;
 - e. needs for liquidity, regularity of income and preservation or appreciation of capital; and
 - f. level of risk that is appropriate with respect to the assets of the Fund.
- (d) to enter into cost-sharing agreements with any other pension or welfare fund to permit the Corporation to share expenses pertaining to the administration and investment of the Fund and administration of the TPP, provided that any amounts paid by the Fund to any other trust fund, in respect of the above expenses, shall be necessary and reasonable, and provided further that such cost sharing agreement shall provide that the Corporation may terminate such agreement at any time, subject to such notice as may be required in such agreement;
- (e) subject to Section 2 of the Funding Policy, in consultation with the Pension Plan actuary and such investment advisor as the Corporation may retain, establish the level of risk that is appropriate for the Plan’s asset mix;
- (f) to authorize the preparation and filing of an actuarial valuation in accordance with the Funding Policy and any other governing legislation and at such frequency as is required by the Funding Policy or any other governing legislation or at such greater frequency as may be directed by the Sponsor Body;
- (g) to provide a copy of every actuarial valuation, including preliminary valuations, prepared for the Corporation to the Sponsor Body and provide to all of the members of the Sponsor Body any information requested by any of them as quickly as possible;
- (h) to provide to the Sponsor Body a full range of options as required and permitted by the Funding Policy;
- (i) to use all reasonable means to collect and receive all contributions due to the Fund, and shall, promptly after receipt, deposit such contributions in a special fund account in an appropriate Canadian financial institution;
- (j) to adopt such procedures, policies, rules and regulations necessary for the carrying out of their trusts and other duties, consistent with the provisions of the *Act*, this Framework, the Funding Policy, the TPP and the requirements of applicable provincial and federal legislation;
- (k) to enter into agreements with a bank, trust company, insurance company, credit union or investment manager, selected by the Corporation, for the purpose of providing investment management or advice, or for the purpose of acting as a depository or custodian for safekeeping of assets of the Fund, or for any other purpose as the Corporation shall deem necessary or desirable and to authorize any such bank, trust company, credit union, insurance company, or investment manager to commingle any monies deposited with them in any mutual or pooled pension fund administered or managed by any of them subject to any applicable provincial and federal legislation;
- (l) to pay or provide for the payment of benefits from the Fund in accordance with the terms of the TPP and applicable provincial and federal legislation to those persons eligible to receive them;

- (m) to provide Members with an explanation of the terms and conditions of the Pension Plan, and of their rights and obligations in respect of the Pension Plan;
- (n) to provide each Active Member and Deferred Pensioner with an annual statement with respect to that member's entitlement under the Pension Plan;
- (o) to pay from the Fund all reasonable expenses incurred in collecting contributions and administering and investing the Fund and administering the TPP including, but not limited to, all compensation and all reasonable and necessary costs and fees which may be incurred in connection with the retaining of such legal, actuarial, accounting, expert and clerical assistance as the Board, in their discretion, may find necessary or expedient in the performance of their duties;
- (p) to enter into contracts and agreements for carrying out the terms of this Framework and the TPP and for the administration of the TPP and the administration and investment of the Fund and to do all acts as they, in their discretion, may deem necessary and advisable including, but not limited to, entering into such agreement or agreements with the Government for the interim administration of the TPP and the interim administration and investment of all or part of the Fund, for the transfer of the assets of the TPP into the Fund and for the transfer of the duties and powers of administering the TPP from the Government to the Corporation;
- (q) to compromise, settle, arbitrate and release claims or demands in favour of, or against the TPP and Fund, or the Corporation, on such terms and conditions as the Board may deem advisable;
- (r) to establish procedures to be followed in filing applications for benefits and for the furnishing and certification of evidence necessary to establish a right to such benefits;
- (s) to accept or not accept employees of employers that are not yet participating in the Pension Plan, into the Pension Plan, to fix the terms and conditions for the employees' participation in the Pension Plan, and to enter into agreements with Employers with respect to those terms and conditions;
- (t) to pay out of the Fund, all real and personal property taxes, income taxes and other taxes of any and all kinds, levied or assessed under existing or future laws, upon or in respect of the Fund or any money, property or securities forming a part thereof;
- (u) to accept payments to the Fund from any source whatsoever, to the extent permitted by law, the TPP and this Framework;
- (v) to hold as uninvested cash, without any liability for interest thereon, such sums as they reasonably deem necessary or advisable for the reasonably current cash requirements of the Fund;
- (w) to exercise all rights or privileges granted by the provisions of any contract entered into by the Corporation with any insurance company, bank, trust company, credit union or investment manager, and to make any alteration, modification, amendment or cancellation of such contract, or to take any other action respecting such contracts which they, in their discretion, may deem necessary or advisable;
- (x) to enter into written agreements with other registered pension plans for the reciprocal recognition of credited service and the reciprocal transfer of the value of such credited service between the TPP and other registered pension plans with the approval of the Sponsor Body if consequential amendments to the TPP are required;
- (y) to delegate any of their administrative powers or duties or such other powers and duties as may be permitted under applicable legislation to any of their agents or employees, in such manner and subject to such terms and conditions as the Board of Directors may deem necessary or appropriate, provided that such agents or employees report to the Board as may be required;
- (z) to lease or purchase and dispose of such lands, premises, materials, supplies, services and equipment as the Corporation deems necessary or appropriate in the performance of its duties hereunder;
- (aa) to provide for the financial administration of the TPP by:
 - i. having an accounting system established for the proper reporting and accountability to the Board in a timely manner and at a reasonable cost;
 - ii. having annual financial statements of the TPP prepared in accordance with generally accepted accounting principles;
 - iii. having a financial reporting audit performed on the financial statements referred to immediately above; and
 - iv. providing to the Sponsor Body an annual report on the TPP, including the audited financial statements no later than 120 days after the end of each fiscal year of the TPP;
- (bb) to prepare an annual report, and make it available to the Members and the Sponsor Body, and to prepare any other report requested by the Sponsor Body;
- (cc) to provide information required by the Government for budget and financial reporting purposes;

- (dd) to hold a meeting between the Board and the Sponsor Body at least once each year to consider matters of interest to either the Board or the Sponsor Body, including explaining the annual report to it and to answer any questions Sponsor Body members may have regarding the TPP and the Fund;
- (ee) to recommend to the Sponsor Body any changes to the TPP that need to be made to comply with the Funding Policy or any applicable law (including any order, policy, guideline or rule of any governmental authority);
- (ff) to advise the Sponsor Body in respect of changes that the Board considers would improve the administration of the TPP;
- (gg) if the Sponsor Body instructs the Corporation on issues relating to the design of the TPP and amendments to the TPP, to advise the Sponsor Body on the feasibility or consequences of implementing such instructions, and, after the giving of such advice, to act in accordance with the instructions, if any and however modified, of the Sponsor Body, and to report to the Sponsor Body on the results of the Corporation's actions in accordance with those instructions;
- (hh) to retain auditors, actuaries and other financial and legal advisors that the Corporation deems necessary
 - i. to assist it in the valuation or transfer of the assets of the TPP from the trust fund of the TPP or in respect of any other matter related to the transfer of responsibility for the administration of the TPP from the Government to the Corporation; and
 - ii. generally in relation to the Fund;
- (ii) to provide for the reimbursement of reasonable out-of-pocket expenses of the Representatives appointed to the Sponsor Body, and to provide for the payment of such other reasonable amounts, including reimbursement of lost salary of individual members of the Sponsor Body, in accordance with the policies of the Sponsor Body;
- (jj) to provide for the payment of remuneration and reimbursement of reasonable out-of-pocket expenses of the individual Directors and external committee members in accordance with the policy to be established by the Sponsor Body. Any expense and compensation policies, or changes thereto, applicable to Directors shall require the approval of the Board and the Sponsor Body;
- (kk) to adopt an annual budget for TPP administration, investment management of the Fund and the activities of the Corporation and prepare an annual report on the TPP administration, investment management of the Fund and the activities of the Corporation;
- (ll) to ensure that any administrative agent keeps an account of all money and assets received and paid out of the Fund and keeps an accounting of the assets and liabilities of the Fund;
- (mm) to ensure that any administrative agent keeps an individual record of contributions made by each Member;
- (nn) to take all steps, whether or not previously authorized herein, which the Corporation may deem necessary or proper for the protection of the Fund.