



**Ontario Pension Board
Business Plan
2022-2024**

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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 more than 92,000 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 Plan's assets have been managed by the Investment Management Corporation of Ontario (IMCO) since 2017. 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, 2022 to December 31, 2024; however, the primary focus is on 2022.

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 2022 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 safety 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.
- 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.

- Providing excellent administration and service for the Ontario Provincial Judges Pension Plan (PJPP).
- Continuing to support the government’s efforts on the sustainability and affordability of public sector pension plans announced in Budget 2020. This includes work with partners in the interest of minimizing administrative costs for public sector pension-holders and improving efficiencies.
- Providing ongoing support for government-requested initiatives and the eight government-wide priorities that have been established for all agencies.

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 2022 Business Plan

OPB respects the Government of Ontario’s objectives to restrain expenses in the Ontario Public Service (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. The Business Plan and Budget for 2022-2024, provides for total combined operating expenses of \$47.3 million, which represents a \$3.1 million or 6.9% increase over our 2021 budget. Even with this increase, our expense ratio continues to be among the lowest in the industry, including in comparison to peers who have significant advantages of scale.

The increase is largely driven by staffing and technology support costs. While we are only adding five new positions this year to support evolving business priorities and increasing operational demands, our staffing costs have increased year-over-year due to a few factors. Firstly, 2022 is the first year that reflects the full-year cost of the additional complement we added in 2021. This complement was added to ensure we had sufficient capacity to manage the mandatory initiatives over the next few years, including supporting government priorities and the enhancement of our digital services, while continuing to provide exceptional client service. Secondly, we also need to fill some non-permanent staffing requests for maternity and parental leave backfills as well as to meet the resource demands of pension modernization and the other major initiatives planned for 2022. Lastly, we expect to have retirements in several critical positions and need to plan for staffing overlap costs to support effective succession planning to ensure sustainability and organizational success.

Our technology support costs have also increased as a result of the improvements and updates we made in 2021. This includes:

- Migrating our production systems to a secure cloud data centre, which was required to support our new member and employer portals

- Improving our security by moving to a more modern identity and access management solution with multi-factor authentication for our portals
- Implementing modern application development tools and processes which are necessary to build high-quality, secure, accessible, digital applications

These new tools are critical to support our digital advancement and require higher maintenance costs moving forward.

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

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

Risk Mitigation initiatives are those that we deem to be essential to mitigate a risk we have identified to OPB or the PSPP. This includes such things as enhancing our cyber security, replacing aging information technology 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 changing our processes to comply with the *Fraser* decision from the Supreme Court of Canada that held that members who temporarily reduce their hours should be given an opportunity to establish full-time credit for that period. 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 a number of 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 implications, such as changing the Supplementary Plan or the Transition Exit Initiative (TEI) to adjust the size of the public service.

The expenses relating to these initiatives may be recoverable or non-recoverable. They are recoverable if they are not for, or do not relate specifically to, the PSPP as a whole and can therefore not be paid from the Fund that OPB holds in trust for the PSPP. An example would be the initiative to convert the existing Supplementary Plan to a Retirement Compensation Agreement (RCA), for which the expenses are recoverable from the government. Similarly, administration services or initiatives for the PJPP would either be paid for 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 and therefore can impact our need for full time equivalent staffing complement.

Initiatives that do relate to the PSPP, such as plan mergers, are non-recoverable and are reflected in our expenses. Sponsor-driven initiatives continue to require substantial effort and resourcing to support and we expect this to continue for the foreseeable future. While we have reflected the Sponsor-driven initiatives we're expecting next year in our budget, we are often asked to support additional initiatives after our Budget has been set. 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, improve OPB's economies of scale and enhance the Plan Sponsor's perception of defined benefit pension plans.

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

The fifth category comprises what we refer to as Strategic Initiatives. These 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. While we have a number of initiatives planned for 2022, and several years following, to deliver on these strategies, the initiative that will absorb the most resources, human and financial, is our Client Experience/Digital First initiative. This involves the rebuild of our pension administration business processes and IT systems to deliver a more modern, digital/online, and efficient client service experience and, to provide our staff with the modern tools to do their jobs more efficiently. This initiative is fully aligned with the government's strategy to improve the customer experience in the delivery of public services and to move to a Digital-First delivery channel where practical. As the government has recognized, moving to a Digital-First service delivery approach requires upfront investment. Modernizing our pension administration systems and processes is a major undertaking. We expect this transformation will take another five years to complete and will continue to require incremental investments in technology, people, and financial resources during that period.

Our initiatives budget for 2022 is relatively flat compared to last year. That said we do expect initiatives to make up a significant part of our budget over the coming years, as we continue to modernize our business processes, enhance service delivery, implement new systems, and support government priorities, we do not expect substantial increases to the initiatives budget in future Budgets to support this initiative work.

OPB's Vision 2025 and Strategic Plan

In 2019, 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 and Protect vision and strategies and is very well aligned with OPB’s mandate from the President of the Treasury Board (set out in 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 three organizational foundations that are essential underpinnings to our ability to achieve our strategies and Vision 2025. The foundations are:

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

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 strive for exceptional client experiences
- Inclusion and diversity: we are respectful and collaborative, leveraging everyone’s unique talents and experiences

- Innovation and continuous learning: we are open to exploring new ideas and approaches as we continuously improve, learn, share and grow
- Trust and transparency: we act with integrity and communicate honestly to create open, transparent and trust-based interactions
- Accountability: we protect the pension promise through advocacy and by delivering effective and efficient programs and services that drive Plan sustainability.

Diversity, Equity and Inclusion

Diversity, equity and inclusion (DEI) are core values for OPB and we recognize that without them we cannot deliver on our Vision. While we hold these as core values, we need to do more. In 2020, we committed to deepening our understanding of racism, discrimination, and unconscious bias so we could identify any biases and inclusivity barriers within our organization and develop a meaningful action plan to address them. Our initial work included delivering mandatory training sessions on Diversity and Inclusion Foundations and Unconscious Bias, reviewing our HR practices and policies and introducing changes to help reduce bias in our recruitment practices, and engaging our investment manager, IMCO, about diversity and inclusion within our investment portfolio.

In 2021, we continued to build on this important foundational work by including a voluntary section in our anonymous employee engagement survey that focuses on employees' experiences related to diversity, equity and inclusion. Knowing who we are collectively and how employees with different backgrounds and identities experience our workplace is critical to helping us develop a plan that is meaningful for OPB and our employees. We also partnered with [The 519](#) to provide Gender & Sexual Diversity training for all employees to support understanding and an inclusive environment that respects and affirms members of the LGBTQ2S community. In addition, we partnered with the [Canadian Association of Urban Financial Professionals \(CAUFP\)](#), a member-based organization whose mission is to promote the advancement and strengthen the talent pipeline of Black and diverse professionals in corporate Canada. Through the partnership, we have access to their job board and talent pool as well as having the opportunity to support educational and mentorship programs for their members.

In 2022, we will continue to focus on advancing diversity, equity and inclusion through several initiatives, including: establishing a diversity advisory council to further engage with and hear from our employees on their experiences and identify areas of focus; starting our multi-year project to update our communications, processes and systems to improve our ability to support gender inclusivity; continuing to expand learning and development in various areas of DEI; and working with CAUFP and other partners to identify opportunities that can help support the growth and development of our staff, as well as having our executives actively support CAUFP's efforts to strengthen the pipeline of Black talent in financial services.

We recognize that this journey requires a sustained effort, and we will continue to explore new opportunities through 2022 and beyond to support a more inclusive environment for

employees, clients and stakeholders. As we continue to apply a DEI lens through our programs, we will ensure our internal and external programs and practices evolve accordingly.

We will continue to keep our clients and stakeholders updated on our progress through our website and Annual Report.

Expenditure Management and Fiscal Restraint

It is important to note that OPB's expenses are paid from the Plan's assets not from the Consolidated Revenue Fund and are therefore not reported as part of government expenses.

However, as an agency of the Province of Ontario, OPB respects the message of expense restraint that has been established by the government.

The 6.9% year-over-year increase in our total expenses is driven primarily by the grow-in of the staffing complement and technology solutions introduced in 2021. For 2022, we have only added five new positions. However, 2022 is the first year we see the full-year impact of the new complement we added last year. Additionally, our staffing budget reflects that we anticipate higher contract staffing needs to support maternity and parental backfill needs and to help us deliver on our major initiatives. Finally, we also had to build in staffing overlap costs to support effective succession planning for retirements in several critical positions.

Our technology support costs have also increased as a result of the improvements and updates we made in 2021 to enhance our cyber security and support pension modernization. These new tools are critical to support our digital advancement. The modernization initiatives will likely require higher maintenance costs moving forward as we are increasing our use of technology to support our digital first approach. Despite the budget increase, OPB's expense ratio (expense per dollar of assets under administration) is expected to continue to be below 60 bps in 2022. That expense ratio continues to be among the lowest in the industry, even in comparison to peers who have significant advantages of scale.

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, 2019, the last filed valuation, the Plan had a funded status of approximately 93%.

We take a disciplined, long-term approach to managing the financial health of the Plan. As part of that approach, we regularly conduct in-depth reviews of the cost of the pensions promised by the Plan and the adequacy of the contributions to fund those pensions. Over the past few years, those studies have shown that the cost of pensions is rising due to our members living longer than expected and due to the prolonged low-interest-rate environment. These factors are the primary reasons why we recommended to the Plan Sponsor that it increase the regular matching contribution rates for the Plan, which was implemented in two phases in 2018 and 2019 and brought the PSPP to a 50/50 cost-sharing split between the employer and employees. We have also lowered the discount rate we use to calculate the present value of future

pensions payable by the Plan and strengthened the longevity (life expectancy) assumptions to better align with our expectations for the future.

That said, there are two additional factors impacting our expectations for the funded status of the Plan over the next several years. First, our expectation is that investment returns over the next five to 10 years are going to be lower than in the past 10 years. Second, the funding rules for single-employer pension plans (such as the PSPP), that were introduced in 2018, require us to add a prescribed margin for conservatism to our liabilities when determining our funded status. The additional margin is very sensitive to changes in Government of Canada long-bond yields from one valuation date to the next. The decreases in bond yields that occurred due to the onset of COVID-19 significantly added to the Plan's liabilities in our December 31, 2020 actuarial valuation and resulted in our effective discount rate dropping from 5.25% to 4.72% (both based on an inflation rate of 1.75%). While, in the absence of the new funding rules, we would have applied some of the investment gains from our strong 7.0% return in 2020 to build in additional conservatism, by lowering the discount rate, it would not have been to the degree mandated by the new funding rules. Due to COVID-19, the Bank of Canada and the federal government have indicated an intention to keep interest rates low for an extended period. This will cause funding challenges for the PSPP under the new rules. Since the beginning of 2021, long-bond yields have rebounded to December 2019 levels. If these higher (though still very low) yields are sustained, it will have a material positive impact on the Plan's funded status.

While we believe the increase in member and matching employer contribution rates and special payments from the Sponsor will contribute significantly to restoring the Plan's funded status over time, given the interest rate, investment outlook and new funding rules, there is risk of further deterioration in the funded status. As a result, we initiated a funding risk study in 2021 to model the funded status under various scenarios and to develop potential responses to restore the funded status and maintain the sustainability of the Plan. As the pandemic has unfolded, we have continued to add additional scenarios to reflect the changing economic and market conditions. Given the number of changes the pandemic introduced, the modelling has taken longer than we originally anticipated. We now expect to have the study completed in the first half of 2022.

Environmental Scan

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

risk and respond to significantly growing demands from employers, clients, and the Plan Sponsor.

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

Technology Changes and Challenges: As discussed in our last few Business Plans, our existing pension administration systems are nearing the end of their life cycle. Since they were put in place in the early 1990s, the Plan's membership has grown, and while we have introduced new tools and services to improve our productivity and modernize our service delivery to better serve our members, those foundational systems can no longer be extended to meet a digital service mandate. In 2021, we focused on updating our member and employer portals.

Over the past few years, we have implemented several initiatives to improve our cyber security maturity. Ensuring our technology remains current is critical to ensuring our clients' personal information remains secure. OPB continues to be vigilant and responsive to constantly evolving cyber-security threats. These threats are becoming increasingly sophisticated, and constant vigilance is essential to effectively mitigate this risk. We plan to continue to address this risk over the next several years by further modernizing our pension administration systems starting with our new member and employer portals, which will launch in the fall of 2021.

To support our pension modernization program, OPB has also transitioned to:

- a Cloud services model to deliver the Data Centre and Infrastructure support necessary to modernize our pension application systems and portals
- a more modern and secure application development approach including the introduction of an Agile development methodology tools and processes

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

These included the following:

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

- While we have continued to see a remarkable rebound in the capital markets in the first half of 2021, challenges remain in the broader economy. There have been several examples of significant dislocation and disruption and increasing evidence of a pending spike in inflation, the length and magnitude of which is unclear. While OPB's Investment Portfolio has posted a strong 10-year annual compounded return of 8.4% (as of June 30, 2021) given the backdrop mentioned above, the next decade is likely to be much more challenging.
- Rich starting valuations and low yields in key asset classes are the major factors underlying the subdued outlook. Historically, high asset prices relative to fundamentals (i.e., low asset class yields) have reliably predicted lower long-term returns.

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

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

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

Environmental, Social and Governance: We recognize the importance of strong Environmental, Social & Governance (ESG) practices. Both OPB and our investment manager, IMCO, are committed to comprehensively addressing ESG practices.

Over the past couple of years, a number of steps have been taken to further our ESG practices, including:

- OPB conducted a thorough review of ESG practices to help determine steps forward in developing a Responsible Investment Action Plan
- 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
- The OPB 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 developed a three-year action plan for ESG with major developments in all four pillars of the plan, i.e., Integration, Stewardship, Screening and Sustainable
- IMCO has initiated work on a climate strategy and has conducted scenario analysis to understand how investments will be affected by varying increases in the Earth’s temperature. In addition, the climate strategy is expected to include targets for impact on global warming from carbon emissions, i.e., net zero targets as well as tracking and reporting results per the recommendations by the Task Force on Climate-Related Financial Disclosures (TCFD).

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. In the fall of 2021, we will begin developing an ESG communications and engagement strategy. Our initial phase will focus on research and planning. In 2022, we will work with our clients and stakeholders to better understand their expectations around ESG communications and how they’d like to engage with us around these important issues. We expect to finalize our ESG communications strategy before the end of 2022.

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

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

In 2022, there are several important compliance and risk mitigation initiatives we need to address including finalizing our funding risk study, continuing our migration to the Cloud, adding more portal servers to our environment to further strengthen the availability and performance of our portals.

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

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

- Online services for clients through our member and employer portal projects (aligning to the government's 'Digital First' strategy)
- Completing the Agricorp merger including assuming their pensioner administration and supporting the other pension consolidation initiatives we expect to move forward in 2022
- 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.

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

Rising Service Expectations: Our members, retired members, employers and other stakeholders expect faster and more sophisticated service, including the use of online self-service tools. Our clients want more personalized advisory services to help them navigate key pension decisions during their membership, and increasingly they expect to be able to exchange information, complete transactions and receive their communications online. 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 evolving in response to business demands and priorities and our client base is becoming more diverse, adding to our business complexity. We have had to develop new processes and communications to support the TVO, Ontario Northland & Agricorp plan mergers, which added more than 3,000 members and retired members to the PSPP in the last three years. These pension plan mergers align with the government's drive to remove redundancies and create efficiencies across the broader public sector. Client service volumes have remained constant, while our commitment to compliance, government initiatives and strategic change initiatives has increased substantially. The new digital features we launched in 2020 – video 1-on-1s and secure document upload have been critical to helping us support clients effectively while working remotely.

Strategic Direction

Vision 2025

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

We have developed three sustainability strategies (Investments, Funding and Design, and Cost-Efficiency) and three service excellence strategies (Advisory and Education Services, Digital and Online Services, and Advanced Business Processes and Systems). We believe these are appropriate to meet our objectives in managing the Plan and supporting the government in its efforts to improve the Province's finances as well as in managing the impacts and seizing the opportunities presented by the current environment.

OPB is confident that these strategies, supported by the three foundations, will be advanced through the initiatives outlined in this Business Plan.

Sustainability Strategies

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

Investments

The day-to-day investment management of OPB's assets was transitioned to IMCO in July 2017. IMCO continues to expand its in-house investment management expertise in many asset classes to generate incremental risk-adjusted returns in a cost-effective manner as it becomes a best-in-class investment manager that will offer a strong value proposition to all 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; 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 as 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 2022, a new SAA is being implemented with the first of four transitional changes being made to move to the new allocation over a four-year period. The new SAA was set during the Asset-Liability Study that was completed 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 changes to the SAA produce comparable long-term expected returns to the existing SAA, despite lower asset class expected returns due to the low-yield environment. 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.

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

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

OPB has included, as a performance metric in assessing its consolidated (investments and pension administration) expenses for both IMCO and OPB, a long-term expense ratio of 66 bps (basis points) or lower. We expect that the 2021 consolidated expense ratio will be approximately 60 bps.

Funding and Design

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

- Adequacy of contributions to the Plan
- Long-term investment rate of return on the Fund net of all expenses
- 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 strategic asset allocation for our investments
- Long-term funding studies to determine adequacy of contribution rates
- Funding risk studies to assess funding risks under a wide variety of scenarios and develop funding responses to address funding challenges that may emerge over time as well as risk mitigation strategies to reduce the likelihood or moderate the development of funding shortfalls

It is also critical to continue advocating for a regulatory environment that is conducive to the sustainability of the Plan and 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, among other benefits, to improve our economies of scale. 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, is also likely to improve performance and client service. Even if consolidation does not increase our active membership numbers significantly, it helps offset other membership reductions that have resulted from government restructuring, such as the modernization of the Ontario Lottery and Gaming Corporation and the Transition Exit Initiative, so that our ratio of active-to-retired members is maintained. This ratio is very important: the

Plan needs active contributors to spread the risk and cost of funding the Plan and to be able to take investment risks to enhance our returns over time.

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

While we have an established roadmap for the pension modernization program, we will consider moving components forward if it will help us implement the changes, we need to become more effective and efficient. A good example of that is our decision in 2020 to move the pension merger calculator forward to support our ability to handle a merger expected in late 2021. By moving this work forward so it is ready for the merger, we will avoid significant manual effort for our staff while also improving the client experience and moving part of our pension modernization program forward.

Alignment with the Government's Fiscal Objectives

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

- Required to comply with legislation or government directives, including 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

Pension consolidation is aligned with the government's stated objective of operating more cost effectively. Joining the much larger PSPP with professional pension management helps these broader public sector employers provide pensions that are more viable and secure and allows them to focus on their core business and not on pension administration. This not only supports

the government's objective, but also grows our client base and enhances the sustainability of the PSPP.

In 2021, we merged the Agricorp pension plan into the PSPP. Properly implementing plan mergers requires significant expertise and resources from the Client Services, IT, Investments, Stakeholder Relations and Policy teams. There are a number of regulatory requirements that must be satisfied and consent of the Financial Services Regulatory Authority must be obtained. In addition, historical data must be transferred from the exporting plan, and that data must be 'scrubbed' to ensure accurate asset transfer and reconciliation. Systems must be modified to properly track the new member carry forward entitlements and these systems must be thoroughly tested before going into production. These new plan members must also receive communications materials and statements that explain their benefits in compliance with the *Pension Benefits Act*. While the consolidation initiative will provide the Plan and the Province with cost efficiencies in the long-term, properly implementing it requires upfront resource investment (financial and human) – all while we continue to conduct ongoing business.

Service Excellence Strategies

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

- **Decision Support** - providing personalized information and counsel in a manner that is understandable and that enables clients to make good decisions about their pensions
- **Digital Access to Information** - in line with 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 services for members online
- **Effective and Timely Service Delivery** - for transactions where the assistance of our client service staff is necessary
- **Privacy and Cyber Security** - in an increasingly digital and online world, an imperative of service excellence is protecting our clients' privacy and the security of their personal information.

Our three Service Excellence strategies are designed to deliver on all 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, effective, timely and cost-efficient service to our clients

The three strategies are discussed in greater detail below.

Advisory and Education Services

Advisory Services

OPB's Advisory Services, which offers our clients professional retirement planning and decision-making support, continues to be our service excellence differentiator. Our team of Advisors, pension experts who are also 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 enhance it since then. In the second year of the pandemic, we saw a considerable increase in client demand for retirement planning and advisory services support (demand up 29% from prior year). We continued to offer video 1-on-1 sessions with Advisors to ensure a positive client experience with advisory support while working remotely.

- Almost three quarters of members rate their satisfaction with their OPB Financial Advisor at 9 or 10 out of 10
- These members also agree that their OPB Advisor:
 - was responsive to their needs and questions (94%)
 - provided the pension advice they needed (90%)

We plan to continue to further enhance 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 will be aided by modern data analysis, approaches, and tools
- Developing more holistic planning tools to encourage active retirement planning and to assist clients with decision making
- 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 also developed and continued to improve client and stakeholder education sessions. The purpose of these sessions is to educate our members and stakeholders about the Plan and its benefits as well as the challenges facing the 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 to get members engaged in planning for their retirement earlier. For example, we have introduced workshops tailored to members who are just starting out and members approaching mid-career. The demand for these interactive tailored presentations continues to increase and feedback on the sessions is very positive.

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 us engage various member segments 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.

Digital and Online Services

In the financial services industry today, clients expect to be able to access information about their accounts and to execute simple transactions online anywhere and anytime. OPB has an array of online self-service options for clients and also has an employer portal through which employers can do business with OPB. However, both the infrastructure and the applications for the online services and employer portal are older, first-generation approaches and technologies. With the modernization of our member and employer portals in 2021, the newer technology will help us make our online services accessible, more user-friendly, efficient, and effective. In particular, it will enable future opportunities for additional online self-service transactions. 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. This will help to improve client and stakeholder outreach, and support our progressive digital strategy, while improving data security.

Starting with work that began in 2020, 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

- Advancing our Client Engagement & Experience Strategy to increase member engagement with retirement planning and enhance service delivery over the coming years
- Modernizing and improving the capabilities of our retirement planning tool
- Introducing a real-time Annual Pension Statement (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 now 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 pension administration systems (the systems used by our client service staff to process more complex transactions such as buybacks and transfers) are now nearing end-of-life and must be updated or replaced. The technologies for workflow and document management have advanced significantly in recent years and have the potential to automate some components of our manual processing. As it stands today, we have multiple calculation engines each of which must be separately maintained and kept current with assumptions and variables. There are advanced tools/technologies available that are now capable of more effectively handling all our rules and calculation needs.

These newer technologies will allow us to re-engineer our business processes, reduce the risk of systems failure, improve cyber security, expand our digital client self-service, and improve our operational effectiveness, enabling us to serve our clients better and faster.

Pension Modernization

Our pension modernization program is a business transformation program, enabled by technology, that will advance client and stakeholder experiences as well as generate business efficiencies. Moving to one calculation engine is designed to enhance our digital client self-service and mitigate the future risk posed by our legacy systems as they near end-of-life. It will also allow us to further improve our operational effectiveness while fully supporting our Advisory Services model and 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, 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 in order to support critical business priorities

and remote work capabilities. We will continue to monitor the business and IT risks that need to be addressed and adjust the roadmap accordingly.

We are on track to complete the first significant piece of our transformation this fall – the re-platforming (upgrading) of our member and employer portals (Portals Phase 1). Ensuring this work was completed in 2021 before the vendor stopped supporting the old platform at the end of the year was critical. Using an agile development approach in combination with user experience testing gave us the flexibility and insight we needed to successfully deliver on this important first phase. The re-platformed portals help us further strengthen security with the introduction of multi-factor authentication and improve overall performance and stability. The new portals are built to the Web Content for Accessibility Guidelines (WCAG) 2.0 Level AA standard for accessibility.

2022 Pension Modernization Initiatives

With the foundational work on the member and employer portals expected to be complete this fall, we will turn our focus in 2022 to key enhancements that address client and staff feedback and innovation features that improve clients' online experience and engagement. Given the positive experience we've had during the first year of development and implementation, we will continue to use the same agile methodology and user feedback approaches for phase 2 of our portals' enhancements. We will continue to work on enhancing the online experience and adding additional digital services to our portals throughout the pension modernization project.

In 2022, we will also move forward on other key pieces of our pension modernization, including the Package of Projects 1 (which includes modernizing our benefit entitlement calculator and rules engine) and the Retirement Planner. As part of strategic planning discussions, management also identified the need to include two additional projects for 2022 - Data Governance and Analytics, as well as Learning and Education - both of which are key to delivering on our Client Engagement & Experience (CX) strategy and improving our digital services and engagement. We had originally planned to address these areas within the other projects. However, since they are both foundational to our transformation, we believe advancing these components and treating them as independent initiatives will allow them to receive the appropriate focus and enable the best outcome.

We've provided additional information on our pension modernization initiatives for 2022 below.

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

Our current approach to development and maintenance of pension plan rules and calculation formulas is outdated, cannot be adapted in a timely way to meet the needs of a digital modern workplace, and doesn't provide the scale and agility to handle multiple plans or complex member rules. Moving to one calculation engine will modernize the pension calculator so that clients and staff will get an accurate and consistent result regardless of which pension calculation they are making. It will also modernize our rules engine to enhance business processes, integrate quality assurance and make it easier for us to adapt to changing rules and plan provisions.

This project will span multiple years. In 2022, we expect to issue the RFP and select the vendor we will be partnering with to develop and implement the solutions.

Retirement Planner

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 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 robust, it does not provide a modern digital experience and requires considerable manual effort to capture the necessary information required to produce a retirement plan. In 2022, we will partner with our vendor on delivering key enhancements including modernizing the client experience, to reduce the manual entry required from clients and enabling OPB staff to see all the information and scenarios that the client has been exploring to assist with 1-on-1 advisory sessions. These enhancements will help improve member engagement and active retirement planning.

Data Governance & Analytics

OPB must be able to ingest data from various sources and analyze it for actionable insights to proactively provide clients with relevant, trusted, and timely actions, and information.

Today, OPB's analytics capabilities and tools are limited (queries, google analytics, external surveying to create management reports) and insufficient to advance our strategies.

Next year, we will focus on reviewing our foundational data artifacts/inputs and governance processes so that we can effectively design, build, and maintain an effective data architecture model to support our modernization program. This work will support our advisory services strategies, business operations capabilities, and enhance our ability to provide clients with the information they need to make sound decisions and enhance their engagement in actively planning for and managing their retirement.

Learning & Education

As part of our work in 2022, we will identify the technology and tools we need to support online learning and education needs for staff, employers and members. Reviewing these needs together will help us ensure we find the solutions that best meets our collective needs in this area as effectively as possible.

Information/Cyber Security Improvements

In 2021, OPB further enhanced its security measures through the introduction of digital identity and access management (IAM) on our new portals as well as in the software development lifecycle (SDLC) through the transition to cloud-based services and infrastructure.

With staff continuing to work remotely, we continued to promote strong security practices through mandatory monthly security training, network resilience activities (VPN and endpoint security updates, network segmentation and ongoing patching of all critical systems) and strengthening security configurations on all systems.

Our Cyber Security roadmap was updated to extend through 2022, laying the groundwork for ongoing strategic and operational improvements that will enable us to continue expanding our digital services for clients. This will include building on the progress that has already been made in data governance, introducing a revamped third-party risk management program and securely leveraging cloud services to facilitate faster releases of new features to our e-services.

IT Infrastructure Management Improvements

OPB’s information technology is operated as a fully outsourced service, which allows us to benefit from the improvements our vendor makes to optimize our infrastructure environment.

We continue to improve efficiency in infrastructure 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 2022 initiative and KPI includes reference to both the output and outcome to Plan stakeholders.

Key Performance Indicators and Metrics

Business Objective	Defined Output	Performance Metric
Investment Execution	OPB’s investment return versus the Strategic Asset Allocation benchmark	Outperform the benchmark
Investment Risk Management	OPB’s actual risk versus risk budget for each asset class	Within risk budget for each asset class
Member & Pensioner Service	Overall satisfaction with client services	8.7 or higher
Employer Service	Employer satisfaction scores	8.1 or higher
Business Plan Achievement	Advancement of strategies and initiatives (both	Substantial delivery/ achievement of Business Plan initiatives

Business Objective	Defined Output	Performance Metric
	planned and emergent). In particular: <ul style="list-style-type: none"> • Completion of pension modernization deliverables per the Business Plan • Completion of one growth initiative (plan merger, new employer or divestment in) • Completion of enhancements to Annual Pension Statement and Retired Member Statement to comply with legislation • Complete or materially advance, projects initiated in response to requests from the Plan Sponsor 	
Managing Change	Management’s ability to review and respond to emerging priorities through the year	Substantial delivery/ achievement of other priority initiatives that emerge during 2022
Managing to Budget	Actual vs budgeted expenses	Within budget
Cost-efficiency	Expense management ratios (cost per net assets available for benefits): <ol style="list-style-type: none"> 1. OPB operating expenses 2. IMCO costs 3. Consolidated 	16 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	% Response rate on employee surveys (i.e., engagement survey, return-to-workplace	87% or higher Commit to addressing key areas of opportunity as identified through the 2021 employee engagement survey

Business Objective	Defined Output	Performance Metric
	survey, change management)	
Diversity and Inclusion (D&I)	<ul style="list-style-type: none"> Delivery against DEI plan, including achievement of 2022 DEI commitment 	Substantial achievement/delivery of 2022 D&I initiatives

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, and monitor 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:

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

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 funding review study to improve insight into funding risks and potential mitigations
- Regularly reviewing the Fund’s SAA to improve investment returns, manage investment risk and achieve an appropriate matching of our investments with the Plan liability profile
- Advocating and pursuing investment asset pooling to improve net investment returns, risk management and cost efficiency

- Implementation of consolidation strategy to maintain or improve the Plan demographics and economies of scale
 - 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 and through Management's deliberate, incremental modular approach we will reduce or manage the risks of unexpected program costs, unplanned delays, breakdowns in change management and data governance processes or failure to deliver expected program outcomes.

In response to the COVID-19 pandemic, we remain focused on identifying, assessing, and managing heightened or new risks arising from the changed environment. As part of this, we continue to assess the key risks and vulnerabilities across all functions within OPB. During the pandemic, 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 preservation of our assets and maintaining stability of our operations. We continue to remain agile, vigilant, and responsive to changes in the COVID-19 environment while monitoring advice from public health authorities.

Over the next year, OPB's ERM will continue to focus efforts to enhance its integrated approach to managing risks in today's rapidly evolving and dynamic environment with a goal of creating, preserving and realizing value.

Investment Risk

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

- OPB formally reviews its SAA at least every three years so that Management and the Board of Directors can align the Plan's asset mix relative to its pension obligations. This considers the Plan's funded status, the then-current economic environment and the changing demographics and composition of the Plan membership. The ultimate goal of OPB's SAA is to design an asset mix that, when implemented, will generate investment returns in excess

of the Plan's actuarial discount rate. An Asset Liability (A/L) study was completed in early 2021, and a new SAA was approved by the Board in April. In addition, an implementation plan was approved that will result in the transition to the new SAA occurring over four years.

- To address the growing risk presented by climate change, OPB and IMCO have developed overarching policies within their respective ESG policies. 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 will also begin reporting on climate-related metrics per the recommendations of the TCFD. These activities are planned for the 2022-2024 period.
- 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 OPB's 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 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.
- The Chief Risk Officer (CRO) of IMCO is expected to provide strong, independent risk management leadership within IMCO, similar to best-in-class institutional pension fund managers. The CRO oversees the design and implementation of IMCO's critical enterprise and investment risk management functions and takes a comprehensive approach to risk monitoring.
- IMCO uses an investment risk analytical solution which was subsequently implemented. Daily feeds of OPB's investment-related data are received and analyzed and 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 aims for better alignment of 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 92,000 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 several years, OPB has made great strides in strengthening its practices in each of these areas, which has led to increased expenses for compliance and risk management. For example:

- **Information and Data Governance** – OPB recognizes that protecting our client data and information is one of its greatest responsibilities and as such, continues to invest in its management and protection. This is critical as technologies, tools and channels for communication continue to evolve. Work is underway to enhance our information governance program, with prudent consideration of changes in government directives as they are introduced under Ontario's Digital and Data Directive. In conjunction with pension modernization work, we are reviewing better systems security, policies, and processes for managing electronic records and implementing improvements.
- **Accessibility** – OPB continues to focus on making its services accessible to all clients. Our new member and employer portals, which will launch this fall, are built to the Web Content Accessibility Guidelines (WCAG) 2.0 level AA standard for accessibility.
- **Risk and Compliance** – With increasing governance, risk, and compliance obligations, OPB will be implementing 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.

- **Succession Planning** – OPB recognizes the importance of an effective succession plan and the criticality in minimizing the risk to the organization, particularly for our executive and leadership positions. While we face significant competition within the sector to attract and retain skilled talent at all levels, succession planning and in-house leadership development play an essential part of our careful and prudent approach to organizational resource planning and design. Through 2022 and beyond, succession planning and continuing to build internal leadership strength will be a priority to ensure 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 Provincial Judges Pension Plan
2. Administration of the insured benefits programs to the Province's retired employees who are retired 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 Supplementary Benefits Account for eligible PSPP members, transitioning to a Trusteed Retirement Compensation Arrangement for 2022

Financial Budget – 2022

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

Cost allocation process update

During 2021, the process by which the allocation of internal resources (primarily staffing costs and some base IT operations costs) was updated to better reflect the full costs associated with the initiatives. While this shifted approximately \$1.3 million from base operations to the initiative costs, it **did not impact the overall approved 2021 budget amount**. This can be seen in Table 1 below. Further detail on this update and the related impact is provided in Appendix IV.

Table 1: Recalibration of 2021 Budget

Recalibration of 2021 Budget (In thousands of dollars)	2021 Recalibrated Budget	2021 Budget (Original)	Change in \$	Change in %
Base Operations	33,847	35,160	(1,313)	(3.7%)
Initiatives	10,356	9,043	1,313	14.5%
Total Operating Expenses	44,203	44,203	-	0.0%

We have been tracking actual costs to our initiatives on this same basis during 2021. Our 2022 Budget has been created based on this new allocation. To retain consistency of presentation and explanation of budget differences, the budget document compares 2022 plans with this updated re-allocation, or “recalibrated” 2021 budget. In all further references, the 2021 Recalibrated Budget will be referred to simply as the 2021 Budget.

Budget Overview

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

On a combined basis, our 2022 operating expense budget will be \$47.3 million. This represents an increase of 6.9% in our budget for 2022 over 2021. Table 2 shows the total of these two categories of expenses.

Table 2: Total Budget

Combined Operating Expenses (In thousands of dollars)	2022 Budget	2021 Budget	Change in \$	Change in %
Base Expenses – ongoing operations	36,992	33,847	3,145	9.3%
Initiatives (Table 5)	10,277	10,356	(79)	(0.8%)
Total Operating Expenses	47,269	44,203	3,066	6.9%

Our ongoing regular operations for 2022 is expected to go up by 9.3% year-over-year (increase of \$3.1 million). This increase is further broken down and explained in the next section. Our proposed budget for initiatives is expected to decrease by \$79 or down by less than one percent. These initiatives are outlined and explained after the operating expense base budget.

Base Operating Expenses

A significant portion of OPB’s operating expense budget is base expenses. Table 3 below shows the breakdown of the expenses into the various operational components.

Table 3: Base Operating Expenses

Base Operating Expenses (In thousands of dollars)	2022 Budget	2021 Budget	Change in \$	Change in %
Staffing Costs (Table 3.1)	20,754	19,510	1,244	6.4%
Office Operations (Table 3.2)	5,581	5,599	(18)	(0.3%)
Technology (Table 3.3)	7,696	6,045	1,651	27.3%
Professional Services (Table 3.4)	1,694	1,486	208	14.0%
Depreciation (Table 3.5)	61	75	(14)	(18.7%)
Communication, Board & Audit (Table 3.6)	1,206	1,132	74	6.5%
Total	36,992	33,847	3,145	9.3%

Staffing and technology costs are the two primary drivers for the increase followed by small dollar increases in professional services, communications, and board remuneration.

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

Table 3.1: Staffing Costs

Staffing costs (In thousands of dollars)	2022 Budget	2021 Budget	Change in \$	Change in %
Total	20,754	19,510	1,244	6.4%

Base Operations staffing costs represents the majority of operational expenses at OPB. These have increased to accommodate the grow-in of the complement budgeted for and hired in 2021, new complement planned for 2022 as well as backfill for maternity leave and succession planning. Staffing costs (full-time and non-permanent staffing) includes salaries and wages, benefits, staff development and recoveries. Recoveries relate to staff time spent administering benefit programs outside the PSPP on behalf of the Province of Ontario. These programs include administrative services for the Provincial Judges Pension Plan, RCA (new) some insured benefits programs, and supplementary pension plans for entitlements earned by Justices of the Peace and Associate Judges (previously Case Management Masters).

The major elements of the increase in staffing costs by 6.4% or \$1.2 million:

- Grow in of positions hired in 2021 along with backfilling of positions for maternity leaves
- Provision for succession planning
- Five new complement hires

- Recoveries for staffing cost under service level agreements have increased with the addition of the RCA administration – a new plan added to the portfolio of administration services undertaken by OPB
- Recoveries for internal staffing costs (which are “charged” or allocated to the initiatives) are expected to increase over 2021
- Modest increase estimates for bargaining and non-bargaining employees have been budgeted for. Compensation will be aligned to government direction or legislation as applicable
- OPB’s benefits costs, including pension contributions, for full-time employees remain at 21% for full time employees and 15% for contract employees

Table 3.2: Office Operations

Office Operations (In thousands of dollars)	2022 Budget	2021 Budget	Change in \$	Change in %
Total	5,581	5,599	(18)	(0.3%)

Office operations include rent, office expenses, payroll processing, pension regulator fees and travel. Office operations costs are expected to go down as a net rent is planned to drop from the application of a rent discount as part of the tenant inducement allowance. This decrease is partially offset by increases in insurance costs. Office equipment and equipment maintenance costs are also anticipated to be reduced from 2021 amounts.

Table 3.3: Technology

Technology costs (In thousands of dollars)	2022 Budget	2021 Budget	Change in \$	Change in %
Total	7,696	6,045	1,651	27.3%

OPB has been mindful of prudently managing 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 2022 to reflect ongoing developments of cyber risk, as well as the operational impacts of past and present initiatives to advance our pension technology modernization program.

As our technology solutions are extensively outsourced, the technology budget covers 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 for cybersecurity advancements. The major drivers of the cost for 2022 include:

- Contractual inflation increase built into the technology service provider contracts, including overtime impacts
- Growth of costs, comprising:
 - o The first full year of operations of our new cloud, a Data Centre with significant improvement in information security
 - o A full year of costs for the use of a multi-factor authentication licence used in our new employer and member portals
 - o New software and licences to enable modern application development including agile methodology, application security and quality assurance and automated testing
 - o Increases associated with a wider use of project and resource planning software licence fees
 - o Increased licence and equipment fees associated with recent and projected onboarding of new staff

Table 3.4: Professional Services

Professional Services costs (In thousands of dollars)	2022 Budget	2021 Budget	Change in \$	Change in %
Total	1,694	1,486	208	14.0%

Professional services include consulting, actuarial and legal costs. The Professional service expense increase is primarily for the higher level of actuarial support that has been experienced and legal support for litigation and class actions.

Table 3.5: Depreciation

Depreciation (In thousands of dollars)	2022 Budget	2021 Budget	Change in \$	Change in %
Total	61	75	(14)	(18.7%)

Depreciation for leasehold improvements, furniture and computer equipment are expected to come down significantly due to completion of depreciation cycle of these assets.

Table 3.6: Communication, Board and Audit

Communication, Board and Audit (In thousands of dollars)	2022 Budget	2021 Budget	Change in \$	Change in %
Total	1,206	1,132	74	6.5%

This includes increased communication activities with our clients and other stakeholders (such as surveys) and increases for Board of Directors' compensation (primarily driven by the quantity of Board and Committee meetings). Internal and external audit services are not expected to see any changes in budgeted amounts.

2022 Capital Expenditures Budget

The planned spend on capital expenditure for 2022 is expected to have a modest increase for ergonomic equipment while retaining small budgets for leasehold and furniture. No provision for computer hardware is provided as OPB is moving to a full operational services model.

Table 4: Capital Expenditures Budget

Capital Expenditures (In thousands of dollars)	2022 Budget	2021 Budget	Change in \$	Change in %
Base	80	55	25	45.4%

2022 Initiatives Budget

As noted earlier, the overall initiatives budget for OPB is remaining relatively stable. The increase in resources, both internal (staffing and base technology contracts) and external (vendors) was substantial in 2021 and maintaining the high level of resource spend is still essential to advancing the Pension Modernization program and to continue to meet demands from the Plan Sponsor.

Table 5: Initiative Breakdown by Resource

Base Operating Expenses (In thousands of dollars)	2022 Budget	2021 Recalibrated Budget	Change in \$	Change in %
External Vendor – green dollars	4,175	5,258	(1,083)	(0.8%)
Base IT services contract usage – green dollars	709	454	255	
OPB staffing usage – internal resources	5,391	4,644	747	
Total	10,277	10,356	81	

The full set of initiatives totals \$10.3 million, similar to the previous year. The Pension Modernization program portion of these initiatives is \$6.3 million.

We consider the remaining \$4.0 million of 2022 initiatives to be mandatory as they are either:

- Mitigate risk due to our aged pension administration systems (beyond just the Pension Modernization program) and improve our system security and disaster recovery capability by moving our technology to the cloud

- Respond to Plan Sponsor-Driven initiatives that have an impact on the pension plan. The costs of some of Plan Sponsor-Driven initiatives are recoverable from the Plan Sponsor (such as costs to complete the implementation of the RCA plan administration) and some are not (such as plan consolidations)
- Achieve compliance with legislative requirements

The Pension Modernization program seeks to update our pension administration business processes and IT systems. Although this may be considered elective, in addition to advancing our strategic plan and mitigating IT risk, it is in full alignment with the direction of the government to improve customer service in the public sector and to advance the delivery of digital services. Therefore, these initiatives, while not mandatory, are key to meeting the government’s expectations.

As we established in the previous year’s Business Plan, the initiatives follow five themes (listed in order of budget impact, from highest to lowest). We have also noted the larger initiatives in these categories:

1. Client Experience / Digital Services (\$6,470)

These initiatives advance the Pension Modernization program for 2022. The Province has indicated an expectation that agencies improve their client experience and provide the delivery of more services online.

	2022 Business Plan Initiative	Total 2022	External (Green)	Base Service Contract (Green)	Internal Resources
1	Pension Modernization - Program Governance	1,113	124	42	947
2	Pension Modernization - Employer Portal - Phase 2	966	675	29	262
3	Pension Modernization - Member Portal - Phase 2	1,527	1,160	32	335
4	Pension Modernization - Package of Projects 1	912	350	36	526
5	Pension Modernization - Retirement Planner	618	170	34	414
6	Pension Modernization - Data Governance and Analytics	508		14	494
7	Pension Modernization - Learning & Education	291	75		216
8	Pension Modernization - Package of Projects 2 Planning	329			329
	Pension Modernization – Sub-Total	6,264	2,554	187	3,523

	Others	206	70		136
	Sub-Total	6,470	2,624	187	3,659

2. Risk Mitigation Initiatives (\$2,092)

There are several IT-driven requirements to maintain current technology including the completion of the move of our technology infrastructure to the cloud and other initiatives. This list also includes adjusting the language for our client communications to be more inclusive. We have kept this list to essential development that needs to occur in 2022.

	2022 Business Plan Initiative	Total 2022	External (Green)	Base Service Contract (Green)	Internal Resources
1	Diversity Equity Inclusion - Client Communications	296		66	230
2	Digital Workplace (includes Access Management)	239	166		73
3	Portal Redundancy – creating continuous operations	620	524	32	64
4	Data Governance for Unstructured Data	363	200	34	129
	Others (Technology-related projects)	574	506	10	34
	Sub-Total	2,092	1,396	142	554

3. Legislative and Compliance Initiatives (\$866)

This category includes initiatives to comply with legislation or government directives. For 2022 this includes (i) changes needed to make our Annual Pension Statements (APS) compliant with recent plan changes; (ii) similarly, to deliver on the changes required to Retired Member Statements RMS); (iii) changes needed to calculations over transfer values between Provincial plans, and the commuted value reinstatements; and (iv) modernizing the governance, risk, and compliance management systems.

	2022 Business Plan Initiative	Total 2022	External (Green)	Base Service Contract (Green)	Internal Resources
1	Annual Pension Statement – 2021	271		61	210
2	Annual Pension Statements – 2022	121		29	92
3	Retired Member Statements – 2023	182		46	136
4	CV Reinstatement Costing Calculation	160		53	107
5	Update to MOPPs Calculator	26	20		6

6	Governance, Risk and Compliance Management	97	59		38
	Others	9		3	6
	Sub-Total	866	79	192	595

4. Non-Recoverable Sponsor-Driven Initiatives for the PSPP (\$847)

We are moving forward with at least two pension consolidations during 2022, the Agricorp plan merger and what we identify as “Organization 4”. The Province will continue to designate new agencies as PSPP employers to support sustainability, affordability, and efficiency where appropriate to reduce redundancies. We will also need to support the government’s planned human resource and payroll systems modernization to ensure it is integrated with OPB’s systems and provides us with the data we need to accurately calculate client benefit entitlements.

	2022 Business Plan Initiative	Total 2022	External (Green)	Base Service Contract (Green)	Internal Resources
22	Pension Consolidation - Agricorp	579	74	125	380
23	Pension Consolidation - New Organization 4	200	2	41	157
	Others	68		22	46
	Sub-Total	847	76	188	583

5. Recoverable Sponsor-Driven Initiatives (\$0 – expected to be fully recoverable)

Our 2021 planning has also factored in the resources needed to complete the initiative for administration of the RCA for the Sponsor for which the cost is expected to be fully recoverable. The residual costs for this project, while not included in the OPB budget, are expected to be \$25 thousand.

2022 Budget Risks to Completing our Planned Business Plan Initiatives

In developing our business plan and budget, we have selected the highest priority and most immediate projects based on the information available to us at the time. There is the potential for unanticipated events (Plan Sponsor initiatives, regulatory or other legislative requirements, and external event such as COVID-19 etc.) that would create a mandatory resource demand during the year. These events could cause us to have to revise our business plan and budget intra-year as we did during 2020 due to COVID-19. The areas from which unanticipated demands can impact our business plan and budget, based on our current understanding are listed below. Should they occur, they would be subjected to our gating process and result in re-

prioritization of other projects. We will come back to the Board for approval of a revised business plan and budget if the funds required are significantly greater than approved.

1. Pension Consolidations – While we have assumed some work on pension consolidations, there remains the potential for additional pension plans to be merged into the PSPP during 2022 and/or sizable new employers to join the Plan.
2. Police Divestments – We have assumed some divestment work, but there are a number of municipal police forces in the Province which could still be transferred to the OPP. Should these materialize then it creates material client service demand, including communications and actuarial services, to address the pension implications for affected personnel.
3. Other compliance or Plan Sponsor-driven requests. Over the past few years, we have seen an increase in legislative and Plan Sponsor-driven requests that we must address.
4. COVID-19 Pandemic and a hybrid work model – the business plan has included some activities related to a smooth return to the workplace scenario during 2022, but there is a great deal of uncertainty surrounding this at present.
5. The Portals Redundancy initiative costs planned for 2022 are approximately one-half of the cost of the total initiative. We will either complete the initiative early in 2023, or if we are in a position, with any other savings or resources being freed up, do so in 2022. The project will allow us to perform maintenance without the portals needing to be taken out-of-service and is in keeping with the move towards increased availability of our digital services.
6. The longer-term strategy for Cyber Security operations is still in development and is expected to be presented to the Board for approval during 2022. While there are some additional spends in the budget for security, substantial development for the cyber roadmap may need additional unbudgeted amounts.

Appendix I: Defined Terms

In this Business Plan:

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

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

Budget means the budget contained in this Business Plan.

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

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

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

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

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

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

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

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

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

Appendix II: 3 Year Projected Expenditures 2022 – 2024

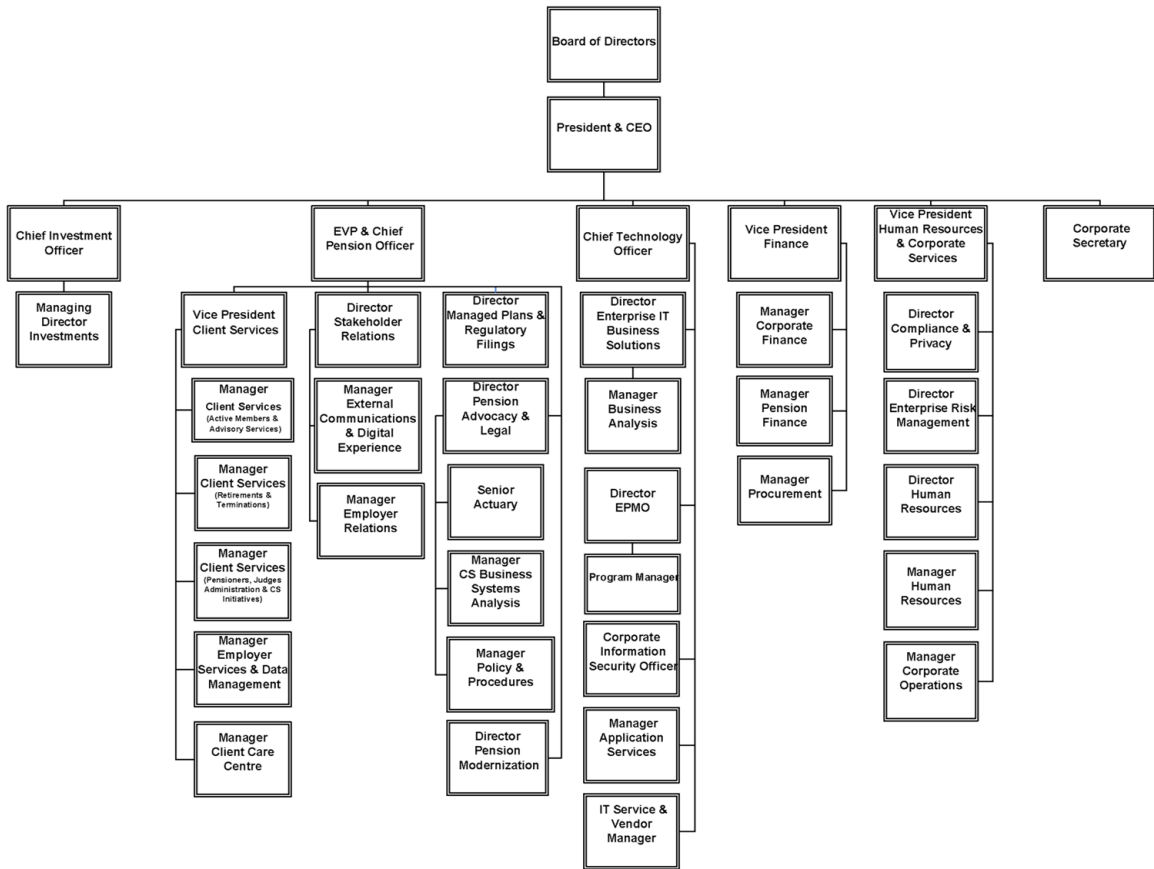
The following three-year projection builds upon the 2022 budget. We have factored inflationary increases for most expenses and no substantial complement increases in 2023 or 2024. The initiative costs of consolidations or other Provincial compliance or sponsor-requested service requests may pose upward pressures on the budget.

Operating Expenses (in thousands of dollars)	2022 ¹	2023 ²	2024 ²
Staffing Costs	20,760	21,500	22,300
Office Operations	5,580	5,690	5,800
Technology	7,700	8,200	8,700
Professional Services	1,700	1,730	1,760
Depreciation ³	60	60	60
Communication, Board and Audit	1,210	1,230	1,250
Initiatives ⁴	10,280	10,280	10,280
Total Operating Expenses	47,290	48,690	50,150
Total Capital Expenditure ⁵	80	100	100
Estimated Staff Complement⁶	208	208	208

Notes and Assumptions for 3 Year Projected Expenditures 2022-24

1. The amounts for 2022 are taken from the 2022 Budget.
2. For 2023 and 2024 an increase of 2.0% assumed for all expense categories unless otherwise indicated. Staffing costs for 2023 and 2024 have been adjusted to consider the impacts of the annualization (i.e., grow-in) of the additional staff hires in 2022 and projected negotiated labour agreements. IT costs are also expected to increase owing to further initiative projects and increased cyber security requirement growth. Also, future technology costs will be directly related to the license approach and costs of the pension modernization program which will not be fully known until the procurement process is completed.
3. Depreciation expectations to remain stable at 2022 levels, as no major asset additions are planned either on the technology platform or on the building/furniture.
4. Initiatives for 2023 and 2024 are expected to keep level with the 2022 levels.
5. Capital Expenditures are expected to only increase marginally for small leasehold/furniture spends.
6. Staff complement for 2022 is 208. Resource planning occurs annually in consideration of OPB's commitments and priorities. Future years are estimates only.

Appendix III: Organizational Chart – Management Level



September 22, 2021

Appendix IV: 2021 Budget Recalibration

As noted earlier, the process by which the allocation of internal resources (primarily staffing costs and some base IT operations costs) was updated to better reflect the full costs associated with the initiatives.

Recalibration of 2021 Budget

Base Operating Expenses (in thousands of dollars)	2021 Recalibrated Budget	2021 Budget (Original)	Change in \$	Change in %
Staffing Costs	19,510	21,030	(1,520)	(7.2%)
Office Operations	5,599	5,550	49	0.9%
Technology	6,045	5,880	165	2.8%
Professional Services	1,486	1,490	(4)	(0.3%)
Depreciation	75	80	(5)	(6.3%)
Communication, Board and Audit	1,132	1,130	2	0.2%
Total Base Operations	33,847	35,160	(1,313)	(3.7%)
Initiatives	10,356	9,043	1,313	14.5%
Total Operating Expenses	44,203	44,203	-	0.0%

The main difference in the recalibration approach from the original 2021 Budget is the way staff time is allocated, or charged, to the initiative costs. In 2021, we brought in a method for actual staff time spent on initiatives to be captured. An estimate of this effort based on expected staff involvement in the initiatives, was created. From this the initiative budget was amended. As any staffing dollars spent on initiatives are simply moved from the base costs and into the initiative costs, there is no impact on the overall budget.