

PENSION GOVERNANCE SYSTEM INTRODUCTION

The United Church of Canada is committed to high standards for the administration of the Pension Plan of The United Church of Canada (the “Plan”) and the investment of its assets. To support the attainment of and adherence to these standards, the church has adopted a governance structure, comprised of a set of checks and balances that provide a solid foundation for the Plan’s administration and investment practices.

Within this governance structure, the Executive of the General Council (the Executive) is responsible for the oversight of the Plan’s purpose, adherence to high level guiding principles, stewardship of the interests of primary stakeholders and regulatory compliance. The Executive is the legal administrator of the Plan and is ultimately responsible for the administration of the Plan and the pension fund (the “Fund”). Given the scope of the knowledge required to prudently administer the Plan, the Executive has delegated the performance of certain functions to the Pension Board. It is the Pension Board that, with the assistance of the Investment Committee and the Pension Plan Advisory Committee, oversees the quality of performance of delegated functions and adherence to high standards for the administration of the Plan and the Fund.

The following processes recognize the division of functions involved in the administration of the Plan and the Fund and clearly set out the mechanisms for achieving accountability amongst the parties involved:

- **Pension Board and Committee Monitoring Structure:** The Pension Board and the various committees established to support it monitor and evaluate the quality of the performance of functions to safeguard the governance structure. Members of the Pension Board and its committees, bring a breadth and depth of expertise to this monitoring structure and evaluation activity. Fields of specialization represented by these members include actuarial, investment management, legal and accounting.
- **Terms of Reference:** The scope of the responsibilities and the lines of accountability for Staff, the Pension Board, the Pension Plan Advisory Committee and the Investment Committee are outlined in considerable detail in their respective terms of reference.
- **Clear and detailed minutes of meetings:** The minutes of the meetings of the Pension Board and its committees not only summarize actions agreed upon, but also provide context in support of decisions made.
- **Ongoing Communication:** One member of the Pension Board is also a member of each of the two committees. This representation helps to facilitate open communication and promote liaison amongst the various forums in the governance structure. In addition, Staff, the Pension Board and committee members maintain a continuing dialogue.

This information is **for reference purposes only**. Every effort has been made to ensure the accuracy of the information provided. However, if there is a conflict between the Plan and

related documents and any other information contained here, the provisions of the Plan and related documents, including documents pertaining to the governance structure, will take precedence.

When significant legislative and other new developments arise, Staff will attempt to provide a summary alerting you to the new development and its significance to the Plan and Fund.

PENSION GOVERNANCE SYSTEM

The strategic framework of the pension governance system is set out in the Statement of Beliefs and Guiding Principles adopted by the Executive of the General Council (the Executive) in 2019.

The pension governance system recognizes the division of functions involved in the administration of the Plan and the Fund and clearly sets out the mechanisms for achieving accountability amongst the parties involved in these endeavours. The following chart summarizes the reporting structure within the pension governance system, the authorities and responsibilities of the Executive, and the functions delegated to the Pension Board, its committees, and Staff.

The following is a summary of the roles played by the Executive and the Pension Board, its related committees, and Staff within the governance framework.

ROLE OF THE EXECUTIVE

The Executive's authority as "legal administrator" is set out in *The Manual: D.5.3 (e)*. As the legal administrator the Executive is answerable for the administration of the Plan and the Fund and as such is responsible for the oversight of the Plan's purpose, focus and regulatory compliance. In its capacity as the legal administrator, the Executive is required to practice a standard of care and observe certain fiduciary duties under common law and applicable statutes.

ROLE OF THE PENSION BOARD

Given the scope of the knowledge required to prudently administer the Plan, the Executive has delegated the performance of certain functions to the Pension Board. In performing these functions, the Pension Board takes on the role of agent of the legal administrator, the Executive, and assumes the role of the administrator of the Plan in relation to the Plan's day- to-day operations.

In its capacity as the agent of the legal administrator, the Pension Board is required to practice a standard of care and observe certain fiduciary duties under common law and applicable statutes.

The Pension Board in turn has adopted processes to ensure the maintenance of the governance structure's integrity.

The scope of the delegated functions and the lines of accountability for the Pension Board, related committees and Staff are outlined in their respective Terms of Reference.

ROLE OF RELATED COMMITTEES

The Pension Board has established two committees, the Investment Committee and the Pension Plan Advisory Committee to assist in carrying out the functions delegated to it by the Executive. The functions delegated to the Pension Plan Advisory Committee address Plan design, funding and administration issues while those delegated to the Investment Committee address the investment of the Plan's assets.

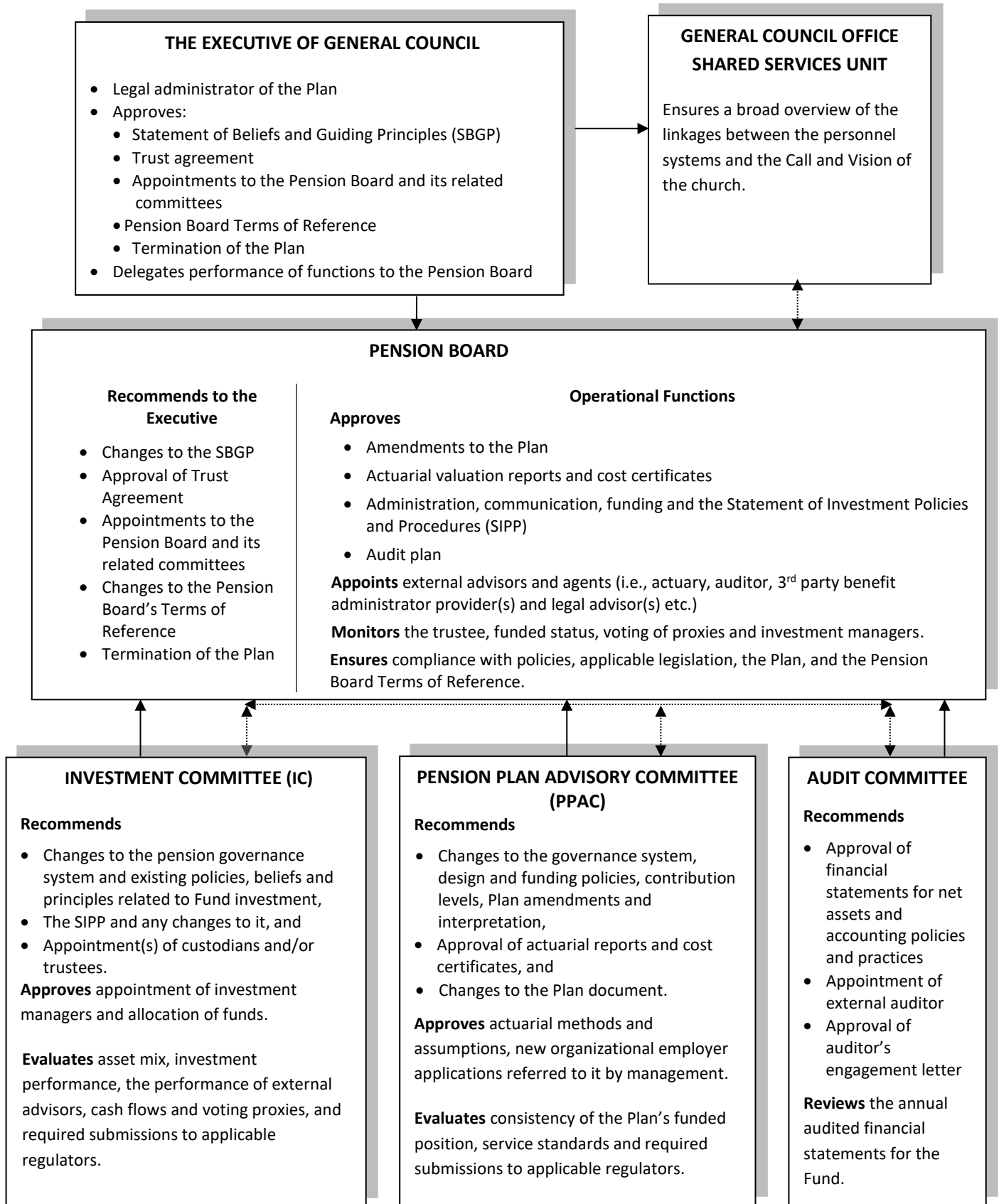
ROLE OF STAFF

Staff has several functions in the pension governance system. Firstly, Staff has been delegated to perform some administrative functions for the Plan and the Fund on an ongoing basis either directly or in monitoring external third parties. Staff is to provide accurate and timely information to the Pension Board and its committees on these activities. Secondly, Staff is to prepare meeting materials and minutes for the Pension Board and its committees and is to coordinate the flow of information between committees. Thirdly, Staff is to provide linkages between the personnel systems and the Call and Vision of the church.

ADDITIONAL INFORMATION

The chart and the overview found in this section have been prepared to provide Staff with an overview of their functions and responsibilities under the governance structure. Any questions related to the performance of functions delegated to the Pension Board and its related committees are to be referred to the appropriate Terms of Reference.

CHART - PENSION GOVERNANCE SYSTEM STRUCTURE AND ROLES



OVERVIEW OF ROLES

	DESCRIPTION
Governing legislation	The Plan is subject to the provisions of the Ontario Pension Benefits Act, other applicable provincial pension legislation and the Income Tax Act, Canada. The Plan is registered with the Financial Services Regulatory Authority of Ontario and the Canada Revenue Agency.
Legal administrator's role	<p>The Executive, in its capacity as the legal administrator, is ultimately responsible for the administration of the Plan and the Fund. These responsibilities include but are not limited to:</p> <ul style="list-style-type: none"> • Applying the rules set out in the Plan document. • Communicating to members their rights and entitlements. • Ensuring: <ul style="list-style-type: none"> ○ The completeness of Plan terms. ○ Compliance with the applicable legislation. ○ Actuarial valuations are performed. ○ Required contributions are remitted to the Plan at the correct times. • Managing the assets supporting the Plan prudently. • Paying <ul style="list-style-type: none"> ○ Benefits on a timely basis and in accordance with the Plan and applicable legislation. ○ Administration costs. <p>The legal administrator is also responsible for making Plan design decisions.</p>
Pension Board's role	The Pension Board, when performing the functions delegated to it by the Executive in its capacity as the Plan's legal administrator is acting as the agent of the Executive. As an agent of the Executive, the Pension Board is subject to the same legislated standards of care applicable to the Executive.
Committees, task groups and staff roles	Committees, task groups and Staff supporting these bodies, established to support the Pension Board, also function as agents of the Executive. As the agents of the Executive, the committees and task groups are also subject to the same legislated standards of care applicable to the Executive.

	DESCRIPTION
Minimum standard of care to be observed when acting as or on behalf of the legal administrator	<p>The Pension Board, Committees and Staff, when performing the functions delegated to them, are required to practice the same standard of care and observe the same fiduciary duties under common law and applicable statutes that the Executive is required to observe. The minimum standard of care may not be less than the standard of care set out in applicable pension legislation.</p> <p>The legislated minimum standard of care requires:</p> <ul style="list-style-type: none"> • The utilization of all relevant knowledge and skill Pension Board members possess or ought to possess by reason of their professions, businesses or callings, and • Members of the Pension Board to exercise the care, diligence and skill in the administration and investment of the Fund that a person of ordinary prudence would exercise in dealing with the property of another person.
Fiduciary duties to be observed when acting as or on behalf of the legal administrator	<p>The fiduciary duties of members of the Pension Board, Committees and Staff, when performing the functions delegated to them mirror the Executive’s fiduciary duties. These duties include but are not limited to a duty:</p> <ul style="list-style-type: none"> • To act reasonably and prudently; • Of loyalty to those people whose interests the Pension Board is protecting; • Not to allow the Pension Board’s or its members’ own interests to conflict with the fiduciary’s duties; • Not to profit from the fiduciary position and to account for any undisclosed profit, and • To hold an “even hand” between competing interests of those on whose behalf the Pension Board is acting.