



**Ontario Pension Board
Business Plan
2024-2026**

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OPB Overview

Ontario Pension Board (OPB) is the administrator of the Public Service Pension Plan (PSPP - the Plan), a defined benefit (DB) pension plan, with approximately 96,000 members – current, retired and deferred – and oversees the investment of \$31 billion of net assets (the Fund) that fund the benefits under the Plan.

The investment of the Plan's assets are managed by the Investment Management Corporation of Ontario (IMCO). OPB continues to set the Plan's investment strategy and maintains an oversight role with respect to the Plan's assets.

This Business Plan speaks to the three-year period from January 1, 2024, to December 31, 2026; with the primary focus on 2024.

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 2024 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:

- Maintaining effective expense management oversight and controls to align with the government's fiscal objectives and minimize administrative costs for our stakeholders.
- Effectively managing our strategic, operational, and financial risks to help ensure our business objectives are met. This includes responding to, managing, and mitigating the impacts of the COVID-19 pandemic on OPB and the PSPP, and providing a safe environment for employees and clients.
- Prioritizing our strategic focus on the financial security and soundness of the PSPP for all members.
- Delivering superior client service to help members understand the value of the PSPP, make well informed decisions and plan for retirement. This includes continuing to explore and implement digital services.
- Providing ongoing oversight of PSPP's assets, which are managed by IMCO and any new and emerging legal/government policy requirements.
- Maintaining an effective system of internal controls and compliance to promote transparency, accountability and alignment with the government's fiscal objectives to ensure efficiency and sustainability.

- Continuing to support the government’s efforts on the sustainability and affordability of public sector pension plans announced in the *2020 Budget*. This includes work with partners in the interest of minimizing administrative costs for public sector pension-holders by improving efficiencies and providing ongoing support for government-requested initiatives.
- Providing ongoing support for government-requested initiatives and the seven government-wide priorities that have been established for all agencies and aligning with Ontario Public Service (OPS) policies and direction regarding hybrid work.

In accordance with the provisions of the Plan, OPB administers other public sector pension and insured benefits plans. The administration of those 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 2024 Business Plan

OPB respects the Government of Ontario’s objectives to restrain expenses in the OPS and the broader public sector. In preparing this Business Plan and Budget, OPB’s Management has reviewed all expenditure requests to ensure that only those deemed necessary were included in the Business Plan. The Business Plan and Budget for 2024-2026 provides for total combined operating expenses of \$54.4 million, which represents a \$2.5 million or 4.9% increase over our 2023 budget.

We believe that our 2024 budget is aligned with the government’s goal to keep costs down while also managing the inflationary impacts experienced. Management has reviewed the budget requests and, in many cases, has reduced or deferred expenditures to bring the overall annual increase to a manageable amount.

The increase is largely driven by the staffing complement requirements and technology costs to modernize the aging infrastructure.

The budget discussion begins on page 41 of this document. Three items of note:

1. Our staffing costs reflect a moderate increase in complement necessary to enable critical systems modernization efforts and to address the increased client service demands, complexities resulting from sponsor-driven initiatives and legacy system risks. They also reflect grow-in costs associated with the 2023 hires, as well as the uncertainty with regards to public sector wage restraint because of litigation associated with Bill 124.
2. Our technology support costs have also increased because of the improvements and updates we have made to enable our digital advancement, as well as from implementing critical cyber security improvements.

3. Higher inflation levels continue to impact our projected expenses for goods and services, including technical support costs in 2024. The extent to which it will impact our costs in 2025 and 2026 will depend on inflation levels during those years.

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 can 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, replacing aging information technology (IT) infrastructure, or updating 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 legislative requirement or applicable government directives. Examples include meeting the requirements of the *Accessibility for Ontarians with Disabilities Act (AODA)* in communications and issuing our Annual Pension Statements (APS) and Retired Member Statements (RMS). The ‘Plan Sponsor-Driven’ initiatives are those that we need to deliver on to meet a direction from our Plan Sponsor. They may arise for several reasons, such as the merger of smaller agency pension plans into the PSPP, enhancing the services we provide for the Provincial Judges Pension Plan (PJPP), or government human resource initiatives that have pension or insured benefit implications.

The expenses relating to these initiatives and operational activities 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 therefore, cannot be paid from the Fund that OPB holds in trust for the PSPP. A recent example of this was the initiative to convert the existing Supplementary Plan to a Retirement Compensation Agreement (RCA), for which the expenses were recovered from the government. Similarly, administration services or initiatives for the PJPP would either be paid for by funds managed by its Board or the government. Recoveries are netted out against our expenses in our budget. It is important to note, however, that such initiatives do require resources to deliver on them, both initially and once implemented, and therefore, can impact our need for full time equivalent staffing complement. As with Risk Mitigation, Compliance and Sponsor-driven initiatives that are mandatory, we must build these into our Business Plan and Budget. We endeavor to meet the Sponsor’s expectation for completion and timelines of new initiatives. Flexibility is often required and appreciated to balance requests for new initiatives

against those initiatives already in progress. Where unanticipated new priorities are requested, our strong relationship with the Sponsor enables us to have prioritization conversations, including acceptable timelines.

Typically, PSPP initiatives are not recoverable and, where they are not recoverable, they are reflected in our expenses. These include initiatives that involve implementing changes to our processes to support Plan changes the Sponsor has introduced and plan mergers. Often, we are asked to support additional initiatives after our budget has been set. We continue to expect Sponsor-driven initiatives to require substantial effort and resourcing 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. For example, plan mergers tend to improve the demographics of the PSPP and improve OPB's economy of scale.

The fifth category comprises what we refer to as Strategic Initiatives. These projects are driven by OPB to further our Vision 2025 and Strategic Plan. Vision 2025 is supported by two main strategies: Plan Sustainability and Client Service Excellence. We have a few initiatives planned for 2024 and beyond to deliver on these important strategies, however, the initiative that will absorb the most human and financial resources is our Client Experience/Digital First initiative, known as our Voyager program. 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. The initiative will also 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. Modernizing our pension administration systems (PAS) and processes is a major undertaking and also contributes to risk mitigation.

Costs - 2025 and beyond

As we have indicated in prior Business Plans, we are embarking on a much-needed modernization of our PAS and business processes. The core of our current PAS is vintage mid-1990s and no longer supports the needs of our operations. The current system is difficult and expensive to maintain and does not enable efficient or online delivery of services and requires significant manual processing. The current system does not support automated data quality management, nor does it enable the production of operational reports that are useful in managing our operations. We have extended the life of the current system very effectively, but the ability to continue to do so is coming to an end. In the face of significantly increased service demand over the last several years, our ability to maintain our outstanding client service is beginning to suffer due to these shortcomings in our current systems. We have conducted extensive research of the availability of commercial off-the-shelf (COTS) PAS in the market today, including conducting a request for information (RFI) process in 2022/23. There are now systems available on the market that would address many of the shortcomings of our current pension administration system. We are currently in the process of a public request for proposal (RFP) to acquire such a system. While we will not have a reliable estimate of the cost until the

RFP process is complete, these systems are expensive and we expect the purchase and implementation of the system will have a significant upward impact on our expenses starting in 2025.

Additionally, since we continue to receive new Plan Sponsor initiatives and growth opportunities, which will require resources to deliver, we believe it is prudent to continue to enhance our internal resource capacity. This will help ensure we can effectively deliver on operational excellence and new Sponsor initiatives, while continuing to modernize our systems and processes.

OPB’s Purpose, Vision 2025 and Strategic Plan

In 2023, OPB developed the following purpose statement:

Reassuring things happen when we look after each other and work together in common cause. Over the course of their working lives, our public servant clients support strong and sustainable communities across Ontario. We understand the importance of helping others build towards a strong and sustainable future.

Through our *Advise & Protect* mission, we assist our clients to effectively plan for a retirement with security and dignity – a retirement in which they can thrive and continue contributing to their communities. Our team of diverse professionals supports every stage of our clients’ careers, ensuring the pensions they have earned are protected along the way through strategic and prudent fiscal oversight.

Our commitment is to be there. There for life.

Our purpose guides everything we do.

OPB’s Vision and Strategic Plan

OPB adopted Vision 2025 as our vision and strategic plan for the organization. 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 & Protect* vision and strategies and is very well aligned with OPB’s mandate from the President of the Treasury Board (set out at the beginning of this document).

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
- Cost-Efficiency

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

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

We have also identified four 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
- High-Performing People
- Social Responsibility

Within each of the Strategies and Foundations, we have identified initiatives that we will undertake in the coming years. Each year our Business Plan 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 are committed to delivering exceptional client and stakeholder experiences.
- Diversity, Equity and Inclusion: We value our differences, creating safe spaces for all as we work in collaboration, leveraging everyone's unique talents and life experiences, and interacting with respect, empathy, and compassion.
- Innovation and continuous learning: We are a high-performing organization with a can-do attitude which pursues continuous improvement, learning, growth and achievement.
- Trust and transparency: We act with integrity, communicating with honesty and transparency to have meaningful interactions and foster trust.
- Accountability: We each take accountability. Together, we protect the pension promise through advocacy and the effective and efficient delivery of services.

Diversity, Equity and Inclusion

Diversity, equity and inclusion (DEI) are core values for OPB and we recognize that to continue meeting the evolving expectations of our employees, clients and stakeholders, we need to continue evolving and advancing our approach to DEI.

We have taken a number of steps in recent years to advance DEI within our organization, including:

- Mandating training for all employees on inclusion, diversity and bias awareness, respect in the workplace, responding to microaggressions, and gender and sexual diversity, with

dedicated leadership sessions

- Joining the Canadian Centre for Diversity and Inclusion (CCDI) as an employer partner
- Signing the BlackNorth Initiative CEO Pledge and building pledge commitments into our DEI approach
- Engaging our investment manager, IMCO, about diversity and inclusion within our investment portfolio
- Partnering with the Canadian Association of Urban Financial Professionals (CAUFP) and leveraging their job boards to help promote awareness of OPB career opportunities to a more diverse candidate pool, as well as offering membership and event opportunities to employees
- Providing quarterly progress updates to the Board of Directors and our HR Committee and holding dedicated education sessions for our Board on DEI topics
- Reviewing our HR practices and policies to identify and address unconscious bias and other barriers, and adopting anonymized candidate screening to help reduce bias in our hiring process
- Later this year, we intend on surveying our employees to update our data on socio-demographic information and inclusion experiences. This will be an update to the data collection from 2021. Through 2024, the executive and DEI council will assess and leverage this data to support our ongoing and future efforts to further DEI commitments at OPB
- Expanding OPB's dedicated employee resource space and communication campaign for ongoing awareness-building, education and engagement
- Based on insights from the Respectful Workplace survey, we developed etiquette guidelines to encourage inclusive, respectful online interactions and provided employee training on respectful interactions and responding to microaggressions
- Launched a Diversity, Equity and Inclusion Advisory Council to ensure the encouragement and inclusion of diverse voices throughout OPB. The Council is providing advice and recommendations as we establish our DEI framework and priorities and will continue to assist with educational opportunities

- Partnering with Pride at Work and leveraging their job board and educational opportunities to continue promoting education on sexual orientation, gender identity and gender expression

We recognize that this journey requires a sustained effort and ongoing learning. In 2024, we will continue advancing DEI practices and exploring new opportunities to support a more inclusive environment for employees, clients, and stakeholders.

Other initiatives and learning opportunities will be informed through our partnerships and the recommendations of our DEI Advisory Council, as well as events, topics and dates of recognition and significance.

We will continue to keep our clients and stakeholders updated on our progress through our website and both our ESG & Annual Reports.

Status of the Public Service Pension Plan

Protecting the pension promise for members and ensuring that the Plan is sustainable over the long-term is our top priority. As of December 31, 2022, the last filed valuation, the Plan maintained its funded status of approximately 94% on a going-concern basis with asset smoothing.

In support of the 2022 valuation, we made several changes to our assumptions:

1. **Inflation** – With inflation remaining elevated and expectations for it to remain so over the next few years, we have increased our inflation assumption from 1.80% to 2.0%. This impacts the inflation-related assumptions such as salary increases, government limit increases and investment returns. The Plan retained an indexation reserve of \$260 million in anticipation of elevated inflation in the short-term.
2. **Salary assumptions** – Inflationary pressures have led to increased wage and salary costs over projections and movement within salary ranges. In addition, the litigation of Bill 124 - *Protecting a Sustainable Public Sector for Future Generations Act, 2019* (PSPSFGA) has also led to wage re-openers and a need for wage growth projections to be adjusted.
3. **Discount Rate** – We have continued to see an increase in bond yields, which has driven up the discount rate used to value the Plan to 6.1% from 5.5% in 2021 (before applying the required provision for adverse deviation – discussed below). This change contributed positively to the Plan’s funded status, despite a challenging year in the markets and higher inflation.

The funding rules for single-employer pension plans (such as the PSPP), require us to add a prescribed margin for conservatism (PfAD) to our liabilities when determining our funded status. The PfAD increased the Plan’s liabilities and resulted in an effective discount rate of 5.64%.

Looking forward, we continue to expect a more challenging environment for investment returns over the next five to 10 years and for inflation in the next couple of years. These factors could negatively impact the Plan's funded status.

Additionally, we have not yet fully recognized the impact of 2022's investment losses since our going-concern valuation uses asset smoothing over a three-year period. As we bring in the unrealized losses from 2022 that are deferred through asset smoothing, there will be a drag on the funded status.

The Plan Sponsor is making special payments which will contribute to bringing the Plan back toward a fully funded status.

These special payments help cover the cost of the prior human resources (HR) programs and strategies the government has put in place over the years to manage the workforce. For example, Surplus Factor 80 and the Transition Exit Initiative.

However, given current inflation levels and the economic outlook, there is a high risk of further deterioration in the Plan's funded status.

As part of our disciplined, long-term approach to managing the financial health of the Plan, we regularly conduct studies, which help us assess whether the current contribution rates are adequate to fund the Plan's benefits and whether economic and demographic assumptions we use are still appropriate. Over the past few years, those studies have shown that the cost of pensions is rising due to our members living longer than expected.

We expect to initiate new studies during 2024.

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. 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 IT in our service delivery, manage risk and respond to growth in 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 prior Business Plans, our existing PAS are nearing the end of their life cycle. The administration of the Plan has grown more complex and

intricate since these systems were put in place in the early 1990s. While we have introduced new tools and services to better serve our growing membership, such as our enhanced member and employer portals, our primary PAS now needs to be updated to mitigate risks, enhance client service and meet a digital service mandate. In 2023, we:

- Completed an updated assessment of the pension application marketplace to inform our Go-to-Market approach for our new Pension Administration Solution. The responses helped inform the request for proposal (RFP) which was issued this past August and we anticipate securing a solution and vendor(s) in the first half of 2024
- Completed an upgrade of our current retirement planning tool
- Developed our Go-to-Market approach for an enhanced retirement planning tool – we anticipate this RFP to be issued in early 2024
- Continued to modernize the IT infrastructure, improve information security and support employees as they transitioned to a hybrid workplace

Additionally, to help support our pension modernization program, we will continue to refine:

- The Cloud services model, which we transitioned to, to enable us to deliver the Data Centre and Infrastructure support necessary to modernize our pension application systems and portals
- Our secure application development approach, including the introduction of an Agile development methodology, tools and processes, to enable increased scalability

On the cybersecurity front, OPB continues to be vigilant and responsive to constantly evolving cyber security threats. These threats are becoming increasingly sophisticated and constant vigilance and broad visibility is essential to effectively mitigate this risk. Ensuring our technology remains current is critical to ensuring our clients' personal information remains secure. In the past few years, we have implemented several initiatives to improve our cyber security maturity, including increasing our detection and response capabilities, as well as improving our data classification and retention management systems, and enhancing our third-party risk management process.

Investment Environment/Outlook: 2022 presented very challenging conditions for investors. While the equity markets recovered in the first half of 2023, there are still several elements of the investment and economic outlook which remain uncertain as follows:

- Much higher bond yields across all maturities and especially for shorter-dated bonds. This has placed stress on segments of the economy, particularly those that are sensitive to increases in borrowing costs, e.g., highly leveraged real estate. It is also likely that this effect will widen and persist as many borrowers will not notice the impact until renewal of their borrowing. While it is possible yields will begin to decline in the next 12 months, they are not likely to drop to the lows of 2020.

- Inflation, while significantly lower than a year ago, continues to run above central banks' targets and while it is expected to average 2% over the long-term, is likely to remain above that level over the next few years.
- The potential for a new normal of persistent and elevated geopolitical risk, headlined by the war in the Ukraine, but also more widely Europe with the expansion of NATO and instability within Russia, as well as the ongoing strained U.S./China relations.

IMCO continues to focus on an investment strategy that, while mindful of the current economic and investment environment, is focused on implementing successful strategies over the long-term, including:

- Partnering with leading external managers that provide opportunities to increase IMCO's investment in attractive assets, particularly within the Private Equity, Infrastructure and Global Credit strategies.
- Evolving the structure of the public equities portfolio to invest in higher conviction strategies and take increasingly meaningful positions in investee companies.
- Building out the credit portfolio, tapping into opportunities across the credit spectrum, including potential direct lending.
- Continuing to reduce the allocation to retail properties within the real estate portfolio, as well as the Canadian bias in favour of more exposure to industrial and residential properties, often in the U.S. or Europe.
- Pursuing opportunities to reduce costs, for example, through the utilization of factor investing and increased allocations to direct and co-investment acquisition of private assets.
- Building a public market alternatives program that acts as a strong diversifier, particularly when other asset classes are struggling to generate positive returns.

Environmental, Social and Governance: We recognize the importance of strong Environmental, Social and Governance (ESG) practices. Both OPB and our investment manager, IMCO, are committed to comprehensively integrating ESG to manage risk and take advantage of opportunities.

Over the past few years, we have taken steps to further our approach to ESG issues, including:

- OPB conducted a thorough review of ESG practices to help determine next steps in developing a Responsible Investment Action Plan in 2020 and updated the Plan in 2022
- As part of this Action Plan, OPB rejoined the United Nations (UN) Principles for Responsible Investing (PRI) as an asset owner. This commits us to supporting and implementing those principles and submitting comprehensive reporting on all our ESG activities to PRI annually

- OPB's Statement of Investment Policies & Procedures was modified to reflect updated investment beliefs for ESG issues
- OPB's Board of Directors approved a Policy for ESG Investment Issues
- IMCO has developed a climate action plan, which included a scenario analysis to understand how investments will be affected by varying increases in the Earth's temperature
- IMCO has committed to reaching net-zero emissions by 2050 or sooner and set its interim targets for 2030 in alignment with the Paris Aligned Investment Initiative (PAII), as well as establishing targets for investments in climate solutions
- IMCO released its first ESG report in 2022, which included information in alignment with the recommendations by the Task Force on Climate-Related Financial Disclosures (TCFD) and will be publishing its second report later this year.

Part of furthering our ESG commitment includes enhancing our communications to clients about the commitments we're making and how we're tracking against them. OPB has developed an ESG Communications Strategy to enhance our reporting and transparency on ESG issues for members. We have now begun implementing our communication strategy, which includes producing educational content for members and producing our first ESG report, which we expect to release in early 2024.

Demographic and Economic Trends: There are several demographic pressures facing the Plan. These factors, including rising lifespans, increase the costs of pensions and creates funding pressures. Higher inflation levels are also putting pressure on the funded status. With expectations that inflation will remain elevated for a while, we have updated our inflation assumptions. This impacts the inflation-related assumptions such as salary increases, government limit increases and investment returns. Lastly, with bond yields continuing to rise, we increased our discount rate.

We believe that these were 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 OPS, to determine if the 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 several important government directives and legislative requirements with which OPB must comply, such as Ontario's new Digital, IT and Data Directives (and related policies), anti-spam legislation, enhanced procurement rules, and the AODA, to name a few. Regarding privacy legislation, our focus will be to maintain consistency with the modernized PIPEDA and make revisions as required to the privacy standard, since OPB is not governed by it.

In 2024, we will continue to focus on meeting our regulatory obligations, promoting a strong culture of ethical behaviour and maintaining an effective ethics and compliance program. To

further enhance and streamline our compliance processes, we completed a risk-based review of OPB's regulatory and legislative requirements with a focus on prioritizing compliance oversight tasks on the highest-risk items. As a result, we revised our Code of Conduct to provide further clarity on OPB's obligations under *The Public Service of Ontario Act 2006*, including enhancements to guidance around outside employment and activities, further clarity on obligations for staff after leaving OPB and clarifying post-service conflict of interest requirements. We are also in the process of updating our corporate Procurement policy, considering the changes to the OPS Procurement Directive effective September 1, 2023.

We are currently implementing cloud-based compliance software that will improve our oversight and reporting process, and make our processes more efficient. Once the software has been fully implemented, we will be formalizing an annual risk-based compliance test of key controls for OPB policies and procedures. These changes will further strengthen our system of internal controls.

We have also procured a disclosure module that we can add to our Code of Conduct & Ethics training platform. This software will enable us to automate the Code of Conduct attestation and associated conflict of interest disclosure process, thereby, reducing the risk of errors and making the process more efficient. This software will also allow us to produce enhanced compliance related reports to ensure we continue meeting our regulatory obligations.

Together, the enhancements will help us promote a strong culture of ethical behaviour and a risk-aware culture.

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 fiscal status could impact the Plan and OPB in various ways. Provincial priorities that impact OPB include:

- Online services for clients, which we are advancing through our Retirement Planner project, helps our members effectively plan for their retirement. This project not only aligns with the government's Digital First strategy, but also helps improve financial preparedness, thereby, reducing reliance on government support in retirement.
- Supported the designation of Legal Aid as a participating employer in the PSPP – as a result, their non-Ontario Public Service Employees Union (OPSEU) represented employees have joined the PSPP and they have closed their existing pension plan.
- Implementing plan changes for First Nations Officers and Civilians. Supporting this important initiative will involve a significant number of system changes to ensure members receive accurate information and the correct benefit entitlements. It will also include considerable member and employer education and communication efforts.
- Other government human resources (HR) priorities, such as its upcoming HR and payroll systems modernization. Supporting this initiative will help us ensure the new systems effectively integrate with ours and provide us with the information we need to calculate

accurate benefits and support clients in making sound pension decisions. It will also provide us with an opportunity to further improve data reporting accuracy and efficiency.

- Additionally, each year, we receive intra-year requests from the Plan Sponsor to support additional initiatives, which we expect to continue in 2024.

Rising Service Expectations: Our 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. We need to modernize our technology to ensure we continue to keep our clients' information secure, while providing them with the online services and tools they expect.

Increasing Service Demands: OPB continues to focus on delivering exceptional service to our clients in an ever-evolving environment. Our client service is focused on effectively responding to increased business demands from strategic and government initiatives, increased business complexity resulting from plan mergers we've completed and additional compliance requirements. These demands have increased significantly over the last few years. The new digital features that we launched during the pandemic, virtual 1-on-1 meetings with Advisors and secure document upload, have been critical to helping us support clients effectively while transitioning to a hybrid work model.

Strategic Direction

Vision 2025

Fundamentally, OPB has two critical objectives: first, to manage the financial health of the Plan, so it remains sustainable over the long-term, and second, to provide outstanding pension administration services to our members, employers and 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 advanced through the initiatives outlined in this Business Plan.

Sustainability Strategies

Our sustainability strategies are directed towards 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 to build lifetime retirement income adequacy for long-serving members; and (4) fairness in the Plan costs and benefits are achieved across generations of members.

Investments

The day-to-day investment management of OPB's assets was transitioned to IMCO in 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 its 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, so strong investment returns are therefore critical to the long-term health of the Plan.

OPB continues to set the Plan's Strategic Asset Allocation (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.

The SAA is critical because it:

- Identifies percentage targets for individual asset classes that make up OPB's Investment Portfolio (i.e., the Portfolio's Asset Mix).
- Drives investment performance and is OPB's most important investment decision. The new 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.

Going into 2024, a new SAA is being implemented with the last of four transitional changes being made to move to the new allocation. The new SAA was set after completion of an Asset-Liability Study in 2021 and key changes from the prior SAA include an initial allocation to Public Market Alternatives, as well as incorporating portfolio-wide leverage. The new SAA is expected to produce long-term returns comparable to the prior SAA, despite lower asset class expected returns. The SAA calls for leverage at a level that keeps us within appropriate risk parameters, while also improving our diversification and enhancing the plan's risk return characteristics. We are preparing to conduct a new Asset-Liability Study in 2024.

OPB monitors IMCO's investment performance and the performance of its duties, responsibilities and, obligations under the contractual agreements between OPB and IMCO (i.e., 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. This investment fee is netted against our investment portfolio returns.

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
- Cost of the benefits promised by the Plan

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

- Annual Plan valuations (even if not required by the regulators)
- 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 (SAA) for our investments
- Long-term funding studies to determine adequacy of contribution rates

It is also critical to continue advocating for a regulatory environment that is conducive to the sustainability of the Plan and the 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, professional organizations, and employee groups
- Partnerships with our peer plans on matters of mutual concern
- Monitoring industry trends regarding plan design

- 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 include 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 to improve our economies of scale, among other benefits. This helps reduce our per-member cost and aligns with government direction to improve efficiency and reduce redundancy across the broader Ontario public sector. The consolidation of the pension plans of smaller government agencies, whose principal focus is not administering a pension plan, will also improve performance and client service for those members. Since our first plan consolidation in 2018, we have welcomed more than 5,000 new members into the PSPP. The Plan’s active to retired member ratio has improved from 1:1 to 1.17:1 over that period, despite the loss of 10% of active membership due to the Ontario Lottery and Gaming Corporation restructuring. We are preparing to welcome approximately 500 new members from Legal Aid this fall and are also expecting to welcome additional First Nations Police Constables and Civilians into the PSPP next year.

Our pension modernization initiative will also drive cost-efficiency over the long-term. Many of our business processes and systems are outdated and need to be updated to be more effective, efficient and to support the digital-first approach. Through our pension modernization program, we will: focus on upgrading our systems and tools to enhance the client experience, move our digital strategy forward, improve our business process efficiencies, increase our information security, including cyber security and mitigate our IT risks.

Alignment with the Government’s Fiscal Objectives

OPB respects the Government of Ontario’s objective to restrain expenses in the OPS 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 procurement practices, and digital and data 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 (e.g., the addition of an RCA)
- Expected to generate a benefit that more than justifies the incremental expense

- Required to meet service expectations
- Required to prudently manage the funding of the PSPP

We regard the consolidated expense ratio as the most reliable cost-efficiency comparator as differences in allocations of pension and investment expenses between organizations can be significant. OPB's consolidated expense ratio in 2022 was 0.53%, which is very competitive with our peers.

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 enables clients to make good decisions about their pensions
- **Digital Access to Information** – in line with the modern service experience our clients expect
- **Anytime/Anywhere Self-Service** – increasing the service availability of our websites, as well as expanding and enhancing our online services for members
- **Effective and Timely Service Delivery** – transactions that require the assistance of our client service staff
- **Privacy and Cyber Security** – in an increasingly digital and online world, service excellence is imperative to protect our clients' privacy and the security of their personal information

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

- **Advisory and Education Services** - increase client engagement in retirement planning and deliver outstanding decision support
- **Digital and Online Services** - deliver anywhere/anytime access to information and self-service - this will also contribute to enhanced efficiency and will include appropriate cyber security and privacy protections
- **Advanced Business Processes and Systems** - the tools, systems and processes to deliver secure, timely and cost-effective service to our clients

These three strategies are discussed in greater detail below.

Advisory and Education Services

Advisory Services

OPB's Advisory Services, which offers our clients professional retirement planning and decision-making support, continues to be our service excellence differentiator. Our team of Advisors, who are pension experts and Certified Financial Planners®, 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 evolve our services to support the changing needs of our members.

- Almost three quarters of members rate their satisfaction with their OPB Advisor at nine 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 (92%)
 - provided valuable insights they hadn't considered (87%)

We plan to continue to further improve our Advisory Services 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 is aided by modern data analysis, approaches, and tools
- Developing more holistic planning tools to encourage active retirement planning and to assist clients with making decisions
- Adding capability to better understand workforce changes that will impact members and employers, and putting tools in place to help them navigate these changes

Education Services

OPB has developed and continues 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 PSPP. Initially, the sessions provided an overview of the Plan. In recent years, we have introduced tailored financial and retirement planning

sessions that are designed for better member engagement to assist them 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, as well as mini sessions to help members better understand topics like survivor benefits and buybacks. The demand for these interactive tailored presentations continues to increase and feedback on the sessions is very positive.

Over the next few years, we are planning to 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 engage various members by speaking to the issues that matter to them now (e.g., parental leave impacts, managing debt, etc.) and for the purpose of assisting them in making excellent decisions about their pension
- Enhancing our online learning experience through recorded webinars and short videos – this expands the number of members we can reach cost-efficiently and at a time that’s convenient for them
- Expanding our education sessions to retired members to help them navigate managing their retirement income, including sessions on understanding CPP integration

Digital and Online Services

In the financial services industry today, clients expect to access information about their accounts and execute simple transactions online anywhere and anytime. OPB has an array of online self-service options for clients and has an employer portal through which employers can do business with OPB. Our modernized member and employer portals, which launched at the end of 2021, have made our online services more secure, accessible, user-friendly, efficient, and effective. These initial enhancements have helped lay the foundation for OPB to add additional online self-service transactions and tools as we progress through our modernization program. Enhancing our online service applications will increase the use of this service channel, making OPB’s operations more cost-effective and freeing up resources to meet the demand for our decision-support services.

As we progress through our pension modernization program, we will continue to advance our Client Engagement & Experience Strategy. Our journey mapping project will help us better understand our members’ expectations and digital needs as they move through their pension plan membership. These maps will be critical in helping us build effective digital services, improve our efficiencies and meet the changing needs of our members through our modernization project. In the coming years, we will enhance our digital and online services by:

- Increasing the number of self-service transactions that members and retired members can conduct online

- Increasing member engagement with retirement planning and modernizing and improving the capabilities of our retirement planning tool
- Introducing a real-time APS 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 currently provide
- 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 PAS (the systems used to determine and calculate entitlements, as well as our document and business process management) are nearing end-of-life and must be updated or replaced. Workflow and document management technologies have advanced significantly in recent years and have the potential to better integrate and enhance how we support client service delivery. As it stands today, we have multiple calculation engines, each of which must be separately maintained and kept current with assumptions and variables. There are advanced tools/technologies that are now capable of more effectively handling all our rules and calculation needs.

Recent internal audit reviews have identified risks in our processes and controls that will be addressed through a modernized pension administration system.

These new 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.

Pension Modernization

Our pension modernization program is a business transformation program, enabled by technology, which will advance client and stakeholder experiences, as well as generate business efficiencies. Replacing our benefit entitlement calculation engine is designed to enhance our digital services for clients and mitigate the future risk posed by our legacy systems as they near end-of-life. It will also allow us to further improve our operational effectiveness, while fully supporting our Advisory Services model and will provide our clients with the tools they require to make sound decisions about their pension.

We invested a great deal of time and effort creating a pension modernization strategy that would position OPB for a successful business transformation program. Before starting our first major project, we created our Client Engagement & Experience Strategy to guide our modernization journey. We also mapped our current state business processes, identified the systems in need of replacement, determined the right architectural approach for our transformation and developed a high-level road map.

Our multi-year roadmap identifies and prioritizes the other parts of our pension business processes and systems that must be modernized 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.

Over the past few years, we have:

- modernized our member and employer portals, which provide an enhanced user experience, improved accessibility and strengthened security
- launched initial enhancements to the Retirement Planner to bring the planner experience into alignment with our modernized portal, improve accessibility and provide members with the ability to provide feedback on the tool
- conducted member research, including creating and validating member personas and building journey maps on the retirement planning process. This work will inform our approach to innovating our services to improve their experience and enhance client engagement in retirement planning
- worked with a consultant on a RFI to understand how the pension administration landscape has evolved over the past few years to inform our approach to procuring a new PAS
- worked with a consultant to develop requirements for our critical processes to include in an RFP
- issued a procurement for our new PAS, which we expect to begin work on next year

2024 Pension Modernization Initiatives

In 2024, we will move forward on other key pieces of our pension modernization, including selecting our new PAS under our Package of Projects 1, developing a data migration strategy, so we can effectively and accurately transfer data from our existing system to the new PAS platform and the second phase of the Retirement Planner project.

We've provided additional information on our pension modernization initiatives for 2024 below.

PAS: Benefit Entitlement Calculator & Rules Engine modernization (Package of Projects 1)

Our current capabilities for the development and maintenance of pension plan rules and calculation formulas are outdated, cannot be adapted in a timely way to meet the needs of a digital modern workplace, and do not provide the scale and agility to handle multiple plans or complex member rules. A new PAS that has a modern rules and calculation engine will enable enhanced digital service delivery, improve business processes to enhance operational efficiency, integrate quality assurance and make it easier for us to adapt to changing rules and plan provisions.

Based on our market industry research, we believe that choosing a commercial off-the-shelf (COTS) system will be the most effective and efficient path to modernizing our systems.

The main objective of this project is to start implementing a new COTS pension administration system beginning next year that will be:

- (a) a significant advance on OPB's current systems; and
- (b) capable of being extended to incorporate most elements of OPB's visionary system in support of *Advise & Protect*.

To meet both aspects of the objective, OPB intends to first implement the core capabilities of the COTS pension administration system. The first implementation will focus on operationalizing the foundational elements that will help us modernize our systems, improve efficiencies, address critical pain points for staff and allow us to better serve our clients.

Once we have implemented the core capabilities, we will then focus on implementing enhancements that will help us achieve OPB's visionary strategy and significantly advance our digital services and the client experience.

While we do not know the exact implementation timeline yet, we will have a better sense of timing later this fall after we have received responses to the RFP. We are currently expecting to begin the new process and systems development in Q3/Q4 of 2024.

To help us prepare for implementing our new PAS, we will also begin to address any data work necessary to successfully implement the new calculator, including an assessment of our data governance and related practices to identify any gaps that need to be addressed. More detail on this work can be found in the section below.

Data Migration, Integration and Integration Testing

A core component of the PAS is the calculation and business engine OPB will procure in 2024. As part of the modernization, we will have to accurately transfer data from our existing system to the new PAS platform. This work is critical to an effective transition and will require substantial effort and expertise. As a result, we will need to secure additional resources to assist us with these initiatives – people, tools and professional services.

Data migration

The data migration project will cover several key activities, including data readiness, and the development of a data migration practice.

Integration

The PAS has to be able to integrate with other applications. Our working assumption is that the new PAS will need to be able to support two different types of integration:

1. Ongoing integration with existing OPB systems and tools, such as the member and employer portals, and our third-party retirement planning tool for members. The PAS would need to maintain effective ongoing integration with these systems for the operational life of the PAS.
2. Coexistence-related integrations – since we are striving for a phased implementation, that will mean both the legacy and new systems will be concurrently operational until the new PAS is fully implemented. This will require a mechanism to keep both systems synchronized until the new PAS is fully implemented and we can turn the legacy system off. This creates a high complexity integration. If a phased implementation is deemed unfeasible, this item will not be needed.

This project will help us better understand the effort, the costs and the system considerations, so we can develop an effective integration plan.

Testing

To help ensure we have a smooth and effective transition to the new PAS, we will need to test all functions and features before we can go live. This initiative covers the development of our modernization testing approach and practices, including automation. Given our phased implementation approach, we will need to complete testing against both the new system (as we incrementally enable new products), as well as the legacy system (as we incrementally disable the functions that have been transitioned to the new system).

Retirement Planner Phase 2

OPB's Retirement Planner helps members create an effective plan for their retirement by helping them understand how their pension fits into their overall financial picture, including their projected retirement expenses, so they can make well informed decisions about their pension throughout their career. Members can use the tool on their own or book a 1-on-1 session with one of our Advisors who can use the Retirement Planner to build a robust retirement plan that reflects a member's financial and personal circumstances and goals.

While the current planner is comprehensive, it requires considerable manual effort to capture the necessary information required to produce a retirement plan. OPB plans to issue an RFP in late 2023 or early 2024 for a long-term strategic partner who offers a retirement planning tool that will support improving member engagement with retirement planning and making it easier for our Advisors to build effective retirement plans for members.

We expect to select a long-term strategic partner in 2024.

Program Governance and Business Enhancements Guidance

This project will continue throughout the modernization program to ensure we have the right governance, processes and protocols in place to successfully deliver on our objectives.

In 2024, this project will focus on maintaining effective governance and oversight, including ongoing project review and prioritization, resourcing, management of interdependencies and risks.

It will also include the enhancement and implementation of standardized Software Development Lifecycle (SDLC) processes we need to put in place to develop new software solutions at the scale necessary to deliver on our modernization roadmap.

Finally, it will include the development of client journey maps, which will help us identify the ideal client experience from enrolment to retirement. This will include member research and validation of our journey maps. Journey maps will provide us with valuable insights necessary to effectively prioritize which requirements will improve the client experience and deliver the most value.

In 2023, we focused our journey mapping and member research on retirement planning and better understanding how members move through their retirement planning journey. We examined their pain points and where there are opportunities for us to adjust our services, processes, communications, and tools to improve their experience and enhance client engagement in retirement planning.

In 2024, we will continue to build out additional journey maps for other critical member events, these may include: enrolment, termination and buybacks.

Information/Cyber Security Improvements

OPB continues to address the evolving and increasingly complicated cyber threat landscape that we face through an in-depth defense strategy. We continue to evolve and enhance our information security maturity to support OPB's goals to:

- expand our digital and online services
- support a hybrid workplace model
- ensure the confidentiality, integrity and availability of our systems and information to provide our members and stakeholders with superior service

Over the past few years, we have implemented several initiatives to improve our cyber security maturity and resilience, including increasing our firewall detection and response capabilities, improving our data classification and retention management systems, strengthening our application development practices and enhancing our third-party risk management process. In 2023, we enhanced our security capabilities in the following areas:

- Endpoint security – increasing our visibility and awareness of vulnerabilities, misconfigurations and suspicious activity, and optimizing our response to identified areas of potential weakness.

- Data management and governance – improving our capabilities for identifying, classifying, and securing unstructured data stores, such as email and files.
- Third Party Risk Management/Security – enhanced our third-party risk identification and mitigation strategies.

In 2024, we will continue to enhance our security capabilities in the following areas:

- Enhanced network security monitoring and incident response - increasing resources tasked with monitoring threat activity through increased visibility, automation and threat hunting methods.
- Application security - maturing our DevOps approach with more automation and use of modern software development lifecycle (SDLC) practices and methodologies, resulting in more secure application releases.
- Enhanced identification and remediation of vulnerabilities, including the use of automated, continuous penetration testing.
- Continued maturation of our Data Governance processes and capabilities.
- Review and improve our Identity and Access Management (IAM) processes and tools.

OPB recognizes that everyone throughout the organization has a role to perform in information security. Our security education and awareness training program continues to evolve by ensuring that all staff and management are constantly aware of new and existing threats to our Service Excellence and Advanced Business Processes and Systems objectives, and ways to be prepared to deal with them.

IT Infrastructure Management Improvements

OPB's IT infrastructure is operated as a fully outsourced service, which allows us to benefit from the improvements our vendors make to optimize their infrastructure environment.

We continue to improve efficiency in infrastructure management processes to help support pension modernization. To better enable a new hybrid post-pandemic work model, we will implement a modern approach for enhanced digital collaboration and desktop management.

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 PSPP. Each 2024 initiative and KPI includes reference to both the output and outcome (benefit/value) to Plan stakeholders.

Key Performance Indicators and Metrics

Business Objective	Defined Output	Performance Metric
Investment Execution	OPB’s investment return versus the (SAA) benchmark	<p>Outperformance, after fees, of Fund benchmark return over rolling five-year periods.</p> <p>Key Activities: Oversight of IMCO ultimately leading to sufficient investment performance as measured by:</p> <ul style="list-style-type: none"> • Effective and comprehensive monitoring of, and engagement with, IMCO • Maintenance of, or improvement in, strong governance of investment strategy through policies and procedures • Contribute to ongoing improvement in IMCO’s capabilities and results • Proactive and effective response to investment performance issues

Business Objective	Defined Output	Performance Metric
Investment Risk Management	OPB’s actual risk versus risk budget for the total portfolio and each investment strategy	<p>Total Fund Risk Metric – Ex-post tracking error at the Total Fund level for the past five years within the limit and consistent with the target level as stated in the Client Account Mandate.</p> <p>Strategy Level Risk Metrics – Rolling ex-ante tracking error or total volatility (as applicable per IMCO’s Investment Policy Statement (IPS)) within the stated limit and consistent with the target level over the past five years.</p> <p>Independently, or with IMCO, engage in activities to keep risk at or below an acceptable level:</p> <ul style="list-style-type: none"> • Effective evaluation of risks associated with (SAA) • Thoroughly document, measure and understand investment risks • Effective and comprehensive risk reporting • Satisfactory consideration of emerging and indirect risks, e.g., ESG, regulatory and socioeconomic
Member & Pensioner Service	Overall satisfaction with client services	8.5 or higher

Business Objective	Defined Output	Performance Metric
Employer Service	Employer satisfaction scores	8.5 or higher
Member portal registration	Number of members registered for the member portal (e-services) Active members registered Retired members registered Deferred members registered	29,000 members registered 17,900 retired members registered 3,200 deferred members registered
Plan Sponsor Service	Completion of Sponsor requests	Successfully meets Plan Sponsor requirements/requests that arise during the year
Business Plan Achievement	Advancement of strategies and initiatives (both planned and emergent). In particular: <ul style="list-style-type: none"> • Complete or materially advance, projects initiated in response to requests from the Plan Sponsor in line with negotiated timelines and deliverables • Advance OPB's security maturity • Complete the procurement process for the Pension Administration System, select and onboard the vendor 	Substantial delivery/achievement of Business Plan initiatives

Business Objective	Defined Output	Performance Metric
	<ul style="list-style-type: none"> Select the vendor, complete legal negotiations and begin development work for the retirement planning tool 	
Managing Change	Management adapts and responds to emerging priorities through the year	Substantial delivery/ achievement of other priority initiatives that emerge during 2024
Managing to Budget	Actual versus budgeted expenses	Within budget
Cost-efficiency	Expense management ratios (cost per net assets available for benefits): <ol style="list-style-type: none"> OPB operating expenses (pension administration and internal investment expenses) IMCO costs Consolidated 	18 basis points or lower 50 basis points or lower 66 basis points or lower
Financial Health of PSPP	Level of, and year-over-year change in, going concern funded status	Maintain or improve going concern funded status
Employee Engagement	Undertake a full Organizational Employee Engagement Survey Evolve OPB’s purpose statement and Employee Value Proposition into key HR programs	80% or higher on Organizational Engagement 87% or higher response rate Substantial achievement

Business Objective	Defined Output	Performance Metric
Diversity, Equity and Inclusion (DEI)	<p>Achievement of 2024 key DEI commitments, including:</p> <ul style="list-style-type: none"> Progressing OPB’s DEI Advisory Council's road map Continued evolution of formal and informal learning 	<p>Substantial achievement/delivery of 2024 DEI initiatives</p> <p>Inclusion index of 75% or more</p>

Key Risk Areas

Enterprise Risk

Our Enterprise Risk Management (ERM) framework is integrated into our strategic and operational development process to strengthen our ability to proactively identify, assess, monitor, and respond to key risks and opportunities 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:

- Enhance awareness around risk management practices across all functions and business units to help manage risk cost-effectively on an enterprise-wide basis
- Promote a proactive risk-based decision-making culture
- Elevate a shared understanding of risks and opportunities
- Continually assess, improve, and evolve our ERM and Operational Risk Management (ORM) practices to support business resilience

Our top three key risks are:

1. **Plan sustainability** – All DB 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 a 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 a consolidation strategy to maintain or improve the Plan demographics and economies of scale
 - Funding risk studies to assess a wide variety of scenarios and develop possible funding responses to address challenges that may emerge over time, as well as risk mitigation strategies to reduce the likelihood or moderate the development of funding shortfalls
 - 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 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, improve our information security, and replace at-risk and outdated legacy technology. Using a combination of our enterprise program management framework, applying best practice principles and strong governance oversight, 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.

In the current rapidly evolving environment, we remain focused on identifying, assessing, and responding to heightened or emerging risks. In response, our aim is to remain vigilant, resilient, and responsive by continually assessing key risks, opportunities, and vulnerabilities both from across all functions within OPB and from external sources. 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, in addition to preserving our assets and maintaining stability of our operations.

Over the next year, OPB's ERM will continue to focus efforts to enhance and evolve its integrated and agile approach to managing enterprise, operational and emerging risks. ERM will review and refresh OPB's risk appetite framework to align current risk statements with OPB's revised goals and objectives. The end goal is to build resilience by managing risks within reason while supporting evidence and risk-based decisions. In addition, ERM will also review and enhance OPB's key risk indicators with an aim to monitor changes in the levels of risk exposure and contribute to early warning signs to help prevent and mitigate any potential negative events in a timely and efficient manner. These efforts will support in evidence driven, risk-based decisions while focusing on impacts from operational, enterprise and emerging risks.

ERM will continue focusing on building a positive risk culture at OPB by raising risk awareness across the organization. This will be accomplished through intranet enhancements and educational tools, such as risk workshops and creating a risk management library, with the goal of educating and training staff on risk management fundamentals.

These initiatives will streamline OPB's compliance efforts with regulatory compliance mandates and enhance our operational efficiency through consistent identification, management, and mitigation of risk exposures which in turn, will strengthen our operational resilience.

Investment Risk

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

- OPB formally reviews its SAA at least every five years, so Management and the Board of Directors can align the Plan's asset mix relative to its pension obligations. This considers the Plan's funded status, the then-current economic environment and the changing demographics and composition of the Plan membership. The 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, with an acceptable level of risk. An Asset Liability (A/L) study was completed in early 2021 and a new SAA was approved by the Board in April of 2021. In 2024, IMCO will make the last of four transitional changes required to fully implement our new SAA.
- To address the growing risk presented by climate change, OPB and IMCO have developed policies, which govern risk as it relates to ESG issues. In addition, IMCO has conducted climate scenario analysis as a precursor to developing a climate strategy that will articulate specific carbon emission reduction targets. IMCO have also begun reporting on climate-related metrics in an annual ESG Report.
- OPB monitors, assesses and reports on IMCO's performance regularly to the OPB Board of Directors. A variety of 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 our investment fiduciary responsibilities and ensures that IMCO is managing the Plan assets and related investment risks in accordance with IMCO’s Core Governing Policies, which OPB reviewed and approved in 2019. This helps to assure OPB’s management and board members on an ongoing basis that IMCO is prudently managing Plan assets.
- IMCO has developed and evolved its risk reporting capability with comprehensive reports that are now presented to, and discussed with, the OPB Investment Committee on a quarterly basis. In addition, IMCO developed, adopted and reports on a Liquidity Coverage Ratio measurement. This is particularly useful during market crises such as the COVID-19 pandemic.
- IMCO’s Chief Risk Officer (CRO) 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.
- IMCO uses an investment risk analytical solution which includes daily feeds of OPB’s investment-related data that are received and analyzed. Risk/return reporting is provided to OPB using the enhanced risk analytics available within the platform.
- Investment risk management, including ESG factors, is integrated into the investment activities and decision-making process at IMCO.
- In executing OPB’s SAA, IMCO’s portfolio construction process considers the risk factors driving investment returns and liability growth, such as sensitivity to interest rates and inflation.
- 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 96,000 active, deferred 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, information management and privacy. Over the past few 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 members’ personal information is one of its greatest responsibilities and as such, continues to invest in its management and protection. In addition, we are working to mature our approach to information and data governance. Maximizing use and realizing the full value of our data (including protecting what’s sensitive) can improve the client experience, drive efficiencies and control risk. Work is underway to enhance our information governance program, with prudent consideration of changes in government digital, IT and data directives (and related policies) as they are modernized as part of Ontario’s Digital and Data Strategy. In conjunction with pension modernization work, we are reviewing the systems, controls, policies, and processes to strengthen the governance, management, and stewardship of data within the organization.
- **Accessibility** – OPB continues to focus on making its services accessible to all clients. Our new member and employer portals, which launched in the fall of 2021, are built to the Web Content Accessibility Guidelines (WCAG) 2.0 level AA standard for accessibility as is the enhanced Retirement Planner tool, which launched in 2022.
- **Risk and Compliance** – With increasing governance, risk, and compliance obligations, OPB has implemented 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.
- **Business Continuity and Resilience** – OPB is committed to providing exceptional service to its members and stakeholders, while protecting the health, safety and well-being of its staff and visitors. Each of these will be considered as OPB makes decisions and plans to return more activities to its workplace.
- **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. With an increasingly competitive talent market, OPB is feeling the strain of compensation restraints and the increasing expectation of employees (and prospective talent) to keep

pace with the market and its peers, that is exacerbated by high inflation and increased cost of living.

- **Succession Planning** – OPB and its Board recognize the importance of an effective succession plan and the criticality in minimizing the risk to the organization, particularly for our executive and leadership positions. Similar to many organizations in the current environment, we face significant competition within the sector to attract and retain skilled talent at all levels. Proactive and thoughtful succession planning and in-house leadership development play an essential part of our careful and prudent approach to organizational resource planning and design. In 2023, OPB launched its succession plan for two of its key senior executives, the President & CEO and the EVP & Chief Pension Officer. The planning for this has been underway for some time, with the Board and members of the executive team, to ensure a thoughtful and careful succession plan was developed and executed to minimize risk to the organization. Underpinning OPB’s succession plans is a focus on ensuring we have the bench strength of skilled leadership and talent in place for short and long-term sustainability and organizational success.

Third-Party Services

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

1. Pension administration services to the PJPP
2. Administration of the insured benefits programs to the Province’s retired employees, who are members of the PSPP. These include the set up and communication of available benefits, and the deduction of health, life and travel insurance costs from retired members’ pensions
3. Administration of the RCA for eligible PSPP members

Financial Budget – 2024

All amounts are expressed in thousands of dollars, unless otherwise stated. Budget amounts from 2023 have been reclassified to conform with the 2024 presentation. Overall, 2023 amounts remain the same.

Overview

Our total 2024 operating expense budget will be \$54.4 million. This represents an increase of 4.9% in our budget for 2024 over 2023. Table 1 below shows the breakdown of the expenses into the various operational components.

Table 1: Annual Operating Expenses

Annual Operating Expenses (in thousands of dollars)	2024 Budget	2023 Budget	Change in \$	Change in %
Staffing Costs	31,760	28,860	2,900	10.0%
Office Operations	6,010	6,090	(80)	(1.3%)
Technology	10,560	8,950	1,610	18.0%
Professional Services	1,810	1,710	100	5.8%
Depreciation	100	60	40	66.7%
Communication, Board & Audit	1,320	1,220	100	8.2%
Initiatives ¹ (Table 3)	2,840	4,970	(2,130)	(42.9%)
Total	54,400	51,860	2,540	4.9%

¹ Initiative expenses are external vendor expenses we expect to incur to advance discrete projects during the year.

Technology and Security Advancement

OPB is committed to continually improving its technological framework, which includes digitization and IT security. The following three areas are planning above inflationary spends which impact the staffing and technology categories noted above. The cumulative impact of these items is \$1.9 million, or about a 3.5% budget increase.

Cyber

OPB has increased our investment in resources to mature our Information Security and Cyber capabilities. Over the past 3 years our security maturity score has improved from 2.5 to 3.03. We have a target of 3.30 by the end of 2026. This requires not only one-time investments (as initiatives), but a significant increase in our ongoing costs. This is a multi-dimensional program that is critical to enable OPB to effectively prevent, detect and respond to the rapidly evolving cyber security risk landscape. In 2024, this increased spend is just over \$900,000.

Preparing for Pension Modernization

Our major Pension Administration modernization program also requires a significant shift/upgrading of our internal capabilities in order effectively specify our requirements, validate the vendor offerings, and govern the execution of the program and projects. At the same time, we need to develop the longer-term staff competency to support and advance pension administration once the initial transformation is implemented. This has meant a continued investment in a few key skills for OPB. In 2024, we will see an increase in the Architecture and Business Solutions delivery area. For 2024, this requires an investment of approximately \$500,000 in staffing and \$50,000 in training and tools for these roles.

Increasing and continuously improving Digital Services

OPB’s foundational investment in enhanced digital services was the implementation of a modern portal for members and employers at the end of 2021. As we prepare to increase digital service offerings through the pension modernization program, we also have to improve the portal availability and continue to ensure it remains cyber safe. In 2024, this includes enhanced automated and penetration testing and additional application enhancement and support services. We have been able to reduce the time associated with planned outages to two minutes over the last year. In 2024, the support costs will increase approximately \$400,000 to help us continue to enhance security and service levels for the Portals.

Cost Category Analysis

Staffing and technology costs are the two primary categories driving the increase.

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

Table 1.1: Staffing Costs

Staffing costs (in thousands of dollars)	2024 Budget	2023 Budget	Change in \$	Change in %
Total	31,760	28,860	2,900	10.0%

Staffing costs represent most (62%) of the base expenses at OPB. These have increased to accommodate the grow-in of the complement hired in 2023 and the modest volume of new complement planned for 2024 required for the growing demands of the operations. Staffing costs (full-time and non-permanent staffing) include salaries and wages, benefits, staff development, less any recoveries.

Recoveries of staffing costs 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 PJPP, the RCA and some insured benefits programs.

The major elements of the increase in staffing costs by 10.0% or \$2.9 million include:

1. 12 new staff complement planned for 2024, including one over hire from 2023.
2. Grow-in of positions hired in 2023, staffing changes and promotional increases.
3. Increases for bargaining employees have been provided as per the collective agreement. Modest increase estimates for non-bargaining employees have also been budgeted for. All wages and salary increase (other than promotional increases) are well below current inflationary rates.
4. Executive compensation continues to remain fixed as it has been for several years now, in accordance with Provincial legislation.
5. There is proportionate growth in the incentives and benefit budgets to match the complement increases, while the target rates for incentives and benefits package remains unchanged.
6. OPB's benefits costs, including pension contributions, for full-time employees remain at 21% for full-time employees and 15% for contract employees.
7. Vacancy reserve has been increased to account for time differences in filing positions from the budgeted start date and for positions left unfilled for a time due to staffing turnover.

Table 1.2: Office Operations

Office Operations (in thousands of dollars)	2024 Budget	2023 Budget	Change in \$	Change in %
Total	6,010	6,090	(80)	(1.3%)

Office operations include rent, office expenses, payroll processing, pension regulator fees and travel. Office operations costs are expected to be lower than 2023 due to reductions in payroll processing charges. The 2024 budget also reflects a \$100 thousand lease allowance reducing the annual base rent.

Table 1.3: Technology

Technology costs (in thousands of dollars)	2024 Budget	2023 Budget	Change in \$	Change in %
Total	10,560	8,950	1,610	18.0%

OPB has been mindful of prudently managing the budget within the public sector fiscal environment through resourcing constraints over the years. However, our technology platforms are at risk of being obsolete and hence, our focus on pension modernization and ramping up the technological structure and environment. The technology costs have been budgeted in

2024 to reflect ongoing developments of cyber risk, as well as the operational impacts of past and present initiatives to introduce technology.

The technology budget has base contract services for infrastructure, applications, and cyber security, which include inflationary increases, as well as further service requirements to address the current and past initiative builds, as well as some increases to cyber security. The major pieces of the cost development for 2024 include:

- Contractual inflation increases built into the technology service provider contracts, including greater overtime impacts.
- Growth of costs, comprising:
 - Grow-in of Managed Security Services (Cyber Security) associated with the Managed Detection & Response Project implemented in 2023
 - Inflation increases for outsourced contracts
 - Kyndryl (technology infrastructure and support) flow-through from previous year’s initiatives/projects/operational upgrades
 - Talend licenses introduced for data management and eligible service initiatives
 - Corporater and Legal Research Network (LRN) applications for Risk and Compliance
 - Portal applications tools introduced with the new portals
 - Incremental cost of web maintenance
 - Lower AMSP (DXC) costs charged to initiatives than in prior year, to be absorbed by regular IT operations.
 - Contract amendments, reducing costs for some outsourced contracts and services

Table 1.4: Professional Services

Professional Services costs (in thousands of dollars)	2024 Budget	2023 Budget	Change in \$	Change in %
Total	1,810	1,710	100	5.8%

Professional services costs include consulting, actuarial and legal. Increases planned in 2024 include actuarial services and HR consulting offset by reduction in legal services.

Table 1.5: Depreciation

Depreciation (in thousands of dollars)	2024 Budget	2023 Budget	Change in \$	Change in %
Total	100	60	40	66.7%

Depreciation costs have increased in 2024 due to the addition of server blade equipment.

Table 1.6: Communication, Board and Audit

Communication, Board & Audit (in thousands of dollars)	2024 Budget	2023 Budget	Change in \$	Change in %
Total	1,320	1,220	100	8.2%

This includes communication activities with our clients and other stakeholders (such as surveys) and Board of Directors' compensation. Board cost increases are primarily the result of more planned Board and Committee meetings. Communication expenses have increased in preparation of the Annual Report and operationalization of the second ESG Report for 2024. Internal and external audit services are not expected to see any changes in budgeted amounts.

2024 Capital Expenditures Budget

The planned spend on capital expenditure is expected to have nominal purchases of leasehold improvements and furniture. No provision for computer hardware is provided as OPB anticipates moving to a full software-as-a-service model, essentially not owning hardware.

Table 2: Capital Expenditures Budget

Capital Expenditures (in thousands of dollars)	2024 Budget	2023 Budget	Change in \$	Change in %
Fixed Asset increases	80	80	0	0.0%

2024 Initiatives Budget

As noted earlier, the overall initiatives budget for OPB is expected to be lower than 2023.

Table 3: Initiative Breakdown

Operating Expenses (in thousands of dollars)	2024 Budget	2023 Budget	Change in \$	Change in %
External Resources (Vendors)	2,230	4,190	(1,960)	(46.8%)
IT Managed Services (Outsourced Contract)	610	780	(170)	(21.8%)
Total	2,840	4,970	(2,130)	(42.9%)

The full set of initiatives totals \$2.8 million and represent a reduction of \$2.1 million from the previous year. The Pension Modernization program represents \$1.9 million, or 69% of these initiative dollars.

We consider the remaining \$0.9 million of 2024 initiatives to be mandatory as they are to:

- mitigate risk due to our aged PAS (beyond just the Pension Modernization program) and improve our system security and disaster recovery capability by moving our technology to the cloud.
- achieve compliance with legislative requirements.
- respond to Plan Sponsor-Driven initiatives or Directives that have an impact on the pension plan.

The Pension Modernization program seeks to update our pension administration business processes and IT systems. In addition to advancing our strategic plan, it is in full alignment with the direction of the government to improve customer service in the public sector and to move to a higher focus on a digital approach to delivery of services. Therefore, these initiatives, which include a replacement of end-of-life technologies, are key to meeting the government's expectations.

OPB costs the initiatives in the following categories:

1. External Vendors, and
2. IT Managed Services (Outsourced contract) providers that are allocating some of their resources explicitly to the initiatives.

As we established in the previous year's Business Plan, the initiatives follow four themes (listed in order of budget impact). We note the initiatives in these categories:

1. Strategic, including Client Experience /Digital Services (\$2,020)

The Province has indicated an expectation that agencies improve their customer experience and provide the delivery of more services online. Primarily, this includes the 2024 portion of the Pension Modernization program. As noted earlier in this Business Plan, a major element of the work in 2024 is the completion of the procurements for the main Pension Administration System and the Retirement Planner vendors. While this demands some internal resources and early development costs, the larger external costs of licensing, development and implementation will be higher in 2025 and 2026. These future costs will be better understood as the procurement evolves and completes in 2024. Other strategic initiatives include the implementation of an ESG Communications Strategy.

	2024 Business Plan Initiative	Total 2024	External Resources	Base IT Services (Outsourced Contract)
1	Voyager Program Governance	520	520	0
2	Voyager Package of Projects 1	670	670	0
3	Voyager Retirement & Financial Planning Tool	520	390	130
4	Voyager Data Migration	130	0	130
4	Voyager Integration	50	0	50
5	Voyager Testing	80	80	0
	Pension Modernization – Sub-Total	1,970	1,660	310
4	ESG Communications Strategy	50	50	0
	Sub-Total	2,020	1,710	310

2. Risk Mitigation Initiatives (\$430)

There are several IT-driven requirements to maintain current technology, including updating procurement of technology resources and other initiatives. This list also includes HR and Client Service driven enhancements required by the operations. We have kept this list to essential development that needs to occur in 2024.

	2024 Business Plan Initiative	Total 2024	External Resources	Base IT Services (Outsourced Contract)
1	Managed Security Services Provider (MSSP) Renewal	180	180	0
2	Identity Governance and Administration (IGA)	30	30	0
3	Active Directory (roles based and clean up) *	0	0	0
4	Virtual Onboarding/eLearning	220	220	0
5	AMSP RFP 2026 *	0	0	0
6	Telephony RFP – 2024 *	0	0	0
	Sub-Total	430	430	0

*No external resources cost (expected to be managed using only internal staffing resources during 2024).

3. Legislative and Compliance Initiatives (\$190)

This category includes initiatives to comply with legislation or government directives. For 2024 this includes (i) producing and delivering the APS to maintain compliance and (ii) similarly, to deliver on the annual RMS.

	2024 Business Plan Initiative	Total 2024	External Resources	Base IT Services (Outsourced Contract)
1	2024 RMS	20	0	20
2	2023 APS	80	10	70
3	2025 RMS	60	0	60
4	2024 APS	20	0	20
5	Diversity Equity Inclusion – Client Communications	10	0	10
	Sub-Total	190	10	180

4. Non-Recoverable Sponsor-Driven Initiatives for the PSPP (\$240)

We are moving forward on implementing the intake of pension clients for Legal Aid. We also are planning for plan changes associated with First Nations Officers and Civilians.

	2024 Business Plan Initiative	Total 2024	External Resources	Base IT Services (Outsourced Contract)
1	Pension Consolidation – Legal Aid*	0	0	0
2	Plan Changes – First Nations Officers and Civilians	240	100	140
	Sub-Total	240	100	140

*No external resources cost (expected to be managed using only internal staffing resources during 2024).

Note: For the purposes of presentation, amounts have been rounded and as a result, may be slightly different than the total indicated.

2024 Budget Risks to Completing Business Plan Initiatives

In developing our business plan and budget, we have selected the highest priority initiatives (Plan Sponsor initiatives, regulatory or other legislative requirements, and external events such as COVID-19, etc.) that would create a mandatory resource demand during the year. These risks could cause us to have to revise our business plan and budget intra-year.

Sources of possible unanticipated demands are listed below, although not exhaustive. Should they occur, they would be subjected to our gating process and result in re-prioritization of other projects or funds required to be spent that could be significantly more than budgeted.

1. Police Divestments – We have assumed some divestment work, but there are several municipal police forces in the Province which could still be transferred to the Ontario Provincial Police (OPP). This creates material service demand, including actuarial services, to address the pension implications for affected personnel.
2. Other compliance or Plan Sponsor-driven requests. Over the past few years, we have seen an increase in court/regulatory and Plan Sponsor-driven changes that we must immediately address.
3. Pension Consolidations – We anticipate one merger being completed in 2024 and potential work on another plan consolidation.
4. Return to the workplace/hybrid work model – the business plan has included some activities related to a smooth return to a hybrid workplace scenario for 2024, but there continues to be uncertainty in the business community surrounding this.

Appendix I: 3 Year Projected Expenditures 2024 – 2026

The following three-year projection builds upon the 2024 budget. We have factored inflationary increases for most expenses and no substantial complement increases in 2025 or 2026. The initiative costs of consolidations or other Provincial compliance or sponsor-requested service requests may pose upward pressures on the budget.

Also, as noted in the Business Plan, we are currently undergoing an RFP for the Pension Administration System. The results of this RFP will allow us to refine our costs estimates associated with the Voyager/Modernization program and hence, the initiative costs for 2025 and beyond.

Operating Expenses (in thousands of dollars)	2024 ¹	2025 ⁶	2026 ⁶
Staffing Costs ²	31,760	34,940	37,740
Office Operations	6,010	6,310	6,630
Technology ³	10,560	12,150	12,400
Professional Services	1,810	1,900	2,000
Depreciation ⁴	100	100	100
Communication, Board & Audit	1,320	1,390	1,460
Initiatives ⁵	2,840	6,000	6,250
Total Operating Expenses	54,400	62,790	66,580
Total Capital Expenditure ⁷	80	80	80
Estimated Staff Complement ²	239	249	259

Notes and Assumptions for 3 Year Projected Expenditures 2024-2026

1. The amounts for 2024 are taken from the 2024 Budget.
2. For 2025, we have estimated an increase of 10.0% for staffing costs. For 2026, we have estimated an increase of 8%. This considers the grow-in of staff hires from the previous years and new complement added to support the ongoing operations as well as the initiatives.
3. Technology costs are expected to increase in line with the three-year IT growth plan as new services and licenses will continue to increase as we acquire new tools and systems through our modernization program. It is important to note that the tools we select through Pension Modernization will influence IT costs and costs may be higher if we acquire an all-in-one pension administration system versus acquiring a set of tools over time. Additionally, we expect inflation to impact these items.
4. Depreciation expectations to remain stable at 2024 levels, as no major fixed asset additions are planned either on the technology platform or on the building/furniture.

5. Initiatives for 2025 and 2026 are based on projected growth for Pension modernization. These costs will be revisited once we have a clearer view resulting from the procurement activities completing in 2024.
6. The other expenses are expected to have modest annual increases of 5%.
7. Capital Expenditures are expected to remain flat for 2025 and 2026.
8. Staff complement for 2024 is 239. We expect an increase of 10 staff positions for 2025 and ten new positions for 2026 in keeping with our resource needs for the initiatives and ongoing operations.

Appendix II: Defined Terms

In this Business Plan:

Advisory Services – OPB’s team of in-house pension and financial planning experts, who are also Certified Financial Planners, who offer OPB’s clients unbiased and professional retirement planning and decision-making support at no cost

ACPM – Association of Canadian Pension Management

AODA – *Accessibility for Ontarians with Disabilities Act*

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

BlackNorth Initiative – a Toronto-based charity with a mission to end anti-Black systemic racism in all aspects of our lives through a business-first mindset

bps – basis points, a measure equal to one one-hundredth of a percentage point of assets

Budget – the budget contained in this Business Plan

Business Plan – this Ontario Pension Board Business Plan 2024-2026

CAUFP – Canadian Association of Urban Financial Professionals

CCDI – Canadian Centre for Diversity and Inclusion

CEM – CEM Benchmarking Inc., an independent benchmarking company

COTS – Commercial off-the-shelf software

ERM – 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

ESG – Environmental, Social and Governance

IMA – Investment Management Agreement

IMCO – the Investment Management Corporation of Ontario, commenced operations in July 2017

IMCO’s Core Governing Policies – These policies help to assure OPB’s management and board members on an ongoing basis that IMCO is prudently managing the Plan assets

IMCO IPS – IMCO’s Investment Policy Statement

Investments – all activities relating to the investment and management of the Plan’s assets, including front-, middle- and back-office resources

LRN – Legal Research Network, a company that provides advisory and educational services on ethics, regulatory compliance and corporate culture

Management – collectively, employees of OPB holding the position of or senior to manager

MSSP – Managed Security Services Provider, this is associated with the Managed Detection & Response Project

ORM – operational risk management

PAII – Paris Aligned Investment Initiative

Pension Administration – all activities relating to the management and administration of the Plan

Pension Modernization or Voyager – OPB’s business transformation program enabled by technology that will advance client and stakeholder experiences, as well as generate business efficiencies

PIPEDA – The Personal Information Protection and Electronic Documents Act (PIPEDA) - Office of the Privacy Commissioner of Canada.

Plan Sponsor – the Province of Ontario in its capacity as sponsor of the Plan

PSPP (“the Plan”) – Public Service Pension Plan, a defined benefit pension plan

RCA – Retirement Compensation Arrangement, replaced the Public Service Supplementary Plan on January 1, 2022. The RCA provides supplementary benefits for those members whose accrued pension from the PSPP exceeds the maximum allowed under the federal *Income Tax Act* (ITA)

SAA – Strategic Asset Allocation, a long-term strategy that involves setting target allocations of the Plan’s asset mix with the purpose of achieving the highest returns on investment to meet current and projected future pension benefits, given the Plan’s risk tolerance and investment horizon

SDLC – Software Delivery Lifecycle

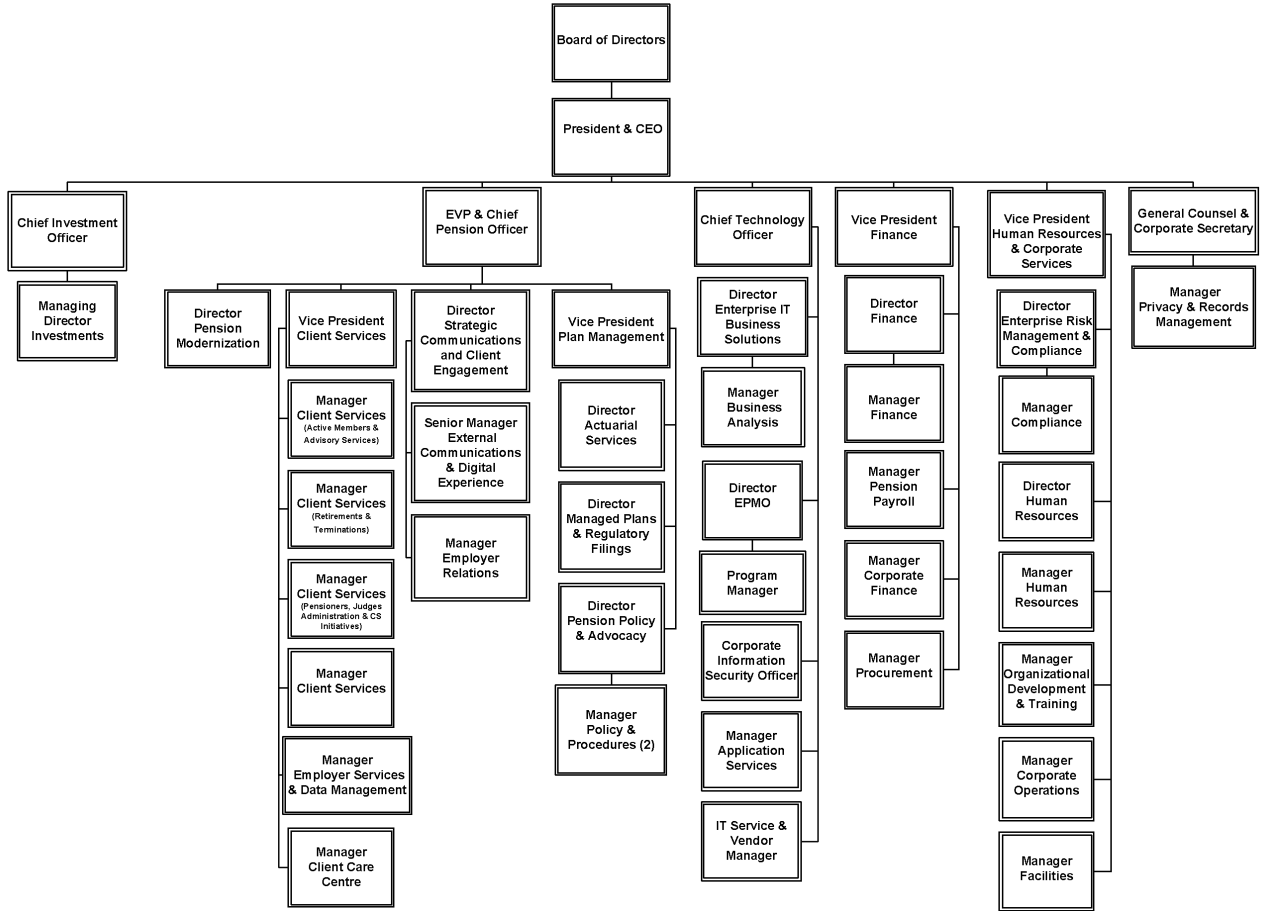
Statement of Investment Policies & Procedures – this document outlines OPB's approach to investing

TCFD – Task Force on Climate-Related Financial Disclosures

UN PRI – United Nations Principles for Responsible Investing

WCAG 2.0 Level AA – a compliance level used for accessibility rules and regulations

Appendix III: Organizational Chart – Management Level



September 28, 2023