



STRATEGIC BUSINESS PLAN  
2023-2024 and 2024-2025

March 30, 2023

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## Executive Summary

The Public Employees Pension Board (the Board) Strategic Business Planning process includes the review of internal and external trends that might impact the Public Employees Pension Plan (the Plan, PEPP), its members or the Public Employees Benefits Agency (PEBA), and the Plan administrator.

To support the Board, PEBA completed an Environmental Scan for 2023-2024, which provides insights on trends and developments in the areas of demographics, technology, economy, politics, and regulations, allowing organizations to plan appropriately.

PEBA's 2023-2024 Environmental Scan analysis has identified three main areas of trends for consideration in the 2023-2023 and 2024-2025 planning cycles. The analysis identified trends coming from each area, as well as trends resulting from intersections between two or more areas, and can be found in Appendix 1 of this document.

In the 2023-2024 to 2024-2025 Strategic Business Plan, the Board continues to implement the work related to existing initiatives, as well as identifies new initiatives\* to be included in the plan:

### 2023-2024 to 2024-2025 Goals and Initiatives:

#### Investment

- SIR Implementation
- CEM Investment Benchmarking\*

#### Service

- Modernization of Products
- Modernization of Services\*
- Outcome Risk Monitoring

#### Cost-Effectiveness

- Asset Retention Strategy
- CEM Administration Benchmarking

#### Stewardship

- NPC Legislation
- NPC Governance
- NPC Finance
- NPC Human Resources

#### Engagement

- Engagement Strategy

## Background

PEPP is a defined contribution pension plan for eligible employees of the Government of Saskatchewan and other specified employers. It is the largest defined contribution pension plan in Canada. The provisions of the Plan are set out in legislation and are the responsibility of the Minister of Finance.

*The Public Employees Pension Plan Act* establishes the Board as the Trustee of the Plan. Under the legislation, the Board has the fiduciary duty to administer the Plan and manage the investments in the best interests of Plan members and their beneficiaries. The Board must exercise appropriate care, skill and diligence.

The Board has adopted a comprehensive governance process that includes regular strategic planning and risk assessment. This strategic plan has been developed within the context of the Plan's vision, mission and goals.

**Vision** – To be a leading pension plan through product and service innovation.

**Mission** – To provide members with an exceptional defined contribution pension plan.

In 2022-2023, a legislative process began to allow PEBA to operate as a not-for-profit corporation (NPC), separate from the Government of Saskatchewan. To allow the Board to assess the impacts of the transition on its strategic priorities, the Strategic Business Plan from 2022-2023 to 2024-2025 will be carried out and executed till March 2025, when the transition is anticipated to be complete.

At the 2025-2026 Strategic Business Planning Session, the Board will have the opportunity to do a comprehensive review of its Strategic Business Plan and establish a new plan for 2025-2026 to 2027-2028, taking into consideration PEBA's new structure.

## Goals

### Investments

#### Earn competitive long-term investment returns for members while managing risk.

PEPP members depend on their retirement investments to grow. Members adopt risk expectations when they choose their PEPP investment option and expect their returns to align with those beliefs.

The Board recognizes the fundamental need for members to earn competitive long-term returns to achieve their desired retirement outcomes. Members are responsible for their own investment choices; therefore, the Board must ensure investment options are appropriate and offer a variety of risk and return profiles.

To that end, the Board engages in a periodic review of its investment options to ensure they meet member needs. The Board completed its last Strategic Investment Review (SIR) in 2022. Currently, the Board is preparing to implement outcomes of its most recent SIR.

#### Objectives:

- Complete periodic reviews of PEPP’s investment options to ensure that members have access to a portfolio of investments that are well-adapted to their retirement needs.
- Provide a range of investment options to meet the diverse needs of individual members, while controlling their individual risks.

#### Initiatives:

##### Strategic Investment Review

Every four to six years, the Board has committed to conducting a strategic review of the Plan’s investment structure, investment options and asset mix to monitor and maximize member outcomes.

- In 2022-2023, the Board’s Strategic Investment Consultant completed the SIR.
- The Board is scheduled to implement recommendations developed from the SIR in 2023-2024, this may continue into 2024-2025.

2023-2024	2024-2025

### **CEM Investment Benchmarking**

An independent and objective review of the Plan’s investment performance, risk and costs compared to pension plans of similar size and type and CEM’s universe of pension plans.

- In 2022-2023, the Board received the completed analysis for the five-year period ending December 31, 2020.
- The Board can expect to receive CEM Investment Benchmarking analysis in 2023-2024 and 2024-2025.

2023-2024	2024-2025

## Service

### **Deliver exceptional and innovative products and services to members and employers.**

The Board is determined to maintain its position as an industry leader in the value-added services it offers its members. The Plan is continually exploring leading industry practices, but its primary benchmark in service delivery is the satisfaction of Plan members.

Members are responsible for making choices that play a part in whether they achieve the retirement outcomes they desire. Plan members must have access to the information and services that can help make those crucial decisions. The Board is committed to ensuring that Plan members have access to the services they need to meet their needs, as well as committed to reviewing member outcomes to ensure that investment options achieve retirement goals.

The Board believes the best way to assess the service it provides to members is to ask members. The Board is committed to facilitating two-way communication with members to gather their feedback.

#### Objective:

- Maintain an up-to-date suite of products and services that meets evolving member needs, provide members with a reason to remain in the Plan, attract voluntary contributions from members, and attract other public-sector employers to join the Plan.

#### Initiatives:

##### **Modernization of Products**

Develop strategies for retired members to decumulate their funds and achieve their retirement goals including the possibility of providing variable payment life annuity (VPLA) and advanced life deferred annuity (ALDA).

Consider investment products including income-focused funds, or including guaranteed income into PEPP Steps.

- VPLA – The Board will receive updates on VPLA viability, uptake and product development as legislation and regulations are passed. Activity for this initiative is planned through 2024-2025 and possibly beyond depending on outcomes.

2023-2024	2024-2025

### Modernization of Services

Develop strategies to digitalize member experiences, simplify online services, and reduce PEBA’s reliance on paper.

- Simplify VPB enrolment – In 2022-2023, a review of the variable pension benefits (VPB) enrolment process was performed. PEBA is now undertaking steps to simplify by identifying and implementing appropriate modifications to the existing process. This initiative is planned to continue through 2024-2025.
- Streamline the enrolment process by offering remote electronic signing options to members.

The Modernization initiatives overlap with the Asset Retention initiative and some activities will support both.

2023-2024	2024-2025

### Outcome Risk Monitoring

The Outcome Risk Monitoring (ORM) report monitors member outcomes from investment in PEPP Steps and the Balanced Fund. The report tracks members’ risk/reward trade-offs as well as their progress toward achieving a target income replacement ratio.

- In 2019, the Board requested Aon to prepare an ORM report to track the likelihood that members would meet their retirement goals. The report, the first of its kind for a defined contribution plan, was received by the Board in March 2021.
- In 2022-2023, the Board approved a decision framework to identify strategies to improve outcomes for members, based on ORM report findings. The Board has also requested Aon prepare an ORM report as at December 31, 2022, and approved the assumptions to be used in the analysis.
- The Board can expect an ORM report as at December 31, 2022, at its April 2023 meeting and will be working through the decision framework throughout 2023.

2023-2024	2024-2025



## Cost-Effectiveness

### Operate efficiently and cost-effectively.

PEPP members participate in a pension plan that provides excellent value through economies of scale. Efficient service minimizes costs and ensures that members receive the maximum value of this benefit.

Objective:

- Allocate resources to maximize the effectiveness and efficiency of services provided to members and employers.

Initiatives:

#### Asset Retention

Asset retention is a cost-effective way to expand member benefits by improvements in services and outcomes through achieving economies of scale. The approach builds on activities already undertaken and works to retain further assets in the Plan.

- In 2022-2023, the Board identified short, medium and long-term strategies that could move the Plan from a passive to a dynamic approach to asset retention and provide members with appropriate options for accumulation and decumulation:
  - Engagement-based initiatives – Incrementally improve services and provide members with a personalized touch prior to, and at the time of retirement or termination, including educating members on how investment fees impact their investment portfolio in the long term;
  - Simplify VPB enrolment;
  - Research VPLA and other possible pension products; and
  - Offer financial advising to members – Identify and research the impact, as well as a process, of offering financial advisory services to members. Consideration needs to be given to systems changes and resources that would be required. Consideration of this initiative is planned for 2024-2025.

2023-2024	2024-2025

### CEM Administration Benchmarking

An independent and objective review of the Plan’s administration costs and quality of service compared to pension plans of similar size and type and CEM’s universe of pension plans with the aim of improving cost-effectiveness and service standards.

- In 2022-2023, PEPP provided data up to the 2021-2022 year-end for CEM for Pension Administration Benchmarking, the results were presented at the January 2023 meeting. The next CEM Administration Benchmarking cycle is expected to commence in 2024-2025.

2023-2024	2024-2025

## Stewardship

### Ensure PEPP is well-governed and accountable to Plan members and employers.

The Board strives to be an industry leader in its pension plan governance practices and recognizes that good governance is crucial to the long-term success of the Plan.

Good governance requires appropriate controls that incentivize good decision-making, proper and timely execution, and regular review and assessment. The Board believes that good governance requires a focus on accountability, the basis of which is the establishment of measurable objectives.

#### Objectives:

- Appropriate plan governance structure to improve performance and efficiency.
- Appropriate oversight of service providers.

#### Initiatives:

##### NPC Structure

In 2022-2023, Cabinet approved the decision for PEBA to become a non-profit corporation (NPC) with a net zero-profit operation. The implementation of this initiative is expected to take place in four parts:

- Legislation;
- Governance;
- Finance; and
- Human Resources.

	2023-2024	2024-2025
Legislation		
Governance		
Finance		
Human Resources		

## Engagement

### **Ensure members understand their responsibilities and have the right tools and information available.**

Members are responsible for making important investment decisions while they participate in the Plan. The Board understands that every member may not understand this responsibility and may not be aware of the ways PEPP can help them make informed decisions.

The Board strives to ensure that members are aware of their responsibilities and ways in which PEPP can help. The Board also makes every effort to ensure that its information and services are proactive and anticipate the needs of Plan members.

#### Objectives:

- Support member understanding of the Plan, including individual member benefits and responsibilities for making informed decisions pursuant to the Plan.
- Increase awareness and usage of member resources.
- Provide relevant, timely and accurate information which is easy to understand.
- Provide useful information on asset retention and decumulation options so members understand the value of remaining in the Plan.

#### Initiatives:

##### **Engagement Strategy**

The focus of this initiative is to increase awareness and usage of member resources, improve the digital experience, and provide timely, appropriate information to Plan members.

This initiative includes engagement with members on the transition to the NPC structure to ensure members understand the value and experience the benefits of the change. It also overlaps with the Modernization and Asset Retention initiatives as some of the activities are designed to move the Plan to more dynamic engagement with members.

- In 2023-2024, PEPP will continue to target Plan members by age and career stage with information and workshops appropriate to their own circumstances. This initiative also contributes to member retention upon retirement by communicating strong value propositions through Preparing to Retire workshops and newsletter and article content.

- Beginning in fall 2022, the frequency of Inshtrix Research member satisfaction surveys has increased from bi-annually to annually and the Plan is launching online member feedback groups in 2023-2024.
- The current Engagement Strategy is planned to the end of 2023-2024 and will be extended into 2024-2025, while aligning future engagement strategies with the new NPC corporate strategy.

2023-2024	2024-2025

## Timeline of Initiatives

2023	Goal	2023-2024				2024-2025			
Q4	Initiative	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	<b>Investment</b>								
	SIR Implementation								
	CEM Investment Benchmarking								
	<b>Service</b>								
	Modernization of Products (VPLA)								
	Modernization of Services								
	Outcome Risk Monitoring								
	<b>Cost-Effectiveness</b>								
	Asset Retention Strategy								
	CEM Administration Benchmarking								
	<b>Stewardship</b>								
	NPC Legislation								
	NPC Governance								
	NPC Finance								
	NPC Human Resources								
	<b>Engagement</b>								
	Engagement Strategy								

■ Indicates planning activities    ■ Indicates implementation activities

## Appendix 1: PEBA Environmental Scan Summary

PEBA has identified three main categories of trends relevant to the Plan. Presented in the form of a triple Venn diagram, the analysis identified several trends coming from each of the areas, as well as those trends that result from an intersection of more than one area, to be considered for the 2023-2024 and 2024-2025 planning cycle.



It is PEBA’s understanding that being competitive and innovative in the geopolitical and demographic environment of the post-pandemic world will require the Agency and the pension plans to strive for modernization while maintaining flexibility.

## Appendix 2: PEPP by the numbers

	<u>December 2012</u>	<u>December 2022</u>
Total assets	\$5.3 billion	\$11.2 billion
Membership		
Active members	29,427	35,173
Inactive members	21,548	28,326
VPB members	1,538	7,557
Total	52,513	71,056
Average account balance		
All members	\$96,185	\$130,530
Active members	\$133,708	\$178,861
Inactive members	\$44,941	\$70,516
All members ages 50+	\$179,663	\$244,313
VPB members only	\$256,345	\$385,048
Ratio		
Active to inactive members	1.37 to 1	1.24 to 1
Average VPB entry age	60.5 years <sup>1</sup>	62.6 years
Average retirement age	N/A	62.1 years

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<sup>1</sup> As at March 31, 2013