



Engaging in

Good Governance



# A framework for good governance

**At OPB, we're proud of our commitment to good governance. Our well-defined operating structure, high professional standards, and deep-seated culture of integrity and openness can stand up to the most rigorous scrutiny.**

The emphasis we place on good governance is rooted in the importance of our mandate – preserving the pension promise for over 80,000 members and pensioners of the Public Service Pension Plan (the “Plan”). To ensure we meet that mandate, we have built a solid governance framework that helps us:

- operate effectively and efficiently
- prudently invest and manage the Plan’s assets
- protect and promote the best interests of Plan beneficiaries, and
- meet legislative requirements

Underpinning our governance framework is a series of documents that define our organizational structure, responsibilities, and governance practices. Those detailed documents include a *Statement of Governance Principles*, *General By-law*, *Statements of Mandate and Authority*, and a *Code of Conduct* (collectively referred to as the **Governance Documents**).

These documents clearly define roles and responsibilities, draw a clear link between responsibility and accountability, set expectations for ethical behaviour, and entrench conflict of interest guidelines. They also establish a well-defined system of checks and balances on all power and authority.

## Embracing accountability

OPB’s Board of Directors holds the ultimate responsibility for stewardship of the Plan. Within the Governance Documents, the Board has delegated to Management responsibility for the day-to-day operations required to administer the Plan and manage its assets. The Board has also chosen to assign substantial responsibility to Committees of the Board. Within that framework, the Board retains overall responsibility for supervising the business and affairs of OPB.

The Board has retained a number of duties and responsibilities, including:

- satisfying itself that Management has identified and is taking appropriate steps to manage the risks to which OPB, the Plan and its assets are exposed
- approval of OPB’s strategic plan, business plan and budget
- satisfying itself that Management is maintaining a culture of integrity at OPB
- selection, replacement, performance review and compensation of the President & CEO
- supervision and approval of audit matters, including the integrity and effectiveness of OPB’s internal controls, external auditor selection, compensation and independence, approval of quarterly unaudited and annual audited financial statements, and audit reports
- annual review of OPB’s *Statement of Investment Principles & Beliefs*, *Statement of Investment Policies & Procedures*, and approval of any changes to these documents
- approval of any recommendations to be made by OPB to the Plan Sponsor regarding Plan amendments

- approval of the selection and compensation of the Plan’s actuaries, monitoring the independence of those actuaries, and approval of actuarial valuations, major advocacy initiatives and a communications strategy for OPB
- approval of OPB’s governance framework and documents
- monitoring compliance by the Board, its Committees and Management with OPB’s governance framework and the Governance Documents

In fulfilling their duties, members of the Board are directly accountable to:

- the Plan’s beneficiaries (i.e., members and retired members)
- the Financial Services Commission of Ontario (the organization that oversees registered pension plans in Ontario), and
- the Ontario Government (the Plan Sponsor)

Currently, the Board has nine highly dedicated and qualified members. Each member has been appointed by the Government of Ontario. Board membership includes appointees nominated by Bargaining Agents representing members of the Plan. Individually, each Board member brings a unique perspective and skill set to the table. Collectively, they offer professional expertise in a range of specialties, including investments, pension policy and administration, human resources, and accounting. Board members are compensated in accordance with the per diem rates set by the Ontario government’s Agencies & Appointments Directive.

The Board meets six times a year on a regularly scheduled basis and additional meetings are held as required. Board members are kept informed of issues and updated on the day-to-day operations of OPB through reports from Committee Chairs (see *Delegating Authority* below) and Management.

In considering the issues and opportunities for the Plan, the Board and OPB Management engage in vigorous discussion and debate but, at the same time, strive for consensus in decision-making. There is recognition that consensus may not always be possible... and a simple majority is not always appropriate. For this reason, the *General By-law* stipulates that, while most decisions are by simple majority, certain decisions of fundamental importance – such as any change to the *Governance Principles*, *General By-law* or a recommendation to the Plan Sponsor to change a Plan provision – require the support of a two-thirds majority of the Board members.

The Board is required – under the terms of the *General By-law* – to adopt a regular self-assessment process. The assessment is carried out to ensure that the Board’s actions continue to reflect governance best practices. The assessment is also intended to confirm that the Board is maintaining a culture of integrity, abiding by the Governance Documents and complying with applicable legislation.



# Delegating authority

To allow time to focus on strategic direction and other high-level issues, the Board delegates a number of important tasks to five Board Committees. A brief description of these Committees and their responsibilities is provided below:

## Governance Committee

This Committee assists the Board in fulfilling its commitment to excellence in OPB's pension governance. As part of its responsibilities, the Committee:

- reviews and makes recommendations to the Board concerning OPB's internal governance framework and the Governance Documents
- periodically reviews a Board Member Skills/Needs Analysis and oversees Board succession planning and Board and Board Member assessments
- assists the Board in satisfying itself that OPB Management is maintaining a culture of integrity at OPB
- reviews policy as provided in the *General By-law*
- oversees Board education, including recommendations concerning internal and external director education

## Audit Committee

The Audit Committee assists the Board in overseeing Management's administration of OPB's financial reporting, financial systems, internal controls and IT project management. As examples of the Committee's functions, the Audit Committee:

- participates in the selection, compensation and any termination of OPB's external auditor
- reviews the annual audited and interim unaudited financial statements and recommends their approval to the Board
- reviews the auditor's independence
- requires that Management implement and maintain appropriate internal control procedures and evaluates those procedures
- evaluates risk when devising OPB's annual internal audit plan

## Investment Committee

The Investment Committee assists the Board in overseeing Management's responsibility to invest and manage the Plan assets, including the Board's responsibility to satisfy itself that Management has identified and is taking appropriate steps to manage the investment-related risks to which OPB, and the Plan's assets, are exposed. Among other responsibilities, the Investment Committee:

- recommends to the Board OPB's *Statement of Investment Principles & Beliefs* upon which OPB's *Statement of Investment Policies and Procedures* is based, and reviews the Statement annually
- participates with Management in considering whether to manage the investment of the Plan's assets internally or externally
- recommends investment policies to the Board, and approves investments recommended by Management that are not within the authority delegated to Management according to the *General By-Law*
- reviews the investment of the Plan's assets, including performance, the Plan's asset/liability matching position and asset mix, and other appropriate performance criteria such as quality, concentration, loss experience etc.
- reviews significant investment exposures;
- participates in the hiring, compensation and termination of senior OPB investment personnel and any external managers, custodian and investment consultants



## Pensions Committee

This Committee assists the Board in overseeing the management and administration of the Plan by OPB Management. As part of its responsibilities, the Pensions Committee:

- oversees the selection of the Plan's actuary and periodically reviews the performance of the actuary and the actuary's independence
- reviews actuarial valuations of the Plan and recommends their approval to the Board
- recommends to the Board analysis and information to be provided to the Plan Sponsor concerning Plan design and funding issues
- recommends to the Board for approval any recommendations to be made by OPB to the Plan Sponsor regarding Plan amendments
- recommends to the Board for approval major advocacy initiatives to be undertaken by OPB
- approves the delegation of authority to Management with respect to pension commitments or payments and reviews Management's reports regarding the service level standards in the Pensions area
- reviews compliance by OPB's Pensions area with the:
  - *Public Service Pension Act*
  - *Ontario's Pension Benefits Act*
  - *Income Tax Act*

## Human Resources Committee

This Committee assists the Board in overseeing the management of OPB's human resources. Among other responsibilities, the Human Resources Committee:

- recommends to the Board the human resource policies to be followed by OPB
- reviews and assesses at least annually the performance of the President & CEO
- recommends to the Board the compensation to be paid to the President & CEO
- recommends to the Board the compensation policy and parameters to be followed by the Human Resources Committee and Management
- approves senior Management compensation
- periodically reviews the succession plan for OPB's senior executives
- reviews annually key components of OPB's talent management framework
- oversees the negotiation of the collective agreement between OPB and its unionized employees
- reviews annually Management's report on Occupational Health and Safety matters at OPB for the preceding year

Committee members are appointed by the Board and must be members of the Board. The responsibilities, powers and decision-making authority of each Committee are spelled out in a detailed *Statement of Mandate and Authority*.

A Statement for each Committee is established in the *General By-law*.



# Day-to-day management

The Board has delegated the day-to-day administration of the Plan and management of its assets to OPB's Management Team. Under the Governance Documents, Management is required to:

- administer and manage all aspects of the day-to-day operation of the Plan and the investment of its assets
- provide the Board and the Committees with full, true, timely and plain disclosure of the information necessary to enable Board members to properly fulfill their responsibilities
- maintain a culture of integrity throughout OPB
- perform the duties and responsibilities identified in the Governance Documents, as well as any other duties and responsibilities assigned to Management by the Board

The President & CEO is ultimately accountable to the Board for the duties and responsibilities of Management.

The President & CEO has ultimate authority with respect to the authority delegated to Management. Management is authorized to make such decisions and take such actions as are necessary or desirable to properly fulfill its duty and responsibility to administer and manage all aspects of the day-to-day administration of the Plan and management of its assets.

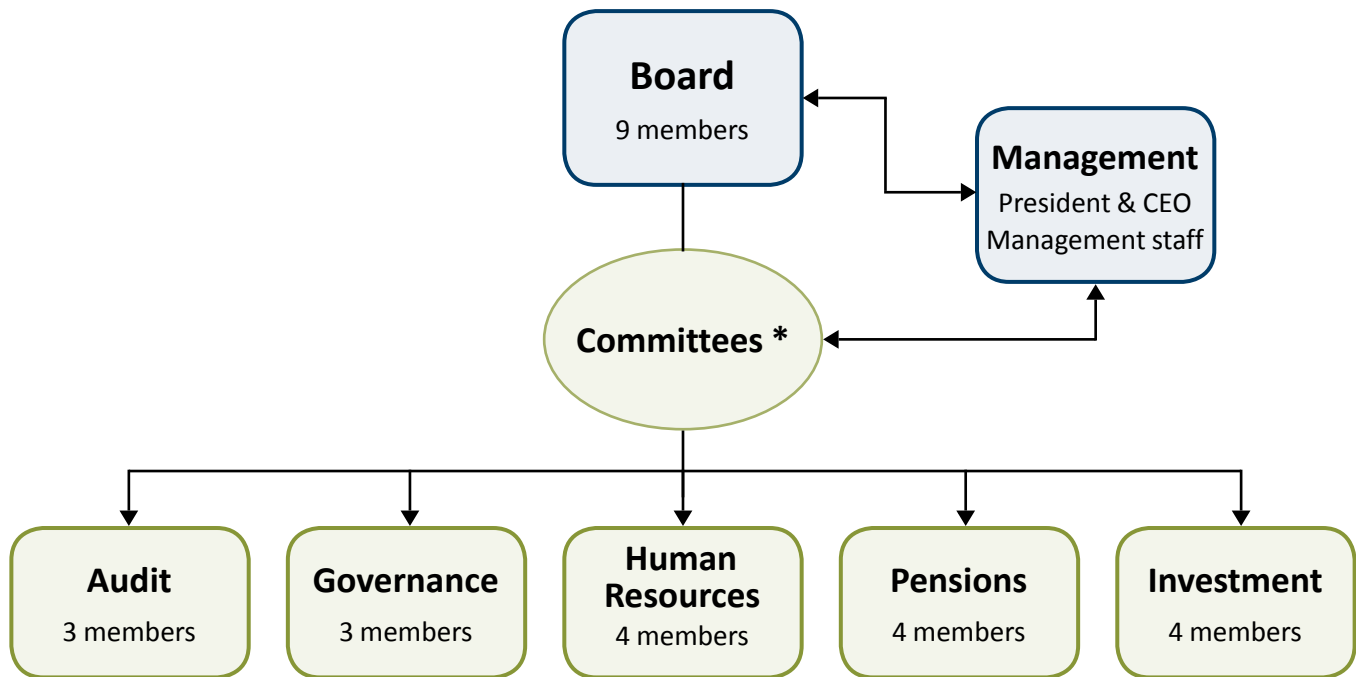
In addition to its delegated duties and responsibilities, Management must provide the Board and its Committees with the information, analysis and recommendations needed to make informed decisions.

OPB's success is forged in a spirit of trust and mutual respect. Management and employees are committed to working together toward a common goal and Management is expected to treat each OPB employee with respect. In return, each employee – across the entire organization - must uphold the highest professional standards, maintain a culture of integrity and accept responsibility for his or her actions.

In addition, employees at all levels must adhere to OPB's *Code of Conduct* and other policies, which set expectations for ethical behaviour and avoidance of conflicts of interest. They must also be mindful of the legal parameters in which OPB operates, ensuring compliance with all applicable laws and regulations. This means following not only the letter of the law, but – where the wording is unclear – the spirit of the law as well.

# The Big Picture

The following chart provides a simplified overview of OPB's governance structure.



\*Committee sizes may change as circumstances require.

## Governance framework

At the foundation of OPB's governance framework is a series of documents that clearly define our governance structure, responsibilities and practices. Those detailed documents include:

- **Statement of Governance Principles and General By-law** – A touchstone document designed to guide the creation and application of OPB's governance framework, as well as outlines OPB's governance framework and how the business and affairs of OPB are to be conducted
- **Statements of Mandate and Authority** – Schedules to the *General By-law* that set out the responsibilities and authority of the Board, its five Committees and Management. There is a separate Statement for the Board, the Board Chair and Committee Chairs, Board members, each Committee, as well as Management

- **Code of Conduct** – A document that sets expectations for ethical behaviour, conflict of interest, and legislative compliance for all OPB Board members and employees

## The documents

Throughout this note we refer to the key documents that lay the foundation for the governance structure of the OPB. These documents have been highlighted. If you are a member or pensioner of the Plan and would like to review these documents, please contact the OPB Corporate Affairs department at **416-364-8558** or **1-800-668-6203**.