



**Ontario Pension Board  
Business Plan  
2021-2023**

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## OPB Overview

Ontario Pension Board (OPB) is the administrator of the Public Service Pension Plan (the Plan), a defined benefit pension plan, with over 90,000 members – current, retired and deferred – and oversees the investment of \$29.3 billion of net assets (the Fund) that fund the benefits under the Plan.

Since 2017, the assets of the Plan have been managed by the Investment Management Corporation of Ontario (IMCO). OPB maintains an oversight role on the Plan's assets.

This Business Plan speaks to the three-year period from January 1, 2021 to December 31, 2023; however, the primary focus is on 2021.

## Mandate

OPB was created in 1990, by enactment of the *Public Service Pension Act*, to administer both the Plan and the Fund.

OPB is governed by its Board of Directors. The Chair of OPB's Board is accountable to the President of the Treasury Board for OPB's performance in fulfilling its mandate.

As part of its 2021 mandate from the President of the Treasury Board, OPB has aligned its strategic approach and initiatives to support the following new and continuing provincial priorities:

- Effective oversight of expense management and controls to align with the government's fiscal objectives and minimize administrative costs for our stakeholders, including responding to managing and mitigating the impacts of the COVID-19 pandemic on OPB and the PSPP;
- Effective oversight of our strategic, operational and financial risks to help ensure our business objectives are met;
- Ensure that a strategic focus on the financial safety and soundness of the PSPP for all members is prioritized;
- Delivery of superior client service to help members plan for retirement;
- Ongoing oversight of OPB's assets, which are managed by IMCO;
- Maintaining an effective system of internal controls and compliance to promote transparency and accountability;
- Providing ongoing support for the Ontario Provincial Judges Pension Plan (PJPP) administration; and
- Providing ongoing support for government-requested initiatives.

Subject to the provisions of the Plan, OPB may administer other pension plans or funds, or insured benefits plans. The administration of several other plans/services on behalf of the Government of Ontario are all on a fee-for-service agreement and are structured on a cost-recovery basis, not as a profit-generating activity.

## **Approach to 2021 Business Plan**

The Business Plan and Budget for 2021-2023, provides for an increase in our operating expenses of \$4.2 million in 2021 over 2020. Part of this increase is due to the planned addition of 27 full time equivalent (FTE) staff which will take our staff complement from 176 to 203. We recognize the need to justify these incremental financial and human resources and we have structured this Business Plan and Budget to do so. In short, the resources for our normal operations are close to flat, with a 0.8% year-over-year increase. The vast majority of the increase, \$3.7 million, is the result of mandatory initiatives that we must undertake in 2021 and the several years following.

Each year, OPB has a budget to conduct its normal operations (Base Operations Budget) and what we refer to as an “Initiatives Budget” to fund projects that are outside our day-to-day operations. These initiatives fall into five categories, as follows:

1. Risk Mitigation - Mandatory
2. Compliance - Mandatory
3. Non-recoverable Plan Sponsor-driven - Mandatory
4. Recoverable Plan Sponsor-driven - Mandatory
5. Strategic

Risk Mitigation initiatives are those that we deem to be essential to mitigate a risk we have identified to OPB or the PSPP. This includes such things as enhancing our cyber security or replacing information technology infrastructure or systems that are end of life or will no longer be supported by the vendor.

Compliance initiatives are those that are required to meet a requirement of legislation or government directives to which we are subject. Examples include meeting the requirements of the *Accessibility for Ontarians with Disabilities Act (AODA)* in our website and other communications, and the recently introduced requirement to provide retired member statements.

The ‘Plan Sponsor-driven’ initiatives are those that we need to deliver to meet a direction from our Plan Sponsor. They may arise for a number of reasons, such as the merger of smaller agency pension plans into the PSPP; the restructuring of the Provincial Judges Pension Plan, which is administered by OPB; and government human resource initiatives that have pension implications, such as the Transition Exit Initiative to adjust the size of the public service. The expenses relating to these initiatives may be recoverable or non-recoverable. They are

recoverable if they are not for, or do not relate specifically to, the PSPP as a whole and can therefore not be paid from the Fund that OPB holds in trust for the PSPP. An example would be the initiatives relating to the Provincial Judges Pension Plan for which the expenses would either be recoverable from that Plan or the government. Recoveries are netted out against our expenses in our budget and therefore have no net impact. It is important to note, however, that such initiatives do require resources to deliver on them and therefore impact our need for full time equivalent staffing complement. Initiatives that do relate to the PSPP are non-recoverable and are reflected in our expenses. Sponsor-driven initiatives have increased in 2021 and we expect this to continue for the foreseeable future. It is important to note that many of these initiatives are also aligned with the strategic direction of OPB/PSPP and its members. An example of this alignment with our Vision 2025 strategic direction is the plan mergers which tend to improve the demographics of the PSPP, improve OPB's economies of scale and enhance the Plan Sponsor's perception of defined benefit pension plans.

It is apparent that the Risk Mitigation, Compliance and Sponsor-driven initiatives are mandatory, and we must build those into our Business Plan and Budget. Usually, we have little flexibility in the timeline to complete these initiatives, though we do endeavour to negotiate timelines for Plan Sponsor-driven initiatives, where possible.

The fifth category comprises what we refer to as Strategic Initiatives. These are initiatives that further our Vision 2025 and Strategic Plan. Our Vision 2025 is supported by two main strategies: Plan Sustainability and Client Service Excellence. While we have a number of initiatives planned for 2021 and the several years following to deliver on both of these strategies, the initiative that will absorb the most resources, human and financial, is our Client Experience/Digital First initiative. This involves the rebuild of our pension administration business processes and IT systems to deliver a more modern, digital/online and efficient client service experience and, to provide our staff with the modern tools to do their jobs more efficiently. This initiative is fully aligned with the government's strategy to improve the customer experience in the delivery of public services and to move to a Digital-First delivery channel where practical. As the government has recognized, moving to a Digital-First service delivery approach requires upfront investment. This modernization of our pension administration business processes and systems is a major project that we expect to take seven years to complete and to require an investment in terms of incremental human and financial resource demand during that period.

In recent years, our initiatives expenses have been in the \$3 to \$5 million range per year. For 2021, the planned expenditure on initiatives is \$9 million which, as noted above, is an increase of \$3.7 million over 2020. But for the mandatory initiatives, we would have been able to contain our budget to a much more modest increase. While we expect this expense level to be required for several years due to continuing mandatory initiatives and ongoing modernization, we do not expect further substantial increases. It should be noted that the additional staffing is to some extent reflective of a move to internalizing certain IT resources that have been contracted out in previous years. This is more efficient and effective due to higher knowledge retention, which will be important to our multi-year pension business process and IT system modernization.

## **Approach to People Resources and Planned Complement Increase**

The Mandatory and Strategic Initiatives for 2021 are detailed later in this Business Plan. In addition to the considerable commitment required to deliver on the Mandatory Initiatives for 2021, we expect that demand to continue in the coming years. In addition, the modernization of our pension administration business processes and IT systems is a multi-year program which will require increased staffing throughout. While we are currently resourced to deliver effectively on our Base Operations and our historical level of Strategic Initiatives, we do not have the requisite capacity for the higher volume of Mandatory Initiatives in addition to the increase in work required to deliver on our Strategic Initiatives. Prior to 2019, OPB's staffing complement remained relatively steady. All of these initiatives draw on our expert staff and, without appropriate backup, the quality of Base Operations would be put at substantial risk.

While we face significant competition within the sector to attract and retain skilled talent at all levels, succession planning and in-house leadership development play an essential part of our careful and prudent approach to organizational resource planning and design. This approach also assists with the lower cost and increased efficiency gained through the retention of staff and their acquired knowledge at a lower overall cost relative to the use of external consultants and contractors. We know that, over the next few years, we will be operating in a highly competitive market for defined benefit pension plan administration talent.

For these reasons, we are proposing to add 27 new full time equivalent (FTE) complement to our permanent staff. While this is a significant addition to our staffing, we believe that it is essential if we are to maintain the quality of service to our clients and stakeholders and of our operations and to deliver on the Mandatory and Strategic Initiatives.

## OPB's Vision 2025 and Strategic Plan

Since 2019, OPB has adopted the following vision and strategic plan for the organization: Vision 2025.

Our vision statement is:

“OPB is a premier pension delivery organization and a trusted advisor to all our stakeholders, whose effectiveness delivers sustainability for the PSPP.”

Vision 2025 builds upon our previous Advise and Protect vision and strategies, and is very well aligned with OPB's mandate from the President of the Treasury Board (set out above).

To realize Vision 2025, OPB has set its strategic focus on Sustainability and Service Excellence. The focus on Sustainability is comprised of three main strategies:

- Investments;
- Funding and Design; and
- Cost-Efficiency.

Similarly, there are three main strategies within the focus of Service Excellence:

- Digital and Online Services;
- Advanced Business Processes and Systems; and
- Advisory and Education Services.

We have also identified three organizational foundations that are essential underpinnings to our ability to achieve our strategies and Vision 2025. The foundations are:

- State-of-the-Art Governance;
- Outstanding Stakeholder Relations; and
- High-Performing People.

Within each of the Strategies and Foundations, we have identified initiatives that we will undertake in the coming years. The 2021 and subsequent business plans will be guided by these strategies and planned initiatives. We have also adopted a set of metrics for each Strategy and Foundation to guide and measure our progress.

OPB's stated values are intended to work in combination with the Vision 2025 strategies as the underpinnings of a high-performing organization.

OPB's values are:

- Client and stakeholder commitment: we strive for exceptional client experiences;
- Inclusion and diversity: we are respectful and collaborate, leveraging everyone's unique talents and experiences;
- Innovation and continuous learning: we are open to exploring new ideas and approaches as we continuously improve, learn, share and grow;
- Trust and transparency: we act with integrity and communicate honestly to create open, transparent and trust-based interactions; and
- Accountability: we protect the pension promise through advocacy and by delivering effective and efficient programs and services that drive Plan sustainability.

## **Expenditure Management and Fiscal Restraint**

It is important to note that OPB's expenses are paid from the Plan's assets not from the Consolidated Revenue Fund and are therefore not reported as part of government expenses. However, as an agency of the Province of Ontario, OPB respects the message of expense restraint that has been established by the government. We have limited the increase in our 2021 budgeted expenses for Base Operations to 0.8%.

The 9.9% year-over-year increase in our total expenses is driven primarily by the Mandatory and Strategic Initiatives. These are all aligned with the government's focus on improving the quality of customer service in the public sector and on reducing duplication and improving efficiency through, among other things, increased use of technology in service delivery ('Digital First'). These all require investment and resource commitment and the increase in the initiatives budget reflects that required investment.

Despite the budget increase, OPB's expense ratio (expense per dollar of assets under administration) is expected to continue to be below 60 bps in 2021. That expense ratio continues to be among the lowest in the industry, even in comparison to peers who have significant advantages of scale.

In 2019, our independent internal auditors completed a review of our prior year's operating expenses. Based on their review, they noted that "nothing that came to our attention that caused us to believe that, in support of OPB's strategy and Business Plan, OPB's Management did not take a cost effective and efficient approach to its operating expenses for the year ended 31 December 2018." They also noted a close alignment with the Province's 'Digital First' strategy.



## Status of the Public Service Pension Plan

Protecting the promise for members of the Plan and ensuring that it is sustainable over the long term is our top priority. As of December 31, 2019, the Plan had a funded status of approximately 93%.

We take a disciplined, long-term approach to managing the financial health of the Plan. As part of that approach, we regularly conduct in-depth reviews of the cost of the pensions promised by the Plan and the adequacy of the contributions to fund those pensions. Over the past few years, those studies have shown that the cost of pensions is rising due to our members living longer than expected and due to the prolonged low-interest-rate environment. These factors are the primary reasons why we recommended to the Plan Sponsor that it increase the regular matching contribution rates for the Plan, which was implemented in two phases in 2018 and 2019. We also lowered the discount rate we use to calculate the present value of future pensions payable by the Plan and strengthened the longevity (life expectancy) assumptions to better align those assumptions with our expectations for the future.

That said, there are now two additional factors impacting our expectations for the funded status of the Plan over the next several years. First, our expectation is that investment returns over the next five to 10 years are going to be lower than in the past 10 years. Second, the funding rules for single-employer pension plans (such as the PSPP), introduced in 2018, require us to add a margin for conservatism to our liabilities when determining our funded status. The additional margin is very sensitive to changes in Government of Canada long-bond yields from one valuation date to the next. The decreases in bond yields that have occurred since the onset of COVID-19 will significantly add to the Plan's liabilities. Even before COVID-19, bond yields were dropping. In the December 31, 2019 actuarial valuation of the Plan, the drop in bond yields during 2019 resulted in the effective discount rate dropping from 5.64% to 5.25%. This is a larger single-year decrease than we have made to our discount rate in the past. While, in the absence of the new funding rules, we would have applied some of the investment gains from our strong 10.8% return in 2019 to build in additional conservatism, by lowering the discount rate, but it would not have been to the degree mandated by the new funding rules. Due to COVID-19, the Bank of Canada and the federal government have indicated an intention to keep interest rates low for an extended period. This will cause funding challenges for the PSPP under the new rules.

We have recommended to the Plan Sponsor that the 2019 actuarial valuation be filed and that the Plan Sponsor special payments be adjusted to reflect the impact of the drop in bond yields in 2019. While we believe the increase in contribution rates and special payments from the Sponsor will contribute significantly to restoring the Plan's funded status over time, given the interest rate and investment outlook and new funding rules, there is risk of further deterioration in the funded status. As a result, we have a funding risk study underway to model the funded status under various scenarios and to develop potential responses to restore the funded status and maintain the sustainability of the Plan. As a result of the pandemic, we are reviewing additional scenarios to reflect the economic and market conditions arising from the pandemic.

## Environmental Scan

The environment for administrators of large public sector defined benefit pension plans continues to be complex and challenging. Environmental factors present opportunities, risks and impacts for the Plan. How effectively OPB responds to these factors can significantly impact the Plan and our stakeholders. Accordingly, properly identifying and assessing these factors is necessary to successfully fulfill our mandate. There are many aspects of the current environment that are placing significant and unavoidable pressure on OPB's operating expenses and resources. Despite this, OPB remains committed to the government's expectation of expense management and we believe that the budget outlined in this Business Plan is respectful of that expectation while making the investment necessary to maintain and improve our client service, increase our use of information technology in our service delivery, manage risk and respond to significantly growing demands from employers, clients, and the Plan Sponsor.

This section highlights some of the environmental factors we believe could impact OPB's Business Plan and strategies over the next few years.

**Technology Changes and Challenges:** As discussed in our last few Business Plans, our existing pension administration systems are nearing the end of their life cycle. Since they were put in place in the early 1990s, the Plan's membership has grown, and while we have introduced new tools and services to improve our productivity and modernize our service delivery to better serve our members, those foundational systems can no longer be extended to meet a digital service mandate.

Over the past few years, we have implemented several initiatives to improve our cyber security maturity. Ensuring our technology remains current is critical to ensuring our clients' personal information remains secure. OPB continues to be vigilant and responsive to constantly evolving cyber-security threats. These threats are becoming increasingly sophisticated, and constant vigilance is essential to effectively mitigate this risk. We plan to continue to address this risk over the next several years by further modernizing our pension administration systems starting with our member and employer portals. We will also use this opportunity to look at how we can make our business processes and systems more digitally efficient and effective for our clients to improve the client experience and our productivity. In 2020, after the pandemic hit, we introduced several new digital processes to help ensure we were able to effectively serve our clients remotely, including a secure document upload feature for members and a feature to enable electronic signatures. We were very pleased that we were able to respond to these new client needs in a remote environment while also maintaining our operations and strong service levels.

**Investment Environment/Outlook:** With the ongoing unfolding of the COVID-19 pandemic, there is a higher level of uncertainty regarding the economic outlook than in years past, which were themselves characterized by several developing factors and heightened uncertainty.

These included the following:

- Economic growth weakened, which placed renewed pressure on major central banks to ease monetary conditions by lowering interest rates to avoid further weakness or recession in many developed market economies.
- Significant disruption in global trade relationships, most notably between the US and China, is causing uncertainty about the flow of goods and services in the future. This uncertainty is expected to continue to result in volatility in the capital markets.
- Against this backdrop, governments and central banks have intervened with unprecedented fiscal and monetary stimuli. To date, this has resulted in the stabilization of the equity markets accompanied by extremely low government bond yields.

However, many economic indicators, while much improved since the spring, remain much worse than at the start of the year and there remains a great deal of uncertainty as to how the remainder of the impact of the pandemic will unfold.

- While OPB's Investment Portfolio has posted a strong 10-year annual compounded return of 7.5% (as of June 30, 2020) given the backdrop mentioned above, the next decade is likely to be much more challenging.
- Rich starting valuations and low yields in key asset classes are the major factors underlying the subdued outlook; historically, high asset prices relative to fundamentals (i.e. low asset class yields) have reliably predicted lower long-term returns.

Although OPB has performed well since introducing infrastructure and private equity programs in 2012, IMCO is making significant progress to access and pursue a broader range of assets and partnership opportunities across OPB's whole portfolio.

Some of the IMCO strategies to address the expected investment challenges facing OPB's Investment Portfolio now and in the future include the following:

- Seek to tilt its investment strategies toward areas where there is greater opportunity for higher growth and returns, at an acceptable level of risk;
- Pursue opportunities to reduce costs, for example through the utilization of factor investing and increased allocations to direct and co-investment acquisition of private assets;
- Position the public equities portfolio to invest in higher conviction strategies and, in some cases, with more meaningful positions in investee companies;
- Enhance exposure to credit, tapping into opportunities across the credit spectrum; and
- Within the real estate portfolio, reduce the current dominance of retail properties as well as the Canadian bias in favour of more exposure to industrial and residential properties, often in the US or Europe.

**Demographic and Economic Trends:** There are several demographic pressures facing the Plan. The most important of these is the fact that people are living longer and therefore collecting their pension longer. This increases the costs of pensions and creates funding pressures. We have had to further strengthen our longevity assumptions used to value the liabilities of the Plan. To reflect the low interest rates and yields on many assets, we also lowered the discount rate we use to calculate the present value of the liabilities in the Plan. We believe that these are prudent steps to manage the long-term health of the Plan. OPB will continue to monitor the demographic and other trends affecting the Plan (such as change initiatives within the Ontario Public Service and broader public sector which could reduce the Plan's active membership) to determine if Plan design and other funding changes are required in response to these trends.

**Ensuring Compliance with Expanding Mandatory Governance, Risk and Compliance standards:** There are a number of important government directives and legislative requirements with which OPB must comply, such as the Open Data Directive, anti-spam legislation, enhanced procurement rules, and accessibility for persons with disabilities legislation (AODA) to name a few. The Administrative Monetary Penalties (AMPs) which were introduced under the *Pension Benefits Act* in 2018 also require increased diligence and measures to ensure continued compliance with all legislative and regulatory requirements.

In 2021, there are several important legislative, compliance and risk mitigation initiatives we need to implement. We need to adapt Annual Pension Statements and online member and employer portals to be fully accessible in order to meet our AODA compliance requirements and to transition both portals to a new web platform, since vendor support for our current platform will terminate at the end of 2021. The shift to a new platform will also ensure we maintain strong cyber-security controls.

Given the COVID-19 pandemic, we will incur some additional expenses to ensure a responsible and safe return-to-work strategy that protects our employees and clients and fully complies with any public health directives and government regulations that might be in place next year.

These compliance and risk mitigation initiatives will take significant effort and resources to accomplish.

**Government Priorities:** Controlling human resource costs, including pension expense, in the public sector is seen as one of the key paths to fiscal health in Ontario. Measures to address the Province's budget deficit and debt level could impact the Plan and OPB in various ways. Provincial priorities include:

- significantly increasing OPB's role in the administration of the Provincial Judges Pension Plan. This will require changes to our systems to enable us to administer the Judges Plan efficiently and effectively. These changes include digitization of letters, creation of an automated pension calculator, and designing and producing the first Annual Pension Statement for sitting judges;
- expanding the online services for clients through our member and employer portal projects (aligning to the government's 'Digital First' strategy);

- additional pension consolidation mergers are likely to move forward in 2021. To proceed with the complex integration tasks, we also need to enhance the pension calculations for eligible service (develop a new pension merger calculator), so that we can efficiently manage the type and volume of service purchase activity that is expected to come with these consolidations; and
- other government HR priorities, including supporting their upcoming HR and payroll systems modernization, to ensure those systems effectively integrate with our systems, improve data reporting accuracy and efficiency and provide us with the information we need to calculate accurate benefits and support clients in making sound pension decisions.

Each of these initiatives have or will create significant human resource demands on OPB.

**Rising Service Expectations:** Our members, retired members, employers and other stakeholders expect faster and more sophisticated service, including the use of online self-service tools. Our clients want more personalized advisory services to help them navigate key pension decisions during their membership, and increasingly they expect to be able to exchange information, complete transactions and receive their communications online. To ensure we continue to keep our clients' information secure while providing them with the online services and tools they expect, we need to modernize our technology.

**Increasing Service Demands:** OPB continues to focus on delivering exceptional service to our clients in an ever-evolving environment. Our client base is becoming more diverse, adding to our business complexity. We have had to develop new processes and communications to support the TVO and Ontario Northland mergers, which added 2,800 members and retired members to the PSPP in the last two years. These pension plan mergers align with the government's drive to remove redundancies and create efficiencies across the broader public sector. Client service demands have increased compared to historical norms, with terminations up 35%, increased retirement planning and greater digital engagement. This year, as the result of the pandemic, we have also had to quickly adapt to serving our clients remotely and introduce new tools to help us do so effectively.

## Strategic Direction

### Vision 2025

Fundamentally, OPB has two critical objectives: first, to manage the financial health of the Plan so that it remains sustainable over the long term, and second, to provide outstanding pension administration services to our members, employers and other stakeholders. This is reflected in our two core strategies in Vision 2025: Sustainability and Service Excellence.

We have developed three sustainability strategies (Investments, Funding and Design, and Cost-Efficiency) and three service excellence strategies (Advisory and Education Services, Digital and Online Services, and Advanced Business Processes and Systems). We believe these are appropriate to meet our objectives in managing the Plan and supporting the government in its

efforts to improve the Province's finances as well as in managing the impacts and seizing the opportunities presented by the current environment.

OPB is confident that these Strategies, supported by the three Foundations, will be delivered through the initiatives outlined in this Business Plan.

## **Sustainability Strategies**

Our sustainability strategies are directed toward achieving excellence in the management of all Plan funding variables (net investment returns, contribution levels and benefit structure) so that: (1) accrued benefits are delivered as promised; (2) the Plan remains affordable over the long term; (3) the benefit package in the Plan continues to be structured so as to build lifetime retirement income adequacy for long-serving members; and (4) fairness in the Plan costs and benefits is achieved across generations of members.

## **Investments**

The day-to-day investment management of OPB's assets was transitioned to IMCO in July 2017. IMCO continues to expand its in-house investment management expertise in many asset classes to generate incremental risk-adjusted returns in a cost-effective manner as it becomes a best-in-class investment manager that will offer a strong value proposition to all clients.

The Plan's pension obligations drive OPB's long-term investment strategy. The annual employee and employer pension contributions to the Plan do not cover the cash flow needed for the annual retirement benefit payouts, so the difference must be covered by income from investments. Since 1990, approximately 71% of pension payments have come from investment income; strong investment returns are therefore critical to the long-term health of the Plan.

By the end of 2020, OPB will have completed an Asset/Liability (A/L) Study, which it typically conducts every three years. The purpose of the A/L Study is to determine whether the risk/return profile of OPB's investments is optimal and whether the Plan's assets are a good match with its liabilities in the current environment and expectations for the future and, if not, to determine what adjustments need to be made. The A/L Study is fundamental to formulation of OPB's Strategic Asset Allocation (SAA):

- The SAA identifies percentage targets for individual asset classes that make up OPB's Investment Portfolio (i.e. the Portfolio's Asset Mix).
- The SAA drives investment performance and is OPB's most important investment decision. The SAA is the Fund-level investment strategy that we believe will earn the investment returns required to meet or exceed the discount rate used to calculate the present value of the Plan's pension obligations at an acceptable level of risk.

OPB continues to set the Plan's SAA which IMCO then executes in accordance with established investment policies and individual asset class strategies. IMCO reports investment returns and investment risks to OPB on a regular basis.

OPB monitors IMCO's investment performance and the performance of its duties, responsibilities and obligations under the contractual agreements between OPB and IMCO (e.g., Investment Management Agreement, Service Level Agreement).

A major tenet of IMCO's multi-year Business Plan is 'Costs Matter.' Over time, lower relative investment costs are expected to be achieved through IMCO's scale and an optimum mix of external and internal investment management. Internal asset management is often less expensive than external management. IMCO is not-for-profit, so OPB is charged a fee on a cost-recovery basis.

To put that in context: increasing average net investment returns (through reduced costs) by  $\frac{1}{4}$  of 1% per year above the discount rate used to value the Plan's pension liabilities would generate additional income for the Fund of approximately \$2 billion at the end of 15 years. On its own, this could cover the current going concern funding shortfall in the Plan.

OPB has included as a performance metric in assessing its consolidated (investments and pension administration) expenses for both IMCO and OPB, a long-term expense ratio of 66 bps (basis points) or lower. We expect that the 2020 consolidated expense ratio will be approximately 60 bps.

## **Funding and Design**

The financial health and sustainability of the Plan is a function of how well we manage three variables:

- Adequacy of contributions to the Plan;
- Long-term investment rate of return on the Fund net of all expenses; and
- Cost of the benefits promised by the Plan.

We continually analyze these variables through a series of actuarial reviews, including:

- Annual Plan valuations;
- Experience studies to determine trends in the cost of benefits and to assess whether we need to change the assumptions we use to value the Plan;
- Asset/liability studies that are conducted at least every three years and are used to set our strategic asset allocation for our investments;
- Long-term funding studies to determine adequacy of contribution rates; and
- Funding risk studies to assess funding risks under a wide variety of scenarios and develop funding responses to address funding challenges that may emerge over time as well as risk mitigation strategies to reduce the likelihood or moderate the development of funding shortfalls.

It is also critical to continue advocating for a regulatory environment that is conducive to the sustainability of the Plan and defined benefit (DB) model. We believe DB plans are the most effective approach in achieving retirement income while still being affordable to both employers and employees over the long term. We also believe that, as an attractive part of a total compensation package, DB plans can help public sector employers attract and retain key talent, making them a valuable tool in helping implement human resource strategies. We undertake advocacy efforts through:

- Direct OPB submissions to government, regulators and employee groups;
- Partnerships with our peer plans on matters of mutual concern; and
- Collaboration with industry organizations such as the Association of Canadian Pension Management (ACPM) and the Ontario Bar Association (OBA).

### **Cost-Efficiency**

To help us manage costs across all aspects of our business, we are including initiatives that will, over time, help us improve our cost efficiency and service levels and have established metrics that will help us track our progress.

As with asset pooling, merging smaller public sector pension plans into the PSPP (we refer to this as pension consolidation) is intended, among other benefits, to improve our economies of scale, which helps to reduce our per-member cost and also aligns with government direction to improve efficiency and reduce redundancy across the Ontario broader public sector. The consolidation of the pension plans of smaller government agencies whose principal focus is not administering a pension plan is also likely to improve performance and client service. Even if consolidation does not increase our active membership numbers significantly, it helps offset other potential membership reductions resulting from government restructuring, such as the modernization of OLG and the Transition Exit Initiative so that our ratio of active-to-retired members is maintained. This ratio is very important: the Plan needs active contributors to spread the risk and cost of funding shortfalls and to be able to take investment risks to enhance our returns over time.

Two other important initiatives will also drive cost-efficiency. Many of our business processes and systems are outdated and need to be reviewed and updated to be more effective and more efficient and support the digital-first approach. This is of significant importance for our digital strategy and pension administration system modernization. Through our pension modernization program, we will focus on upgrading our systems and tools to ensure we improve our client experience, move our digital strategy forward, improve our business process efficiencies, and mitigate our IT risks. Enabling expanded remote work capabilities for staff and effective supports for our clients will be critical to support the workforce of the future and evolving environmental considerations/space constraints.

While we have an established roadmap for the program, we will consider moving other components of modernization forward earlier if it will help us implement the changes we need



to make more effectively and efficiently. A good example of that is our decision to move the pension merger calculator forward to help support our ability to handle a merger we're expecting to move forward in 2021. By moving this work forward so it is ready for the merger, we will avoid significant manual effort for our staff while also improving the client experience and moving part of our pension modernization program forward.

### **Alignment with the Government's Fiscal Objectives**

OPB respects the Government of Ontario's objective to restrain expenses in the Ontario Public Service and broader public sector. In preparing this Business Plan and Budget, Management reviewed all expenditure requests to ensure that only those deemed necessary were included in the Business Plan. Management defines initiatives as necessary if they meet the following criteria:

- Required to comply with legislation or government directives, including tendering practices;
- Required to align OPB's activities with current government policies (e.g., Plan changes);
- Required to manage key risks (e.g., cyber-security threats or end-of-life IT systems);
- Required to support Plan Sponsor initiatives;
- Expected to generate a benefit that more than justifies the incremental expense;
- Required to meet service expectations; or
- Required to prudently manage the funding of the PSPP.

Pension consolidation is also aligned with the government's stated objective of operating more cost effectively. Joining our larger plan helps these broader public sector employers provide pensions that are more viable and secure, and allows them to focus solely on their core business and not on pension administration. This not only supports the government's objective, but also grows our client base and enhances the sustainability of the PSPP.

In 2020, we completed merger activities associated with the second public sector plan under this initiative and took over the pension administration for approximately 1,300 retired members from Ontario Northland Transportation Commission (ONTC). We expect to move forward with additional plan mergers next year. Properly implementing plan mergers requires significant resources from Client Services, Information Technology (IT), Investments, Stakeholder Relations and Policy teams. There are a number of regulatory requirements that must be satisfied, and historical data must be transferred from the exporting plan, and that data must be 'scrubbed' to ensure accurate asset transfer and reconciliation. Systems must be modified to properly track the new member carry forward entitlements and these systems must be thoroughly tested before going into production. These new plan members must also receive communications materials and statements that explain their benefits in compliance with the *Pension Benefits Act*. While the consolidation initiative will provide the Plan and the

Province with cost efficiencies in the long-term, properly implementing it requires upfront resource investment (dollar and human) – all while we continue to conduct ongoing business.

## Service Excellence Strategies

OPB's objective is to deliver excellent service at a reasonable cost. We believe that excellent pension service has five key elements:

- **Decision Support** - providing personalized information and counsel in a manner that is understandable and that enables clients to make good decisions about their pensions;
- **Digital Access to Information** - in line with modern service experience our clients expect;
- **Anytime/Anywhere Self-Service** - expanding and enhancing for low-complexity transactions available online;
- **Effective and Timely Service Delivery** - for more complex transactions where the assistance of our client service staff is necessary; and
- **Privacy and Cyber Security** - in an increasingly digital and online world, an imperative of service excellence is protecting our clients' privacy and the security of their personal information.

Our three Service Excellence strategies are designed to deliver on all of those elements.

- **Advisory and Education Services** - is designed to increase client engagement in retirement planning and deliver outstanding decision support;
- **Digital and Online Services** - is intended to deliver Anywhere/Anytime Access to Information and Self Service - this will also contribute to cost-savings in our operations and will include appropriate cyber security and privacy protections; and
- **Advanced Business Processes and Systems** - will provide us with the tools, systems and processes to deliver secure, effective, timely and cost-efficient service to our clients.

The three strategies are discussed in greater detail below.

## Advisory and Education Services

### Advisory Services

OPB's decision support or Advisory Services continues to be our service excellence differentiator. Our team of Advisors, pension experts who are also Certified Financial Planners, are able to help our clients navigate complex pension decisions in the context of their overall financial and life circumstances. We launched our Advisory Services offering in 2015 and have continued to enhance it over time. This year, we introduced video 1-on-1 sessions with Advisors to expand the options available to members and enhance client experience with advisory sessions in a remote environment.

- Three quarters of our members rate their satisfaction with their OPB Financial Advisor at 9 or 10 out of 10
- These members also agree that their OPB Advisor:
  - was responsive to their needs and questions (94%)
  - provided the pension advice they needed (90%)
  - provided objective guidance to protect their best interests (94%).

We plan to further enhance our Advisory Services offering in the future by:

- Using behavioural research to enhance our understanding of members and stakeholders so we can develop more tailored services and communications to meet their retirement planning needs;
- Developing more targeted communications so we can provide members with timely, relevant information;
- Proactively reaching out to members at critical stages in their career and PSPP membership to ensure they are aware of decisions they may need to make about their pensions and ensuring they have the information to make sound decisions – this initiative will be aided by modern data analysis, approaches, and tools;
- Developing more holistic planning tools to encourage active retirement planning and to assist clients with decision making;
- Assist clients with decision making; and
- Adding capability to better understand workforce changes that will impact members and employers and putting tools in place that will help them navigate these changes.

### **Education Services**

OPB has also developed and continued to improve client and stakeholder education sessions. The purpose of these sessions is to educate our members and stakeholders about the Plan and its benefits as well as the challenges facing the Plan. Initially, the sessions provided an overview of the Plan. In recent years, we have introduced tailored financial and retirement planning sessions that are designed to get members engaged in planning for their retirement earlier. For example, we have introduced workshops tailored to members who are just starting out and members approaching mid-career. The demand for these interactive tailored presentations continues to increase and feedback on the sessions is very positive as a higher percentage of our members rank these presentations as excellent or very good.

Over the next few years, we are planning to further enhance our client and stakeholder education by:

- Integrating more financial planning material in all our client engagements to enhance financial literacy and to equip our members to make sound financial decisions;

- Introducing more financial planning content and presentations to help us engage various member segments by speaking to the issues that matter to them now (e.g., parental leave impacts, managing debt, etc.) each within the context and for the purpose of assisting them in making excellent decisions about their pension; and
- Enhancing our online learning experience through recorded webinars and short videos – this expands the number of members we can access and at a time that’s convenient for them.

## **Digital and Online Services**

In the financial services industry today, clients expect to be able to access information about their accounts and to execute simple transactions online anywhere and anytime. OPB has an array of online self-service options for clients and also has an employer portal through which employers can do business with OPB. However, both the infrastructure and the applications for the online services and employer portal are older, first-generation approaches and technologies. With the modernization of our member and employer portals now underway under the pension modernization initiative, this newer technology will enable us to make OPB’s online services more user-friendly, efficient and effective. In particular, this will enable future opportunities for additional online self-service transactions. Enhancing our online service applications will increase the usage level of this service channel, making OPB’s operations more cost-effective and freeing up resources to meet the demand for our decision-support services. This will help to improve client and stakeholder outreach, and support our progressive digital strategy, while improving data security.

Starting with work that began in 2020, we are planning to further enhance our Digital and Online Services by:

- Increasing the number of self-service transactions that members and retired members can conduct online;
- Advancing our Client Experience Strategy to guide our vision for member engagement and how we approach service delivery over the coming years;
- Enhancing the capabilities of our retirement planning tool;
- Introducing a real-time Annual Pension Statement that will allow members to get an in-the-moment view of their accrued pension entitlement as opposed to the once-a-year snapshot that we now provide; and
- Highlighting key opportunities (e.g., buybacks) and approaching deadlines to reduce the risk of members missing out on valuable opportunities.

## **Advanced Business Processes and Systems**

OPB’s primary pension administration systems (the systems used by our client service staff to process more complex transactions such as buybacks and transfers) are now nearing end-of-life

and must be updated or replaced. The technologies for workflow and document management have advanced significantly in recent years and have the potential to automate some components of our manual processing. As it stands today, we have multiple calculation engines each of which is maintained separately as well as kept current with assumptions and variables. There are single calculation engines available that could handle all our calculation needs.

Newer technologies will allow us to re-engineer our business processes, reduce the risk of systems failure, improve cyber security, expand our digital client self-service, and improve our operational effectiveness, enabling us to serve our clients better and faster. The technologies for workflow and document management have also advanced significantly in recent years and have the potential to automate some components of our manual processing.

### **Pension Modernization**

Our pension modernization program is a business transformation program, enabled by technology, that will advance client and stakeholder experiences as well as generate business efficiencies. This multi-year initiative is designed to enhance our digital client self-service and mitigate the future risk posed by our legacy systems as they near end-of-life and will also allow us to further improve our operational effectiveness while fully supporting our Advisory Services model and the tools our clients require to make sound decisions about their pension.

A great deal of work has already taken place to position us for success in this business transformation program. So far, we have created our Client Experience and Engagement Strategy to guide our modernization journey, mapped our current state business processes, identified the systems in need of replacement, determined the architectural approach we will use and developed a high-level road map.

The first replacement project is the re-platforming (upgrading) of the member and employer portals as these will no longer be supported by the software vendor in 2021. As the digital 'front door' of OPB, these must be updated to reduce the risk of cyber breaches and the possibility of portal instability or failure. These updates will also make both portals accessible and compliant with the AODA legislation. In 2020, we completed the RFP and selected the vendor we will work with to design and build the replacement portal solution(s). While the initial build and implementation to upgrade the portal platforms and security will be completed in 2021 to meet the risk mitigation timeline, we will continue to work on portal enhancements throughout the pension modernization project.

Our multi-year roadmap identifies and prioritizes the other parts of our pension business processes and systems that must be modernized in order to support critical business priorities and remote work capabilities. We will continue to monitor the business and IT risks that need to be addressed and adjust the roadmap accordingly.

### **Information/Cyber Security Improvements**

In 2020, OPB completed the implementation of a Managed Security Service Provider (MSSP). This was the initial focus of a Cyber Security Roadmap which lays out both the strategic and operational activities in the information security space.

We have made good progress on the implementation of the key items identified in the roadmap to date. As OPB begins to move further into Client Digital Services, the use of Cloud & Cloud Security and Software as a service offerings, the focus of the roadmap and the security program is changing to focus more on Digital Identity and Access Management (IAM), requiring OPB to develop a new Digital Application Security approach, which can be shared with vendors as we build the various pension modernization solution components.

Additionally, as part of our response to the pandemic and our need to work remotely, we further enhanced our security program with updated end point encryption and security management tools.

### **IT Infrastructure Management Improvements**

OPB's information technology is operated as a fully outsourced service. In 2019, OPB selected a new service provider via public procurement and successfully completed the transition under a new Application Management Service Provider contract early in 2020.

We have also evolved our infrastructure model to a service and Cloud-based model. This approach will allow us to more quickly, securely and cost effectively support our current infrastructure needs as well as make it much easier for us to adapt to any future needs. Our new Infrastructure model has already delivered substantial value in 2020 by allowing us to make the transition to working from home and serving our clients remotely much more effectively than we would have been able to under our previous model.

The transition of the entire OPB technology infrastructure is a major undertaking and will continue into 2021. We are now using a continuous improvement model as we move forward. This shift also affects the funding approach for IT by reducing capital/depreciations cost of 'buying the assets' to an operational cost of 'using the vendors' assets.' This shift began in 2020. The ability to leverage the public Cloud will allow us to move development and testing for pension modernization projects forward more efficiently and cost-effectively.

## **Performance Metrics and Targets**

### **OPB's Approach to Output and Outcome-based Reporting**

OPB approaches its key performance indicators (KPIs) in a manner that supports the Province's commitment to evidence-based reporting through output and outcome-based reporting. Ensuring that we are consistent in measuring and reporting our performance in our Business Plan and Annual Report provides our stakeholders, including the Plan Sponsor, with meaningful metrics that underline OPB's function and effectiveness as the administrator of the Public Service Pension Plan (PSPP). Each 2021 initiative and key performance indicator (KPI) includes reference to both the output and outcome to Plan stakeholders.

## Key Performance Indicators and Metrics

Business Objective	Defined Output	Performance Metric
Investment Execution	OPB's investment return versus the Strategic Asset Allocation benchmark	Outperform the benchmark
Investment Risk Management	OPB's actual risk versus risk budget for each asset class	Within risk budget for each asset class
Member & Pensioner Service	Overall satisfaction with client services	8.7 or higher
Employer Service	Employer satisfaction scores	8.1 or higher
Business Plan Achievement	<p>Advancement of strategies and initiatives (both planned and emergent). In particular:</p> <ul style="list-style-type: none"> <li>• Completion of pension modernization deliverables for 2021 per the Business Plan</li> <li>• Completion of one growth initiative (plan merger, new employer or divestment in)</li> <li>• Completion of enhancements to Annual Pension Statement and Retired Member Statement to comply with legislation</li> <li>• Completion of one Plan Sponsor-initiated project</li> </ul>	Substantial delivery/achievement of Business Plan initiatives
Managing Change	Management's ability to review and respond to emerging priorities through the year	Substantial delivery/achievement of other priority initiatives that emerge during 2021
Managing to Budget	Actual vs budgeted expenses	Within budget
Cost-efficiency	<p>Expense management ratios (cost per net assets available for benefits):</p> <ol style="list-style-type: none"> <li>1. OPB operating expenses</li> <li>2. IMCO costs</li> <li>3. Consolidated</li> </ol>	<ol style="list-style-type: none"> <li>1. 16 basis points or lower</li> <li>2. 50 basis points or lower</li> <li>3. 66 basis points or lower</li> </ol>
Financial Health of PSPP	Level of, and year-over-year change in, going concern funded status	Maintain or improve going concern funded status

Business Objective	Defined Output	Performance Metric
Employee Engagement	Organization engagement % Response rate %	80% or higher 87% or higher
Diversity and Inclusion	<ul style="list-style-type: none"> <li>Completion of a current state D&amp;I assessment to identify and document opportunities, strengths and systemic gaps and barriers across the organization</li> <li>Develop a multi-year, sustainable strategy/roadmap to advance D&amp;I initiatives</li> </ul>	Substantial achievement/delivery of 2021 D&I initiatives

## Key Risk Areas

### Enterprise Risk

To help manage uncertainty in our business, we use Enterprise Risk Management (ERM). Our ERM framework is integrated into the strategy development process to help us identify, assess and monitor key risks that could impact our strategic objectives and business plan initiatives. We will continue to enhance the strength of our ERM to help meet the following risk management objectives:

- Elevate a shared understanding of risks and opportunities;
- Generate proactive versus reactive decisions;
- Improve outcomes by reducing uncertainty around future potential scenarios; and
- Facilitate a company-wide culture of discussion on risk practices.

Our top three key risks are:

**1. Plan sustainability.** All defined benefit pension plans face the risk that they may be unable to meet all current and future obligations while remaining affordable over the long term. For OPB, this means the development of a chronic, significant funding shortfall (10% or more on a going concern basis) that leads to a significant decline in the sustainability of the PSPP. To mitigate this risk, we carefully manage funding of the Plan within our ability to control or influence funding levels to avoid significant shortfalls. Management’s current risk reduction efforts are focused on five core areas:

- Performing funding scenario and data analysis including stress testing and funding review study to improve insight into funding risks and potential mitigations;



- Regularly reviewing the Fund’s SAA to improve investment returns, manage investment risk and achieve an appropriate matching of our investments with the Plan liability profile;
  - Advocating and pursuing investment asset pooling to improve net investment returns, risk management and cost efficiency;
  - Implementation of consolidation strategy to maintain or improve Plan demographics and economies of scale; and
  - Communications and ongoing dialogue with the Plan Sponsor, participating employers and other government stakeholders to educate them on possible funding scenarios and build support in advance for mitigation actions.
2. **Investment performance and oversight of IMCO.** We are highly dependent on the ability of our investment manager, IMCO. We rely on IMCO to execute OPB’s SAA with the objective of achieving performance that can meet or exceed target returns. This includes IMCO achieving SAA phase-in targets, completing internalization projects, and implementing enhanced risk management and reporting systems. OPB has developed and implemented a supplier monitoring and oversight program for the relationship with IMCO. This includes regular reporting on compliance requirements under the Investment Management Agreement (IMA), advances in risk management activities and detailed fund performance reports.
3. **Modernization of our core systems.** Pension modernization presents significant opportunity while introducing enterprise-wide program-level risks. Pension modernization will modernize our service offerings, improve efficiency of delivery and will replace at-risk legacy technology. Using a combination of our enterprise program management framework and through Management’s deliberate, incremental modular approach we will reduce or manage the risks of unexpected program costs, unplanned delays, breakdowns in change management and data governance processes or failure to deliver expected program outcomes.

As the impact of the COVID-19 pandemic continues, we remain focused on business continuity and key operational challenges across the organization. ERM at OPB has been supporting pandemic resilience efforts as an integrated business partner. During this time, the health, safety and well-being of staff and continuation of services we provide to our clients and stakeholders remain top of mind, followed by preservation of our assets and maintaining stability of our operations. We continue to remain agile, vigilant, and responsive to changes in the COVID-19 environment while monitoring advice from public health authorities.

Over the next year, OPB’s ERM will continue to focus efforts to create, preserve and realize value by delivering an integrated view of key risks and their interdependencies.

## Investment Risk

OPB mitigates Investment Risk in several ways, in partnership with IMCO:

- OPB formally reviews its SAA at least every three years so that Management and the Board of Directors can align the Plan's asset mix relative to its pension obligations taking into account the Plan's funded status, the then-current economic environment and the changing demographics and composition of the Plan membership. The ultimate goal of OPB's SAA is to design an asset mix that, when implemented, will generate investment returns in excess of the Plan's actuarial discount rate. An A/L Study was completed in late 2016, and a new SAA was approved by the Board in March 2017. The 2017 SAA's phase-in allocation targets to mid-2020 continue to call for a continued shift in Plan assets from public to private markets strategies. Working with the Plan actuary and IMCO, OPB will complete a new A/L Study by the end of 2020 and will develop a plan to implement any required changes to the Plan's SAA to ensure that our asset mix is appropriate for the coming years, given projected future liability streams;
- To ensure that IMCO is appropriately managing investment risk on behalf of OPB and Plan members, OPB developed and staffed an oversight function in 2018. This helps to assure OPB management and Board members on an ongoing basis that IMCO is prudently managing Plan assets;
- Through a newly developed monitoring program, OPB monitors, assesses and reports on IMCO's performance regularly to the OPB Board of Directors. A variety of key performance indicators (KPIs) allow us to assess IMCO's investment performance and overall performance of its contractual duties, responsibilities and obligations to OPB. One area of focus of these KPIs is captured in a phrase that IMCO uses regularly: Clients First and Costs Matter;
- OPB's Chief Investment Officer oversees OPB's fiduciary responsibilities and ensures that IMCO is managing Plan assets and related investment risks in accordance with IMCO's Core Governing Policies, which OPB reviewed and approved in 2019;
- OPB previously developed a Risk Dashboard model providing Management with the ability to attribute, monitor and manage Total Risk, Active Risk and Surplus at Risk. The model is able to report at the SAA, asset class and mandate level and was designed so that investment risk levels could be managed within the parameters established by OPB's Investment Risk Policy. The Risk Dashboard also enabled Management to integrate Surplus at Risk analysis into the investment decision process to optimize incremental returns and mitigate the risk that returns were insufficient to meet OPB's pension liabilities. OPB's Risk Dashboard was transferred to IMCO, and IMCO continues to assess, manage and report on the foregoing risks as they pertain to OPB's Investment Portfolio in accordance with OPB's Investment Risk Policy. In addition, IMCO has evolved its risk reporting capability – one example is the provision of a Liquidity Coverage Ratio measurement that is particularly

useful during market crises such as has been experienced with the COVID-19 pandemic in 2020;

- The Chief Risk Officer (CRO) of IMCO is expected to provide strong, independent risk management leadership within IMCO, similar to best-in-class institutional pension fund managers. The CRO oversees the design and implementation of IMCO's critical enterprise and investment risk management functions and takes a comprehensive approach to risk monitoring;
- In 2018, IMCO completed a proof of concept for the use of an investment risk analytical solution which was subsequently implemented. Daily feeds of OPB's investment-related data are now being received and analyzed and risk/return reporting is being provided to OPB using the enhanced risk analytics available within the platform;
- Investment risk management, including environmental, social and governance (ESG) factors, is integrated into the investment activities and decision-making process at IMCO;
- In executing OPB's SAA, IMCO's portfolio construction process aims for better alignment of the risk factors driving investment returns and liability growth, such as sensitivity to interest rates and inflation; and
- IMCO is committed to continuing to develop advanced risk measurement and management processes.

## Governance and Operations

OPB is a significant financial institution and has fiduciary duties and a duty of care to more than 90,000 active and retired members. OPB is accountable to the Government of Ontario as the Plan Sponsor and has legal obligations to a number of regulatory bodies, such as the Financial Services Regulatory Authority of Ontario and the Canada Revenue Agency. OPB is also required to comply with many of the Government of Ontario's corporate directives. As such, OPB is committed to the highest standards of business practice in matters of governance, risk management, compliance, transparency, business continuity and resilience, records management and privacy. Over the past several years, OPB has made great strides in strengthening its practices in each of these areas, which has led to increased expenses for compliance and risk management. For example:

- **Information and Data Governance** – OPB recognizes that protecting our client data and information is one of its greatest responsibilities and as such, continues to invest in its management and protection. This is critical as technologies, tools and channels for communication continue to evolve. Work has begun to enhance our information governance program. In conjunction with pension modernization work, better systems and processes for managing electronic records will be reviewed.
- **Accessibility** – OPB's public website was rebuilt in 2018 and steps were taken to make it compliant with accessibility standards. Over the next year, OPB will rebuild its member and

employer portals, ensuring compliance with Web Content Accessibility Guidelines (WCAG) under the *Accessibility for Ontarians with Disabilities Act, 2005 (AODA)*.

- **Risk and Compliance** – With increasing governance, risk and compliance obligations, OPB will be exploring systems to better support its risk and compliance programs, including automation of certain activities, reducing manual effort supporting two separate, interrelated activities, and greater visibility into the status of risks and controls.
- **Compensation** – OPB recognizes compensation as a key component in achieving its long-term strategies and organizational effectiveness. As an agency of the Government of Ontario, OPB is committed to providing excellent service and value for money to our clients and stakeholders while respecting the public sector fiscal environment in which it operates. OPB regularly participates in third-party external compensation surveys and comparisons with other public sector pension plans and agencies to assess compensation comparators (i.e., review of base salary, incentives and insured benefits). In assessing market compensation levels, the comparator organizations we include must be those with which we compete for talent and against which OPB's performance is compared. OPB ensures that it continues to monitor and comply with any updated and revised legislation and regulations regarding public sector compensation.

### **Third-Party Services**

OPB provides additional employee benefit administrative services for the Province under Service Level Agreements. These services are all provided on a cost-recovery basis and have no net impact on OPB's operating expenses budget:

1. Pension administration services to the Provincial Judges Pension Plan;
2. Administration of the insured benefits programs to the Province's retired employees who are retired members of the Plan. These include the set up and communication of available benefits, and the deduction of health, life and travel insurance costs from the retired members; and
3. Supplementary pension plan administration for eligible retired members in the Plan.

## Financial Budget – 2021

(All amounts are expressed in thousands of dollars unless otherwise stated)

### Budget Overview

Our operating budget is comprised of two main expense categories: Base Operating Expenses – our ongoing business operating expenses; and Initiative Expenses – expenses we expect to incur to advance discrete projects during the year.

As indicated earlier, our ongoing regular operations for 2021 remains essentially flat year-over-year (increase of \$290 thousand or 0.8%), our proposed budget for initiatives is for an increase of \$3.69 million from \$5.35 million to \$9.04 million – an increase of 69%). These initiatives are discussed in more detail below, after the base budget discussion.

Combined, the result is a proposed increase of 9.9% in our budget for 2021 over 2020.

Table 1 shows the total of these two categories of expenses. Total combined operating expenses for 2021 are budgeted to be \$44.2 million, or 9.9% more than the 2020 budget.

The bulk of the 9.9% change reflects the incremental cost of the initiatives related to the pension modernization program. Included in the increase is the addition of new complement needed to ramp up efforts on pension modernization and other initiatives. In addition, we have moved technology costs classified as ‘growth oriented’ from the base operating to initiatives budget.

**Table 1: Total Budget**

Combined Operating Expenses (in thousands of dollars)	2021 Budget	2020 Budget	Change in \$	Change in %
Base Expenses – ongoing operations	35,160	34,870	290	0.8%
Initiatives	9,043	5,350	3,693	69.0%
<b>Total Operating Expenses</b>	<b>44,203</b>	<b>40,220</b>	<b>3,983</b>	<b>9.9%</b>

### Base Operating Expenses

A significant portion of OPB’s operating expense budget is base expenses. Overall, these operations are budgeted to increase by 0.8% compared to the 2020 budget. Table 2 below shows the breakdown of the expenses into the various operational components.

**Table 2: Base Operating Expenses**

Base Operating Expenses (in thousands of dollars)	2021 Budget	2020 Budget	Change in \$	Change in %
Staffing Costs (Table 2.1)	21,030	21,370	(340)	(1.6%)
Office Operations (Table 2.2)	5,550	4,690	860	18.3%
Technology (Table 2.3)	5,880	6,150	(270)	(4.4%)
Professional Services (Table 2.4)	1,490	1,100	390	35.5%
Depreciation (Table 2.5)	80	380	(300)	(78.9%)
Communication, Board & Audit (Table 2.6)	1,130	1,180	(50)	(4.2%)
<b>Total</b>	<b>35,160</b>	<b>34,870</b>	<b>290</b>	<b>0.8%</b>

We have provided additional information on our largest budgeted expenses below, including information explaining the changes from last year's budget.

**Table 2.1 Staffing Costs**

Staffing costs (in thousands of dollars)	2021 Budget	2020 Budget	Change in \$	Change in %
Total	21,030	21,370	(340)	(1.6%)

Staffing costs (full-time and non-permanent staffing) includes salaries and wages, benefits, staff development and recoveries. Recoveries relate to staff time spent administering benefit programs outside the PSPP on behalf of the Province of Ontario. These programs include administrative services for the Provincial Judges Pension Plan, some insured benefits programs, and supplementary pension plans.

The decrease in 2021 is primarily due to an increase in recoveries, primarily from the Provincial Judges Pension Plan.

OPB has been mindful of prudently managing complement and budget within the public sector fiscal environment through resourcing constraints and over the years, we have held steady on complement and pension operating costs. However, over the last several years, pension administration at OPB has become more varied and complex. Work volumes have increased, as have demands from clients and stakeholders. In addition, resource constraints have hampered our efforts to undertake our business administration and technology systems modernization. In this document, we are proposing an increase in our complement to support initiatives including converting some of the existing contract positions to permanent positions. This will enable us to attract and retain highly skilled talent.

Additional considerations regarding staffing costs are:

- Recoveries of staffing costs are expected to be significantly higher than 2020 due to increased demand for services to the Judges Pension Plan.
- Modest merit increases based on performance for non-bargaining employees have been budgeted for. Compensation adjustments will be aligned to government direction or legislation as applicable.
- Based on current executive compensation regulation, base salaries for executives are not budgeted to increase.
- Wage increases for bargaining unit employees have been budgeted per the 2018 negotiated settlement.
- OPB's benefits costs, including pension contributions, for full-time employees remain at 21% for full time employees and 15% for contract employees.
- Grow-in of employees hired during 2020 but continuing from the beginning of 2021 as well as changes in salary has contributed to a small increase to the 2021 budget.

**Table 2.2 Office Operations**

Office Operations (in thousands of dollars)	2021 Budget	2020 Budget	Change in \$	Change in %
Total	5,550	4,690	860	18.3%

Office operations include rent, office expenses, ADP payroll processing, pension regulator fees and travel. The increase in budget includes the scheduled rent increases and previously planned space expansion commencing in January 2021 (per 2018 lease amendment), after the departure of IMCO from the 23rd floor. Additionally, the increase in the regulatory filing fees, equipment and hardware maintenance costs and ADP processing costs among others.

**Table 2.3 Technology**

Technology costs (in thousands of dollars)	2021 Budget	2020 Budget	Change in \$	Change in %
Total	5,880	6,150	(270)	(4.4%)

The technology budget consists of both oversight and maintenance of current pension administration and business infrastructure needs. The decrease in costs have been primarily on account of shifting costs considered 'growth' to the initiatives. This was to classify costs based on whether they support continuation of operations as opposed to growth or development of existing operations. The reduction in costs in 2021 budget was partially offset by a modest increase to costs related to cyber security and investment data subscriptions.

**Table 2.4 Professional Services**

Professional Services costs (in thousands of dollars)	2021 Budget	2020 Budget	Change in \$	Change in %
Total	1,490	1,100	390	35.5%

Professional services include consulting, actuarial and legal costs. Legal costs are expected to go up relating to private assets pooling and IMA/ISA revisions, actuarial charges going up due to the continuation of funding study, investing consulting due to responsible investing strategy and third-party board evaluation.

**Table 2.5 Depreciation**

Depreciation (in thousands of dollars)	2021 Budget	2020 Budget	Change in \$	Change in %
Total	80	380	(300)	(78.9%)

Depreciation for leasehold improvements, furniture and computer equipment are expected to come down significantly due to completion of depreciation cycle of these assets. The small depreciation remaining is for late addition to assets including for purchases with utility that extends to the new lease term.

**Table 2.6 Communication, Board and Audit**

Communication, Board & Audit (in thousands of dollars)	2021 Budget	2020 Budget	Change in \$	Change in %
Total	1,130	1,180	(50)	(4.2%)

This includes communication activities with our clients and other stakeholders, our Board of Directors' compensation, and both our internal and external audit services. The decrease in budget is mainly due to an anticipated 70% reduction in APS costs due to digital improvements for communication activities.

## 2021 Capital Expenditures Budget

The planned spend on capital expenditure for 2021 is expected to be nominal as most of addition relate to IT resources moving largely to cloud-based services which will be accounted for as operating expenses and any renovations of the premises are expected to be completed and accrued in 2020.



**Table 3: Capital Expenditures Budget**

Capital Expenditures (in thousands of dollars)	2021 Budget	2020 Budget	Change in \$	Change in %
Base	55	130	(75)	(57.7%)
Initiatives	0	518	(518)	n/a
<b>Total Capital Expenditures</b>	<b>55</b>	<b>648</b>	<b>(593)</b>	<b>(91.5%)</b>

## 2021 Initiatives

Our budget for initiatives in 2021 is \$9.0 million, up 69% from 2020.

The Initiatives are listed below along with their expected budget spend. These initiatives follow five themes:

### 1. Risk Mitigation Initiatives - Mandatory (\$4,189)

Phase 1 of the portal project (part of the pension modernization program) is primarily driven by the requirement to re-platform both our member and employer portals by the end of 2021 to: (i) address the withdrawal of vendor support for our current portals; (ii) ensure we maintain strong cyber security controls; and (iii) to make them accessible and compliant with AODA (accessibility for the disabled) legislation. In addition, there are several IT-driven requirements to complete the move of our technology infrastructure to the cloud, replacement for the retirement planning tool (for which vendor support is also coming to an end), and other initiatives. We have kept this list to essential development that needs to occur in 2021.

### 2. Compliance Initiatives - Mandatory (\$525)

This category includes initiatives to comply with legislation or government directives. For 2021 this includes (i) changes needed to make our Annual Pension Statements accessible; (ii) to meet the legislative requirements for digital-first delivery; (iii) to deliver on the changes required to Retired Member Statements to support retired members from the TVO and ONTC plan mergers; and (iv) any required return-to-the-workplace activities.

### 3. Non-Recoverable Plan Sponsor-Driven Initiatives for the PSPP - Mandatory (\$1,348)

In discussions with the sponsor, we know that at least two pension consolidation targets are very likely to move forward in 2021. In order to proceed with the client outreach and complex integration tasks, we also need to enhance the pension calculations for eligible service (develop a new pension merger calculator), so that we can efficiently manage the asset transfers as well as the type and volume of service purchase activity that is expected to come with these consolidations. We also know that the government will continue to designate new agencies and will designate such agencies as PSPP employers to support sustainability, affordability and efficiency where appropriate reducing redundancies. We will also need to support the government's planned human resource and payroll systems modernization to ensure they integrate with OPB's systems and provide us with the information we need to support clients in making sound pension decisions.

#### 4. Recoverable Plan Sponsor-Driven Initiatives - Mandatory (\$0 – fully recoverable)

Our 2021 planning has also factored in the resources needed to support several initiatives for the Plan Sponsor for which the cost is expected to be fully recoverable. As noted above, this includes the expanded services to the Provincial Judges Pension Plan (PJPP) and supporting the Province’s human resources initiatives that impact the administration of pension entitlements.

We also need to implement additional systems changes to enable the effective administration of the PJPP, which includes a new pension calculator.

All costs associated with these initiatives are recoverable from the Province’s budget or the funds for the PJPP. They are included here as these significant initiatives require considerable time and resources that are part of the additional complement request.

#### 5. Strategic Initiatives (\$2,981)

This includes large pieces of the modernization program for 2021 that are not considered mandatory due to risk management or for compliance. The Province has indicated an expectation for agencies to improve their customer experience and provide the delivery of more services online. These align with our business process and IT systems modernization program, which is planned for the next several years.

### 2021 Initiatives – Details and Costs

The costs of any incremental staff complement have been fully allocated into the initiatives noted on the table. Similarly, the costs associated with existing IT resources that were required to support the initiatives (the ‘growth’ elements of the IT department) have also been fully allocated to the initiatives.

**Table 4.1 Risk Mitigation (Mandatory)**

No.	Business Objective	2021 Budget <i>(in thousands of dollars)</i>	Output	Deliverable & Outcome
1	Portal Project - Phase 1 (Employer and Member Portals)  <b>Supporting Strategy:</b> Digital and Online Services	3,309	The technology supporting our client and employer portals is at end-of-life and requires re-platforming for continued service, cyber security and AODA compliance requirements. This phase is driven by IT risk mitigation.	Re-platformed e-services and employer portal sites implemented by end of 2021.
2	Retirement & Financial Planning Tool	267	Replacement of the Retirement Planner tool	Business Case to support go forward approach for a modernized tool

No.	Business Objective	2021 Budget <i>(in thousands of dollars)</i>	Output	Deliverable & Outcome
	<b>Supporting Strategy:</b>  Advisory and Education Services			Requirements and Request for Proposal creation  Proposal Evaluations and product selection
3	Cloud Phase 1.5 and Phase 2 (PC15)  <b>Supporting Strategy:</b>  Advanced Business Processes and Systems	134	Complete move of current infrastructure to the Cloud	Move data and systems to the Cloud services that are provided the ITSP vendor
4	Strategy to Advance Data Governance  <b>Supporting Strategy:</b>  Advanced Business Processes and Systems	161	Procure a resource or service to deliver the following:  Establish the Data Action Team (DAT), which will provide cross-enterprise support and input for all data-related initiatives.  Define the approach for evaluating business and technology drivers, etc., required as inputs to the planning process  Create a data strategic plan & roadmap	Business context and strategic drivers  Defined vision and mission  Defined principles and goals  Data culture assessment  High-value use cases  High-level evaluation of the current environment  Target state plan  High-level RACI for key functional areas  Business-data-needs model  SWOT analysis  High-level roadmap  Initialized data strategy

No.	Business Objective	2021 Budget <i>(in thousands of dollars)</i>	Output	Deliverable & Outcome
5	Data Governance for Unstructured Data  <b>Supporting Strategy:</b>  Advanced Business Processes and Systems	66	Provide a deeper understanding of the threat to safeguarding our client information, understand what can be done to mitigate the risk and provide OPB with controls necessary to demonstrate due care over the information necessary to administer the PSPP.	Definition of what is classified as sensitive information and inventory of existing data  Data protection requirements  Map out existing information storage and processing systems
6	Evergreen Desktop/Laptop Refresh  <b>Supporting Strategy:</b>  Advanced Business Processes and Systems	188	Refresh equipment to keep current and running within support, in addition to introducing newer more flexible and modern tools that will support the growing need for remote work and the use of mobile devices.	Confirmed asset list (replacement or change to device based on return to work plan)  Project plan  Procure equipment  Build new images for new hardware  Deploy devices
7	Telephony RFP  <b>Supporting Strategy:</b>  Advanced Business Processes and Systems	48	Writing and completion of the procurement for the telephony system.	Requirements and Request for Proposal  Evaluate proposals and award  Telephony vendor on board for 2022.
8	Third-Party Security	16	Design and implement an enhanced and sustainable process to assess and manage third party risk	Define risk- based tiers for our service providers  Review and update the standard security requirements for each tier

No.	Business Objective	2021 Budget (in thousands of dollars)	Output	Deliverable & Outcome
	<b>Supporting Strategy:</b> Advanced Business Processes and Systems			Design a sustainable process to assess and manage third party risk
	<b>Total</b>	<b>4,189</b>		

**Table 4.2 Compliance (Mandatory)**

No.	Business Objective	2021 Budget (in thousands of dollars)	Output	Deliverable & Outcome
9	Governance, Risk and Compliance Management  <b>Supporting Foundation:</b> State of the Art Governance	136	Implementing a tool to support risk and regulatory compliance management. The tool will enable the capture of risk and compliance information into one system, providing greater corporate insight in the status of risks, controls and compliance activities.	Requirements and Request for Proposal creation  Evaluation and selection of tool  Configuration of tool and data population/migration  Administrator and User Training
10	Digital Annual Pension Statement (APS)  <b>Supporting Strategy:</b> Digital and Online Services	290	Shifting to a digital first APS to allow clients to receive their statement through their channel of choice, in addition to ensuring statements are compliant with AODA legislation	Digital, AODA-compliant APS statements for active and deferred PSPP members and an OPB news  AODA-compliant APS statements for deferred and divested TVO and ONTC members and customized OPB newsletters
11	Annual Retired Member	49	Deliver compliant and accurate statements for retired members, including	Regular RMS statements and OPB news for PSPP retired

No.	Business Objective	2021 Budget (in thousands of dollars)	Output	Deliverable & Outcome
	Statement (RMS)  <b>Supporting Strategy:</b>  State of the Art Governance		TVO and ONTC retired members	members  TVO RMS statement and TVO version of OPB news  COLA statements for survivors and OPB news  Amending COLA requirements for ONTC pensioners, including excluding most ONTC pensioners from automatic COLA adjustments; and ensuring the small Ontario Northline group is set up for their annual COLA amount  RMS statements for ONTC pensioners and ONTC version of OPB news
12	Return to Work (RTW) / COVID-19  <b>Supporting Foundation:</b>  High-Performing People	50	It is reasonable to anticipate there will be costs associated to support a safe and effective RTW following Public Health guidelines and emerging best practices.	Continued healthy workforce
	<b>Total</b>	<b>525</b>		

**Table 4.3 Non-Recoverable Plan Sponsor Driven (Mandatory)**

No.	Business Objective	2021 Budget (in thousands of dollars)	Output	Deliverable & Outcome
13	Pension Consolidation – Eligible Service Capability  <b>Supporting Strategy:</b>  Cost Efficiency	317	Development of tools to efficiently address qualifying service and buyback calculations for incoming consolidated plans.  These are required to avoid significant manual work.	Develop, test and deploy the Eligible Service Capability solution:  1. Enable/fix the processing of Qualified Service in the legacy systems 2. Develop new Plan Merger functionality to capture and validate historical data 3. Develop a new user experience (screens) for generating non-OPS Buy Back quotes 4. Develop a decoupled Calculator service for generating non-OPS buy back quotes 5. Create the integration mechanisms between the legacy systems and the new Calculator
14	Pension Consolidation – New Organization 3  <b>Supporting Strategy:</b>  Cost Efficiency	672	Merger with new employer consisting of approximately 300 active members and 100 pensioners currently in a defined benefits plan with assets to transfer to the PSPP.	New Employer initiation/startup (OIC support & policy guide, client education sessions, organization change management strategy & plan)  Transfer Agreement  Employer and Active member onboarding; enrollment of all members in the PSPP and welcome packages for all members

No.	Business Objective	2021 Budget (in thousands of dollars)	Output	Deliverable & Outcome
				<p>Merger Statements</p> <p>Cost certificates</p> <p>FSRA Consent Filing</p> <p>Active member historical data collection</p> <p>Pensioner transition</p>
15	<p>Pension Consolidation – New Organization 4</p> <p><b>Supporting Strategy:</b></p> <p>Cost Efficiency</p>	294	<p>Merger with new employer consisting of approximately 700 active members with qualifying DC service.</p>	<p>New Employer initiation/startup (OIC support &amp; policy guide, client education sessions, organization change management strategy &amp; plan)</p> <p>Employer and Active member onboarding; enrollment of all members in the PSPP and welcome packages for all members</p> <p>Historical data collection</p> <p>PSPP Buyback Cost packages</p>
16	<p>Police Divestments</p> <p><b>Supporting Strategy:</b></p> <p>Cost Efficiency</p>	65	<p>There are a number of municipal police forces in the Province which may be transferred to the OPP. This creates material service demand, including actuarial services, to address the pension implications for affected personnel.</p>	<p>Divestment costing would be needed for each applicable member joining the PSPP</p>
	<b>Total</b>	<b>1,348</b>		



**Table 4.4 Recoverable Plan Sponsor Driven (Mandatory)**

No.	Business Objective	2021 Budget (in thousands of dollars)	Output	Deliverable & Outcome
17	Full Administration of the Provincial Judges Pension Plan (PJPP)	815	Systems and processes to support the full administration of the Provincial Judges Pension Plan.	Enhancements to improve the efficiency of the pension Calculator and integrate correspondence creation  PJPP Annual Pension Statement
18	Modernizing the Supplementary Plan	1,474	Changes to employer and OPB systems and processes to support the set up and management of a full modernization of the Supplementary Plan that would lead to greater transparency in funding	Service Level Agreements  Changes to employer and OPB systems for contributions and benefit payments  Communication and Training strategy for OPB, employers and members  Contribution procedure updates  General member communications, changes to member letters and statements
	Recovery from Province	(2,289)	Not a cost of the PSPP, part of the Province's budget.	
	<b>Total</b>	<b>0</b>		

**Table 4.5 Strategic**

No.	Business Objective	2021 Budget (in thousands of dollars)	Output	Deliverable & Outcome
19	Modernization Program Governance  <b>Supporting Strategy:</b>  Advanced Business Processes and Systems	877	Program level governance structure that will deliver common elements and foundations required for the modernization projects and ensure consistency in achieving the goals and objectives. It will ensure there is alignment across all projects within the program, consistency in approach and methods used, and standard application of architectural and security principles are applied.	Monthly Program Status Reporting  Program Communications  Program Risk Management  Program Financial Management  Acquisition of common tools  Tools, templates and common methodologies for development, process design, testing and organization change management  Common architecture foundations for systems, data, network and security
20	Employer Portal Project - Phase 2  <b>Supporting Strategy:</b>  Digital and Online Services	644	Deliver business enhancements (that could not be delivered in Phase 1 which is IT risk mitigation driven) necessary to realize key digital/self-service benefits as outlined in the modernization program business case.	Project Initiation and Planning documents (e.g. business case, charter, project schedule, etc.)  Requirements (prioritized)  Statement of Work  Methodology, design and sprint readiness
21	Member Portal Project - Phase 2	1,061	Deliver business enhancements (that could not be delivered in Phase 1 which is IT risk mitigation driven) necessary to realize key	Project Initiation and Planning documents (e.g. Business case, charter, project schedule, etc.)  Requirements (prioritized)

No.	Business Objective	2021 Budget (in thousands of dollars)	Output	Deliverable & Outcome
	<b>Supporting Strategy:</b> Digital and Online Services		digital/self-service benefits as outlined in the modernization program business case.	Statement of Work Methodology, design and sprint readiness
22	Modernization Package of Projects 1  <b>Supporting Strategy:</b> Advanced Business Processes and Systems	399	This project will establish technical foundations for OPB's future state technology for modernizing OPB's systems and business processes. The scope of the project includes a pension calculator, a rules engine, workflow and effective operational reporting for workflow.  These tools will be implemented incrementally as the remaining projects roll out.	Project Charter and high-level plan RFIs for product discovery Requirements and Request for Proposal creation Go to market to market with RFP(s) Selection of products & determination of customized development required
	<b>Total</b>	<b>2,981</b>		

The total cost to OPB of all mandatory and strategic initiatives described in Tables 4.1 to 4.5 is \$9.0 million.

## **2021 Budget Risks – Potential External Service Demands**

In developing our Business Plan and budget, we have selected the highest priority and most immediate projects based on the information available to us at the time. There is the potential for unanticipated events (additional Plan Sponsor initiatives, regulatory or other legislative requirements, an external event such as COVID-19 etc.) that would create a mandatory resource demand during the year. That could cause us to have to revise our Business Plan and budget intra-year as we did during 2020 due to COVID-19. The areas most likely to drive unanticipated demands are listed below. Should they occur, they would be subjected to our gating process and result in re-prioritization of other projects and we would come back to the Board for approval of a revised Business Plan and budget.

- Pension Consolidations – While we have assumed some work on pension consolidation for Orgs 3 and 4, there remains the potential for additional pension plans to be merged into the PSPP during 2021 and/or sizable new employers to join the Plan.
- Police Divestments – We have assumed some divestment work, but there are a number of municipal police forces in the Province which could still be transferred to the OPP. This creates material service demand, including actuarial services, to address the pension implications for affected personnel.
- Other Compliance or Plan Sponsor-driven Requests - Over the past few years, we have seen an increase in legislative and Plan Sponsor-driven requests that we must address.
- COVID-19 Pandemic – The Business Plan has included some activities related to a smooth return to the workplace scenario and close to regular operational abilities for the Plan during 2021, but there is a great deal of uncertainty surrounding this at present.

## Appendix I: Defined Terms

In this Business Plan:

**Asset Pooling** means the asset pooling initiative contemplated by the *Investment Management Corporation of Ontario Act, 2015*.

**bps** means basis points, a measure equal to one one-hundredth of a percentage point of assets.

**Budget** means the budget contained in this Business Plan.

**Business Plan** means this Ontario Pension Board Business Plan 2021-2023.

**CEM** means CEM Benchmarking Inc., an independent benchmarking company.

**ERM** means Enterprise Risk Management, a continuous, proactive and systematic process to understand, manage, and communicate risk from an organization-wide perspective. It integrates the risk management process into planning and decision-making by aggregating all types of risk from all parts of an organization and managing them on a comprehensive (portfolio) basis.

**IMCO** means the Investment Management Corporation of Ontario (IMCO) commenced operations in July 2017.

**Investments** mean all activities relating to the investment and management of the Plan's assets, including front-, middle- and back-office resources.

**Management** means, collectively, employees of OPB holding the position of or senior to manager.

**Pension Administration** means all activities relating to the management and administration of the Plan.

**Pension Modernization** is a business transformation program enabled by technology that will advance client and stakeholder experiences as well as generate business efficiencies.

**Plan Sponsor** means the Province of Ontario in its capacity as sponsor of the Plan.

## Appendix II: 3-Year Projected Expenditures 2021 – 2023

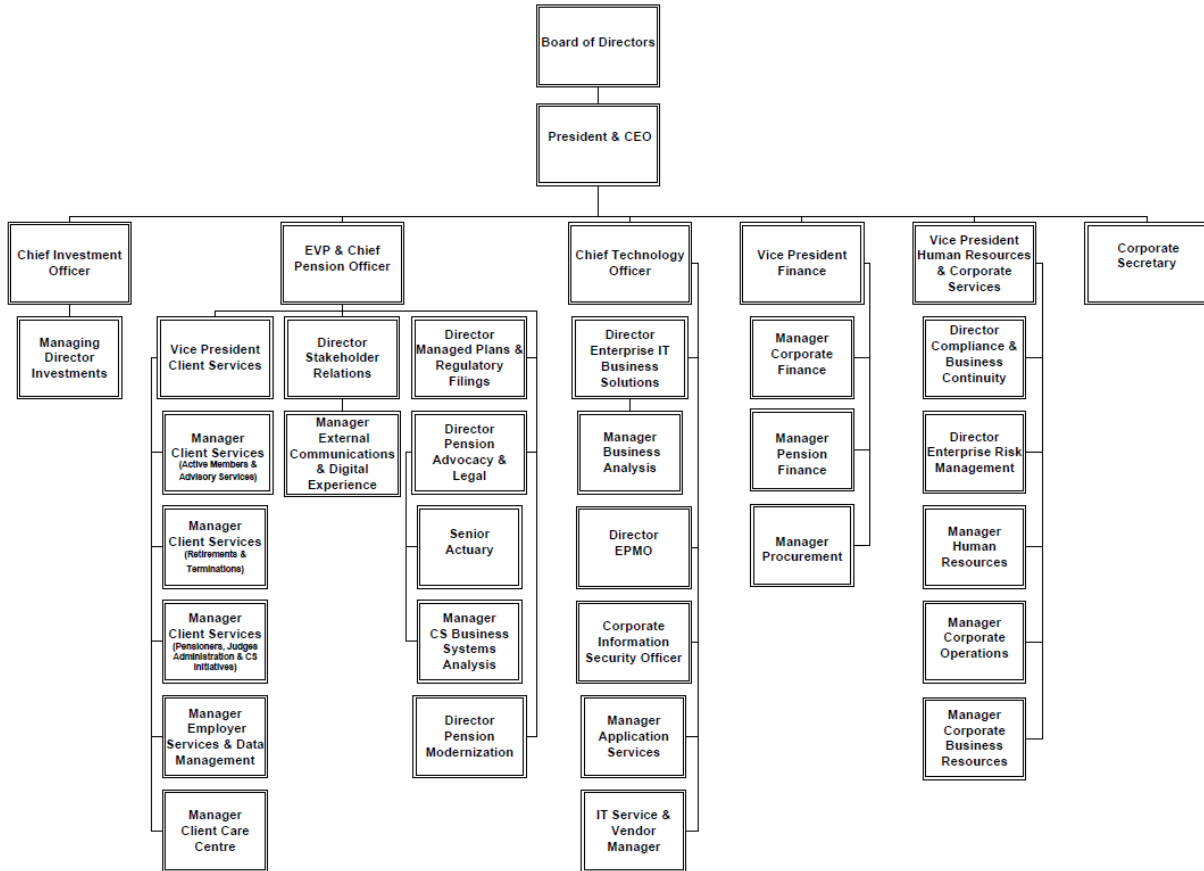
The following 3-year projection builds upon the 2021 budget. We have factored inflationary increases for most expenses and no substantial complement increases in 2022 or 2023. The initiative costs of consolidations or other Provincial compliance or sponsor-requested service requests may pose upward pressures on the budget.

Operating Expenses (in thousands of dollars)	2021 <sup>1</sup>	2022 <sup>2</sup>	2023 <sup>2</sup>
Staffing Costs	21,030	21,750	22,390
Office Operations	5,550	5,660	5,770
Technology	5,880	6,000	6,120
Professional Services	1,490	1,520	1,550
Depreciation <sup>3</sup>	80	80	80
Communication, Board & Audit	1,130	1,150	1,170
Initiatives <sup>4</sup>	9,040	9,040	9,040
<b>Total Operating Expenses</b>	<b>44,200</b>	<b>45,200</b>	<b>46,120</b>
Total Capital Expenditure <sup>5</sup>	60	60	60
<b>Estimated Staff Complement<sup>6</sup></b>	<b>203</b>	<b>203</b>	<b>203</b>

### Notes and Assumptions for 3-Year Projected Expenditures 2021-2023

1. The amounts for 2021 are taken from the 2021 Budget.
2. For 2022 and 2023 an increase of 2.0 % assumed for all expense categories unless otherwise indicated. Staffing costs for 2022 and 2023 have been adjusted to consider the impacts of the annualization of the additional staff hires in 2021 and existing labour agreements.
3. Depreciation expectations to remain stable at 2021 levels, as no major asset additions are planned either on the technology platform or on the building/furniture.
4. Initiatives for 2022 and 2023 are expected to keep level with the 2021 levels.
5. Capital Expenditures are expected to remain unchanged from 2021 levels as no major addition to assets is anticipated.
6. Staff complement for 2021 is 203. Resource planning occurs annually in consideration of OPB's commitments and priorities. Future years are estimates only.

# Appendix III: Organizational Chart – Management Level



September 17, 2020