

# Governance Committee Terms of Reference

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## INTRODUCTION

The long-term sustainability of the Teachers' Retirement Allowances Fund (TRAF) pension plan has been formally recognized as a strategic priority. A strong governance structure will assist in achieving long-term sustainability.

Effective governance requires a functional and competent Board that is primarily focused on establishing the strategic direction, priorities and necessary policies and providing oversight.

The Board has established a Governance Committee (GC) with the broad mandate of assisting and advising the Board on governance-related matters, including an ongoing assessment of governance risk.

## AUTHORITY

When the GC was established on January 18, 2016, there were no legislative provisions specifically addressing the formation or operation of a governance or similar committee. The establishment and authority of the GC arose from the broad authority vested in the Board to properly manage the affairs and activities of TRAF. Effective June 2, 2017, *The Teachers' Pensions Act* was amended to include Subsection 41.1(1), which specifically provides that the Board may establish committees of the Board and appoint members of the Board and other individuals to such committees.

## COMMITTEE COMPOSITION AND MEMBER TERMS

The Board shall appoint three Board members to the GC and designate one such member as the Chair of the GC. All members of the GC shall be independent of day-to-day operations. There shall be no external members on the GC. The Board Chair shall, if not appointed as a member, be an ex-officio member of the Governance Committee.

GC members shall serve at the pleasure of the Board. It is preferred that a GC member (other than the Chair) shall not serve more than four consecutive years; however, in making appointments to the GC, the Board shall consider the necessary balance of skills and experience. In addition, to the extent possible, there should be some continuity on the GC from year to year (i.e., member terms should be staggered when possible). A member's appointment to the GC shall cease if the member's appointment to the Board ceases. The Board may appoint members to fill vacancies.

## STANDARD OF CARE AND RELIANCE ON EXPERTS

In the discharge of their duties under this mandate, each member of the GC shall be obliged to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances where they are dealing with the affairs and property of another person, and shall use all relevant knowledge and skill possessed by them by reason of such member's profession, business or calling.

In the discharge of their duties, the members of the GC may rely in good faith upon any reports and findings of any expert engaged to report upon the matter under consideration. Any engagement of an outside adviser shall be subject to Board approval, either through the annual budget process or by special resolution.

## OPERATIONAL PROCEDURES

### 1. Meetings

Meetings may be convened at the request of the Chair of the GC, or at the request of the TRAF Board by way of resolution. The GC generally meets two times per year. Additional meetings may be convened as determined by the Chair of the GC.

## 2. Attendance

Other members of the Board may attend GC meetings subject to obtaining approval in advance from the GC Chair. In addition, the President & Chief Executive Officer (CEO), the Chief Risk Officer, the Chief Operating Officer and the Corporate Secretary are generally expected to attend GC meetings, but such attendance is at the sole discretion of the GC Chair.

The Board Chair as an ex-officio member of the GC is invited to attend all meetings of the GC but is not required to attend.

The GC Chair and CEO may invite such other staff members as they consider necessary or advisable to attend GC meetings.

In the event that the GC Chair is absent, the remaining GC members shall elect a Chair for that meeting.

## 3. Quorum and Voting

A quorum consists of a majority of the voting members of the GC in attendance. For certainty, the Board Chair, as an ex-officio member, is not counted for quorum and is not a voting member. Each GC member, including the GC Chair, shall be entitled to one vote and decisions shall be made by majority vote of those present, provided a quorum is present. In the event of a tie vote, the GC Chair shall have an additional or casting vote.

## 4. Minutes

The Corporate Secretary shall generally act as the recording secretary for each meeting. In the absence of the Corporate Secretary, the GC Chair shall designate a recording secretary for such meeting. The designated recording secretary should generally be someone other than the GC Chair.

Meeting minutes shall contain an outline of the material issues addressed at the meeting, as well as approved decisions, resolutions or directives.

A draft of the minutes approved by the GC Chair and the recording secretary shall be circulated for review and approval with the materials for the next GC meeting. The minutes shall be approved with such amendments or adjustments as may be agreed upon. In the event of a dispute, the normal voting procedures shall apply.

Notwithstanding the inherent delay in approving minutes, any action taken at a meeting shall be effective as of and from the date of such original meeting.

## 5. Reporting

The GC shall report to the Board on a regular basis. Reporting shall normally be made through the GC Chair. Copies of meeting minutes shall be made accessible to the Board via posting to the Board portal. In addition, the Board may request a report from the GC at any time.

## 6. Compensation

GC members, including the Board Chair as an ex-officio member, shall be compensated in accordance with Board Policy 3.0 – Board & Committee Member Expenses and Compensation.

## RESPONSIBILITIES

The following responsibilities shall serve as a guide, with the understanding that the GC may carry out additional functions as may be appropriate in light of changing business, legislative, regulatory, legal or other conditions, and provided they are reasonably consistent with the general scope of the GC's duties or have been specifically requested by the Board.

1. Governance
  - (a) Set the agenda for Board Governance Retreats;
  - (b) Periodically evaluate TRAF's governance structure, policies and practices, including the identity and assessment of the various risks and mitigating factors associated therewith, and make recommendations for improvement to the Board; and
  - (c) Periodically arrange for TRAF's governance practices to be benchmarked against industry standards and provide the results of such benchmarking to the Board.
2. Specific Board Policies
  - (a) Assume delegated responsibility from the Board for maintaining and administering the following policies (and such other policies as the Board may determine from time to time):
    - (i) 3.0 — Board & Committee Member Expenses and Compensation;
    - (ii) 7.0 — Board Member Education; and
    - (iii) 26.0 — Governance Objectives & Practices.
3. Other
  - (a) Review and maintain a skills matrix for the Board and make recommendations to the Board regarding the preferred skills, competencies, experience and personal qualities of future Board members;
  - (b) Monitor upcoming vacancies in the public nominees to the Board and make timely recommendations to the Board regarding potential nominees, taking into account the criteria described above;
  - (c) Recommend to the Board the establishment of positions for external members if and when considered beneficial; and
  - (d) On a periodic basis, review these Terms of Reference and recommend any desired changes to the Board.

## RESPONSIBILITIES OF THE COMMITTEE CHAIR

The Chair of the GC shall:

1. Ensure that the GC addresses each of its responsibilities as set out herein;
2. Plan and organize the activities of the GC; and
3. Set the agenda for each meeting of the GC.

## BOARD REQUESTS

The GC shall carry out such other tasks as directed by the Board.



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