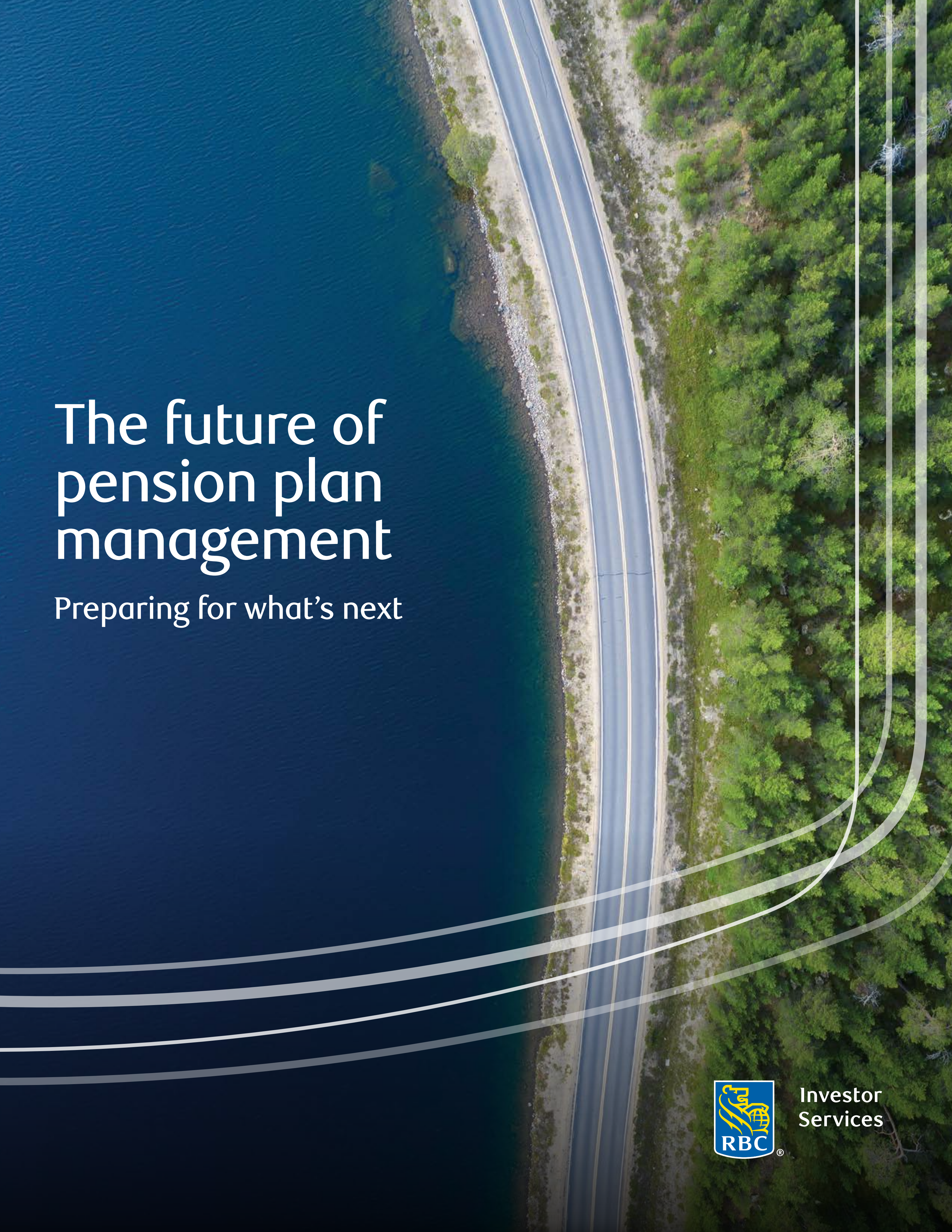


The future of pension plan management

Preparing for what's next

RBC Investor Services

Introduction

Canadian pension plans are no strangers to transformation. But in recent months, it has become clear that long-term trends—the move toward alternatives, rising complexity and growing data demands—are impacting pension plans in new ways. Market volatility has surged in the face of geopolitical uncertainty and an unpredictable global trade environment. Automation and artificial intelligence (AI) are transforming businesses at light speed. And the sheer amount of data Canadian businesses are managing is running up against tightening privacy regulations and more sophisticated cyber threats.

These converging pressures are straining existing models and amplifying the urgency for change. And with 61% of Canadian pension funds surveyed actively running transformation initiatives[1], the need for action has sharpened.

This report outlines three critical areas where pension plans must adapt to remain resilient and future-ready:

1. **Navigating sustained volatility:** Pension plans are expanding into new asset classes as they manage geopolitical instability, monetary tightening and currency fluctuations. Staying resilient means expanding the use of private markets, reassessing FX risk and modernizing collateral strategies.

2. **Managing growth and rising operational complexity:** As pension plans expand into new markets and asset classes, it is important for them to determine their core competencies and assess where they need external support to build a more resilient operating model.

3. **Addressing growing data needs:** As the investment industry grows more complex, pension plans face mounting pressure to manage, secure and govern their data effectively, and concerns around cybersecurity and data sovereignty have moved to the top of boards' agendas.

Together, these pillars reflect how pension plans can evolve in a time of sustained disruption—and how they can position themselves to face what's next.

[1] Transforming Canadian Investment Management, RBC Investor Services/The ValueExchange, Q4 2024.

Navigating sustained volatility

Resilience and diversification are strategic imperatives

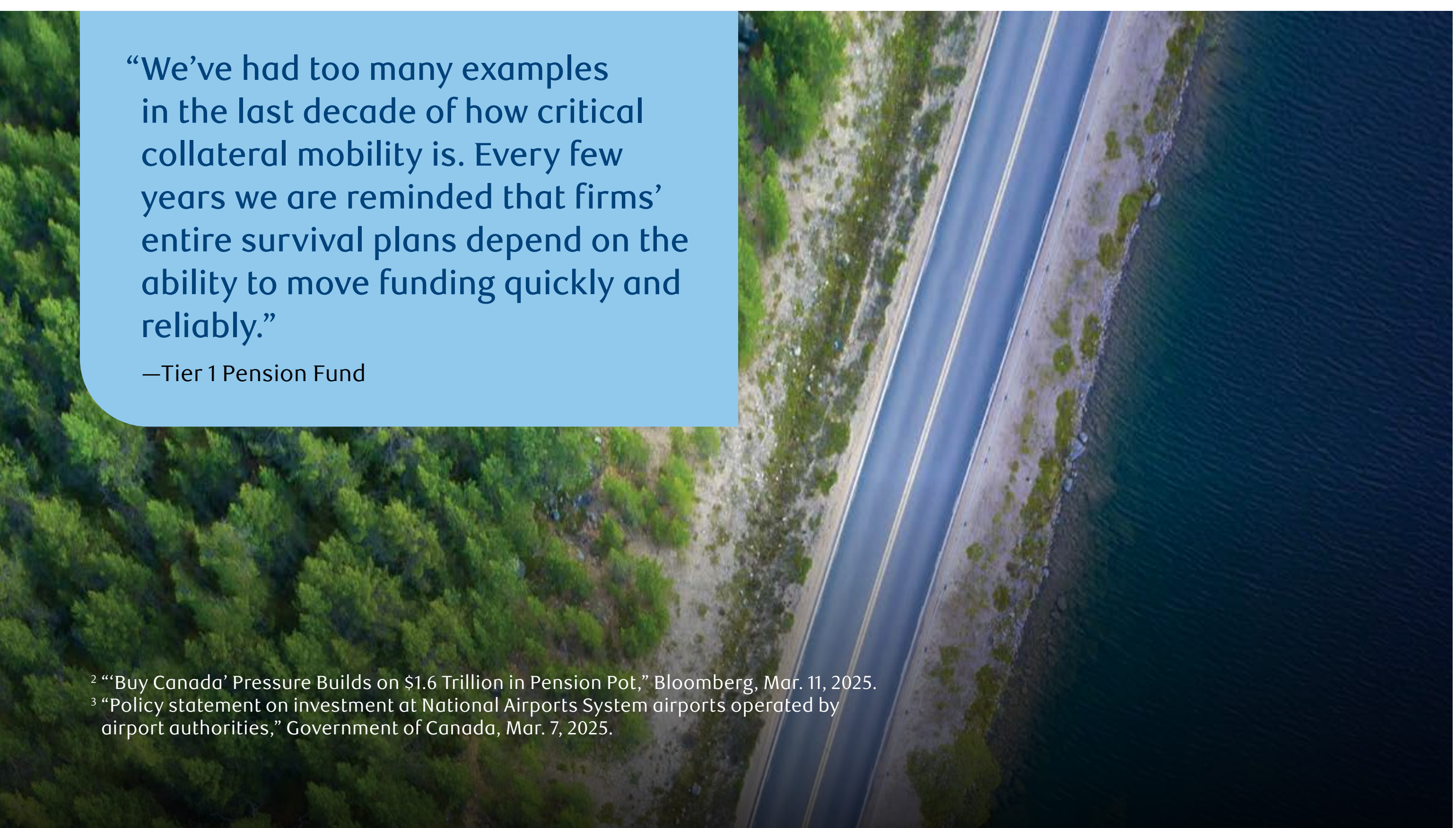
In an era defined by inflationary pressures, geopolitical instability, ongoing monetary tightening and currency fluctuations, asset owners must proactively prepare for volatility across asset classes. To stay resilient, asset owners are expanding their use of private markets, reassessing FX risk and modernizing collateral strategies. This section explores how leading organizations are responding to these forces and where gaps may emerge between those adapting quickly and those falling behind.

'Buy Canadian' gaining traction

The proposed removal of the 30% limit of pension plan investments in Canadian entities marks a significant policy shift, creating new flexibility for plans to increase domestic allocations. This change arrives at a time when national economic priorities and geopolitical uncertainties are prompting a renewed emphasis on domestic resilience. The country's Maple Eight pension plans collectively manage about CAD 2.3 trillion in assets, with about a quarter invested in Canada[2], and the lifted cap may intensify stakeholder expectations to invest more heavily within Canada or even within the provinces of their members.

For plans like Caisse de dépôt et placement du Québec (CDPQ), which already operates under a dual mandate to invest in Quebec, the regulatory change aligns with longstanding investment principles. In February 2025, CDPQ launched a new program aimed at helping Quebec-based companies enhance productivity and expand into new markets.

The broader effort to reduce economic dependence on the United States and increased interest in alternatives has opened the door to pension plans looking to large-scale domestic infrastructure projects like bridges and pipelines. In March 2025, the federal government issued a policy statement encouraging investment in domestic airports, with the goal to attract private capital, including Canadian pension funds[3]. Some plans have already indicated a willingness to increase domestic exposure, including working with the government to remove barriers to investing further in Canada.



"We've had too many examples in the last decade of how critical collateral mobility is. Every few years we are reminded that firms' entire survival plans depend on the ability to move funding quickly and reliably."

—Tier 1 Pension Fund

[2] "'Buy Canada' Pressure Builds on $1.6 Trillion in Pension Pot," Bloomberg, Mar. 11, 2025.
[3] "Policy statement on investment at National Airports System airports operated by airport authorities," Government of Canada, Mar. 7, 2025.

Investment managers looking to hedge out their foreign currency exposures on a more passive basis, or to launch additional hedged share class products for their underlying investors, can consider RBC Investor Services' Currency Overlay Services. With independently benchmarked execution, tailored hedging strategies and full transparency, Currency Overlay clients have the confidence to focus on individual security selection knowing that their currency positions are hedged to fully match their strategies.

As the buy-Canadian narrative gains traction, plans may face greater pressure to show how their strategies support national economic development without compromising global diversification and return objectives.

Increased market volatility and risk

With economic and geopolitical uncertainty intensifying through 2025—from currency swings to trade disruptions—it is important to navigate these headwinds while protecting portfolio returns over the long term.

Navigating USD/CAD currency risk

Over the past decade, the USD/CAD currency pair was considered a relatively stable trade, supported by clear monetary policy guidance, predictable trade flows and strong economic linkages between Canada and the US. But that period of calm has given way to a new era of heightened volatility, making currency hedging an attractive risk mitigation strategy. What's more, nearly 30% of asset owners name active currency hedging as a top portfolio enhancement strategy—and the recent spikes in CAD volatility since this survey have further prompted a need for more tailored currency hedging strategies.

We've been actively monitoring the current phase of FX market stress, which is not strictly cyclical. It reflects a structural shift toward a more politically driven and fragmented global economy. While we don't have a clear view of how the trade landscape will transform on the back of tariff announcements, or even if today's tariff environment will be the same as tomorrow's, there is likely more uncertainty to come. For pension plans with material USD exposure, strategic hedging approaches are becoming a key consideration in managing currency-related downside.

Smarter collateral strategies

Market volatility continues to ripple through bond markets (a core component of most pension portfolios), placing greater emphasis on how firms manage bond holdings when used as collateral. Quick and accurate revaluations and substitutions are now huge drivers of investment returns, so firms should make sure they are benefiting from these capabilities at scale. Based on today's interest rates, collateral left overnight can cost investors up to two basis points per night, underscoring how delays or poor collateral management have a direct cost. The recent rollout of the TMX/CDS CCMS platform for Canadian institutional investors signals that leading pension funds are already actively investing to improve in this space—and creating a gap between leaders and followers.

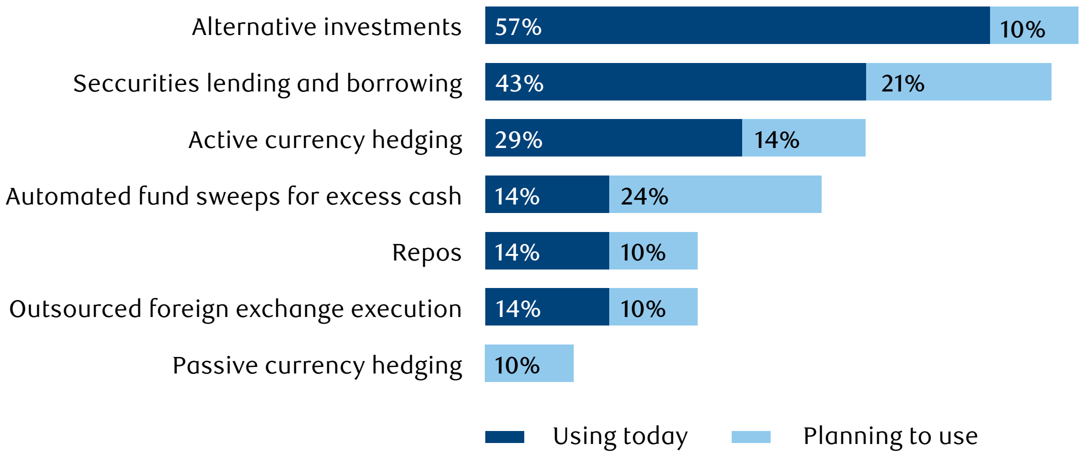
The continued shift to private investments

As pension plans continue diversifying beyond traditional public market holdings, their involvement in private investments has deepened—especially in asset classes like private equity, real estate, infrastructure, private debt, natural resources and energy.

This is reflected in asset owners increasing their exposure to alternative asset classes, with more than half (57%) of asset owners indicating this as their top portfolio enhancement strategy. What's more, asset owners are also looking to increase their exposure to alternative funds by 4% over the next three years. If asset owners follow through on these strategies, it could reshape investment portfolios in Canada.

Alternative and private asset classes offer potential for long-term, stable returns and inflation protection, but also bring unique administrative and reporting complexities. Unlike public assets, which offer frequent pricing and liquidity, private funds require specialized valuation methods and

Average use of portfolio enhancement strategies by asset owners



Source: Getting data right, RBC Investor Services/The ValueExchange, 2025.

feature unpredictable cash flows. Many pension plans operate on monthly reporting cycles and depend on external administrators to help reconcile investor statements, conduct valuations and deliver timely risk and performance analytics tailored to these illiquid assets.

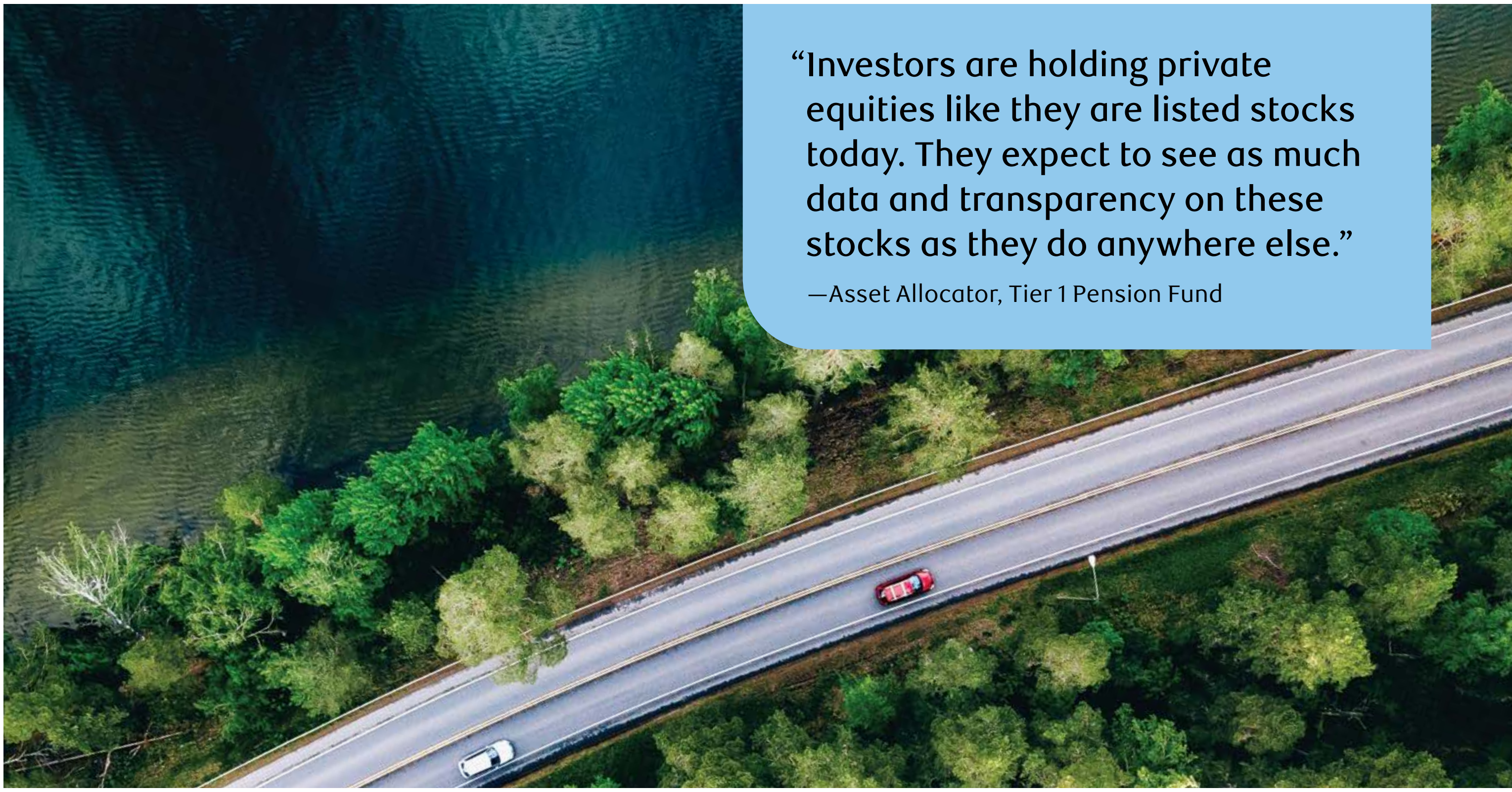
The structure of these investments varies by the size and sophistication of the plan. Mid-sized pensions often access private markets through pooled fund vehicles administered by general partners (GPs), while larger plans with higher assets under management (AUM) are increasingly investing directly or participating in co-investments alongside GPs. These more direct strategies allow them to reduce fee loads and gain greater control, but require significant internal resources and talent, which smaller plans may lack.

Within the private markets landscape, recent performance and outlooks vary by sector:

- **Infrastructure** is projected to perform well, especially in emerging clean energy, telecommunications and AI-related projects, benefiting from ongoing infrastructure spending and lower borrowing costs. Asset owners anticipate 13% growth in their exposure to infrastructure and project finance.
- **Private debt,** including private credit and direct lending, continues to grow as a favoured allocation (with 3% growth projected over the next three years), benefiting from elevated interest in non-bank lending solutions.
- **Commercial real estate** is also under pressure, with suppressed valuations and development slowdowns tied to funding constraints. But asset owners anticipate 3% growth in real estate/REITs over the next three years.
- **Private equity** is facing headwinds due to reduced exit activity and high borrowing costs. While GPs were hopeful of a recovery in this area in 2024, it hasn't fully come to fruition yet. Asset owners anticipate their exposure to private equity will drop 6% over the next three years.

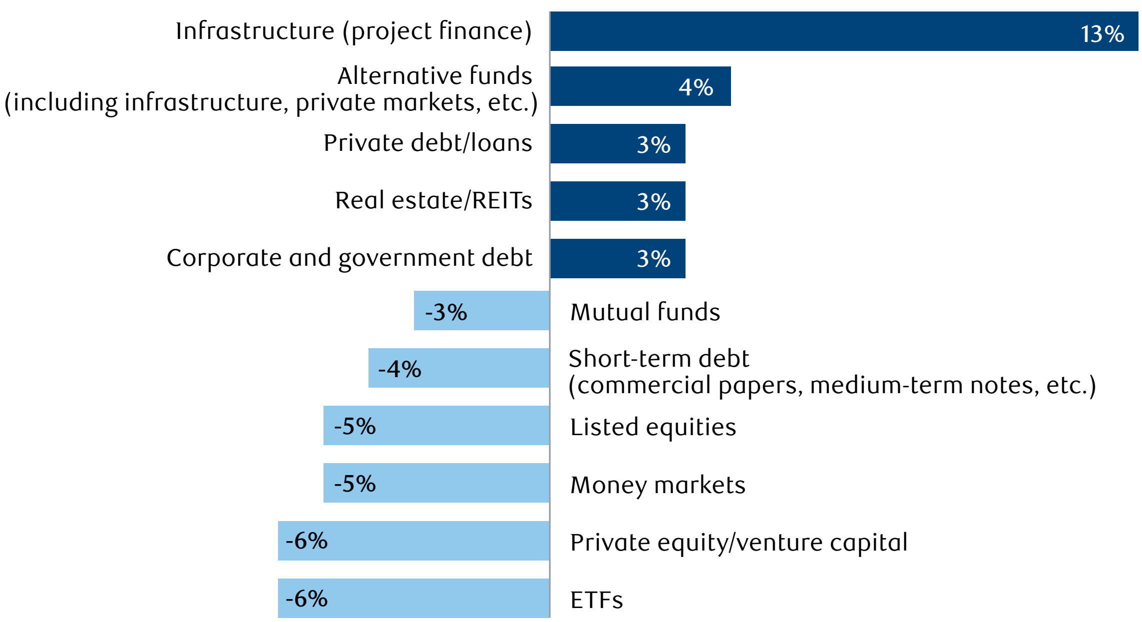
Overlaying all of this is the adoption of a **total portfolio approach**, where asset owners seek to evaluate how each investment influences broader portfolio objectives. But executing this vision remains challenging due to the disconnected nature of private fund data and the long-dated, illiquid nature of these investments.

Inside the secondary markets: A growing area of strategic focus is the secondary markets, where asset owners can sell their interests in private funds—potentially at a discount—to rebalance portfolios or gain quicker liquidity. This market has surged both as a means to manage liquidity (on the sell-side) and to optimize portfolios by acquiring seasoned assets with reduced risk profiles (on the buy-side).

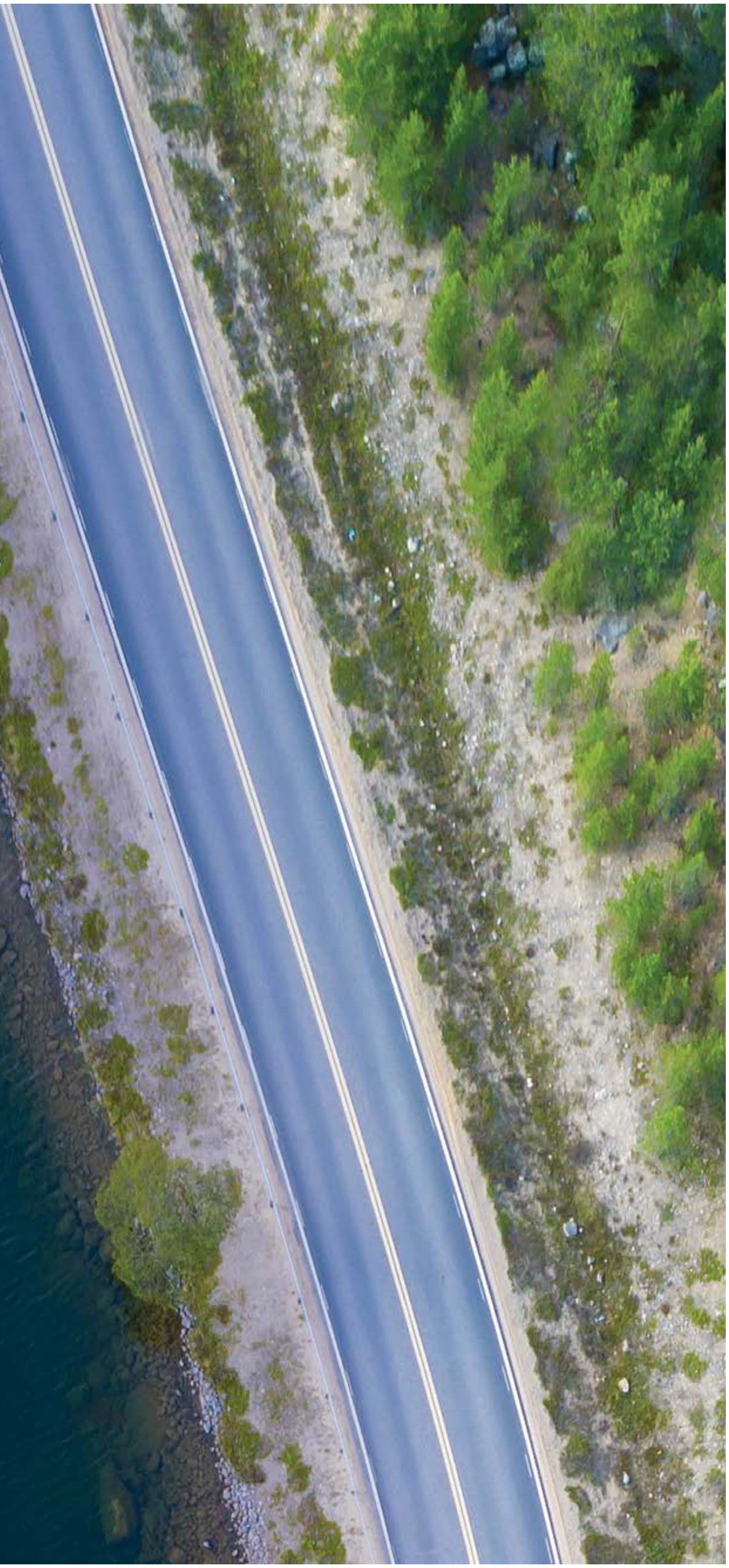


> "Investors are holding private equities like they are listed stocks today. They expect to see as much data and transparency on these stocks as they do anywhere else."
> —Asset Allocator, Tier 1 Pension Fund

AUM exposure changes for asset owners (average expectation for next three years)



Source: Getting data right, RBC Investor Services/The ValueExchange, 2025.



QUESTIONS FOR PENSION PLANS

- How diversified is our exposure, both geographically and by asset class?
- What strategies are we using to diversify our portfolio across asset classes?
- Where are the weak points in our current operating model—whether in FX exposure, collateral mobility or private asset oversight—and how can we address them?

Managing growth and rising operational complexity

Navigate complexity and build resilient operating models

As pension plans expand into new markets and asset classes, accessing reliable data and meeting growing reporting requirements becomes increasingly difficult. These challenges are prompted by board-level discussions around outsourcing, technology and governance. So when and where should firms get help? This section helps them answer this question, enabling decision makers to determine their core competencies and assess where they need external support to build a more resilient operating model.

The hidden cost of complexity

With growth comes complexity—not just in the size and diversification of AUMs, but also in requirements for governance, compliance and oversight. The adoption of total portfolio approaches and the layering of ESG, carbon and diversity mandates introduce new dimensions that require greater administrative and technical sophistication. The more complex the portfolio, the harder is becomes to achieve efficiency at scale.

The traditional 60/40 equity-income split is no longer sufficient. Today's pension committees are navigating a matrix of new demands that require sharper tools and deeper insights. Balancing innovation with accountability is necessary for keeping pace with market and policy shifts.

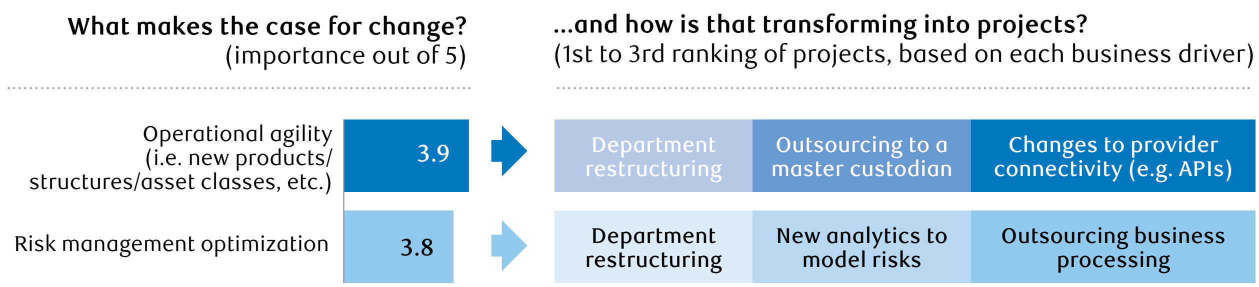
People or platforms? Inside the human element

Behind every operational model is a workforce—and today, pension plans face mounting challenges in recruiting and retaining operations staff. This has been a common theme in the past couple of years. Many of the experts familiar with existing legacy operating models are retiring, and newer talent often have higher expectations around automation and use of technology, which is accelerating the shift toward transformative projects.

When pension funds look to improve operational agility and manage risk more effectively, they often begin by reevaluating their people. Our research shows that when pension funds are looking to achieve operational agility and to optimize risks (their top two priorities) they typically start with reshaping teams—either through restructuring or redeployment—and then change the operating model around that (e.g. appointing a new custodian, implementing new technology, etc.).

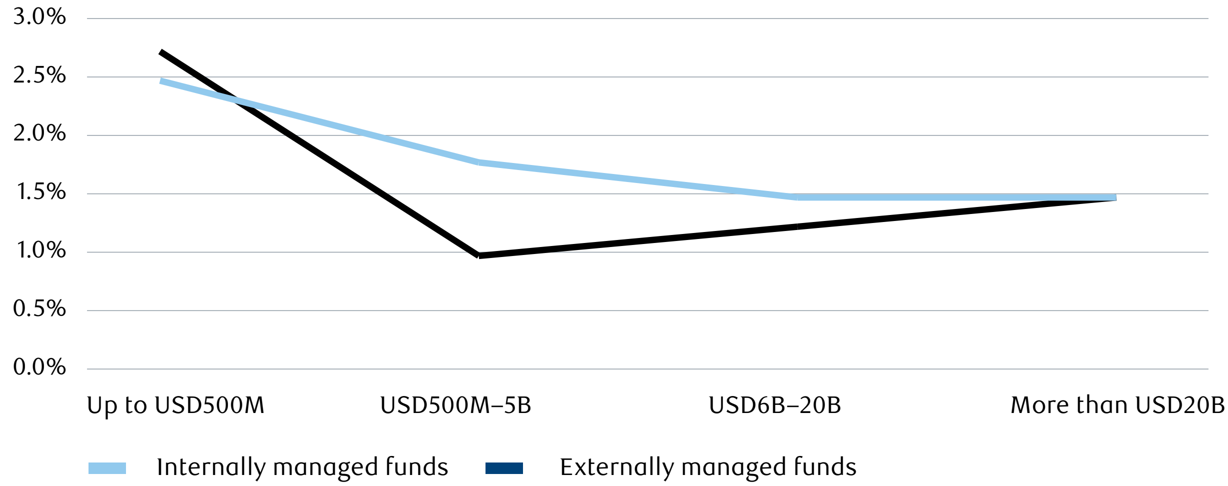
Defining our transformation

Building flexibility and control into our operating model—through people and process



Source: Asset Owner Transformation, RBC Investor Services/The ValueExchange, 2023.

Investment operations costs as % of AUM



Source: RBC Investor Services/The ValueExchange, 2022.

Navigating the tipping point

A core question for leadership is: What is the optimal operating model for your size and complexity? At a certain point, scale alone becomes a barrier, requiring scalable tools and external support. Joint research with RBC Investor Services and the ValueExchange found that this tipping point often occurs around USD 15 billion in AUM, when the operational demands and associated costs outstrip the efficiency of legacy models.

Firms need to anticipate this threshold and prepare for it. The future belongs to firms that align their structures and investments with mission-critical functions.

> "Investors are holding private equities like they are listed stocks today. They expect to see as much data and transparency on these stocks as they do anywhere else."
>
> —Head of Operations,
> Major Provincial Pension Fund

And with the right data architecture and governance models, pension plans are better equipped to decide which functions to keep in-house and which to outsource.

Outsourcing with intention

As pension plans scale and investment environments grow more complex, outsourcing has evolved. Increasingly, pension funds are adopting blended models: outsourcing certain back-office, administrative and investment functions while maintaining strategic oversight internally, tailoring strategies to their size, capabilities and risk appetite.

Custodians and asset servicing providers are playing a pivotal role in supporting plans as they scale their operations and focus on core activities, particularly in areas like data reporting and the administration of alternative investments. Our research shows that:

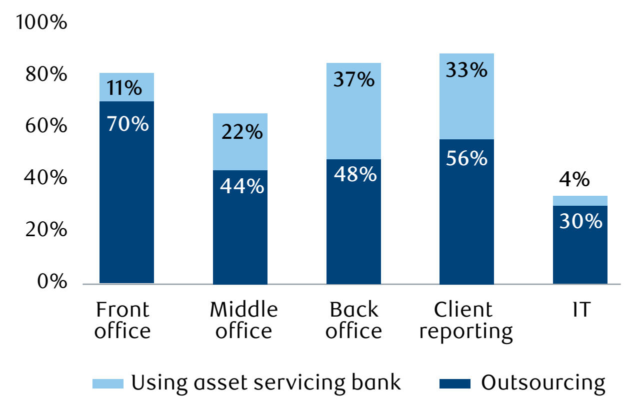
- 70% of asset owners are outsourcing front-office transformation initiatives
- 56% are doing so in client reporting
- A significant 37% rely on custodians specifically for back-office changes

Overall, outsourcing is important in helping asset owners streamline processes and enhance overall operational performance.

"Knowing what functions are truly core to your purpose—and which can be safely outsourced or automated—has become essential."

Isabelle Tremblay,
Director, Client Solutions,
Asset Owner Segment Lead

How are asset owners delivering on their change priorities? (% of respondents per type of project ongoing)



The growing role of custodians in facilitating change in the back office. While the tendency is to consider broader outsourcing in all parts of the chain, in the back office, more than one-third rely on custodians as their core change partners compared to just under half on all other outsourcing providers.

Source: Asset Owner Transformation Survey, RBC Investor Services/The ValueExchange, 2024.

The OCIO advantage

As internal capacity is stretched and demand continues to rise, the outsourced chief investment officer (OCIO) model continues to gain momentum, particularly among mid-sized and corporate plans seeking flexibility, governance support and investment specialization. According to Cerulli, 26% of institutional asset owners expect to increase their OCIO usage within the next two years. As of 2024, the OCIO market has reached USD3.1 trillion in institutional assets and is projected to grow to USD4.2 trillion by 2028 (a 35% increase). OCIOs are now widely used by corporate pensions, endowments and foundations.

Why this growth? The OCIO model provides the following:

- **Specialization and customization:** OCIO mandates are becoming more specialized. Many mandates go beyond full portfolio management, such as creating custom portfolios aligned with a plan's purpose, mission or promised ESG targets.

> "Much better to build in governance and automation as you grow rather than face a USD200 million cost to transform all your front-to-back platforms when it's too late."
>
> — COO, Regional Pension Fund

- **Governance integration:** Effective OCIO relationships also hinge on well-defined frameworks and clearly articulated expectations. Leading OCIOs now support a wide range of operational needs, including coordinating custodians, managing consolidated financial reporting, designing liquidity portfolios tailored to payout scheduled, and supporting regulatory compliance and data readiness. OCIOs can also support with board-level decision making , reporting and training.
- **Operational relief:** As smaller and mid-sized pension plans are often stretched with responsibilities like HR administration and retiree payments, the appeal of outsourcing investment oversight is clear. OCIOs go beyond the traditional consultant role. By focusing on their core strengths—people and operations—these organizations can rely on OCIOs to manage their investment strategies, reduce administrative burden and potentially achieve cost efficiencies.
- **Liquidity management:** There is rising demand to structure portfolios with more predictable cash flows. OCIOs help structure portfolios around more predictable cashflows while managing credit and market risk with precision.

Demand for OCIO services from providers has grown steadily, particularly as plans weigh the cost-benefit trade-offs of outsourcing versus internal management.

The private asset challenge

One tipping point for many pension plans has been the challenge of managing private asset allocations. These assets—by nature manual, non-standardized and illiquid—present operational hurdles that are difficult to address with legacy systems. As allocations to private credit, infrastructure and real assets grow, many plan sponsors are choosing to delegate oversight to OCIOs to better manage risk and improve reporting. The growing need to streamline complex investment operations has made outsourced models more attractive. Clients seek solutions that are future-proof—flexible, diversified and suited for evolving market conditions. OCIOs can tailor nearly any investment solution, but there's a growing emphasis on whether these customizations delivery real client value.

The T+1 effect on global delivery

There is the perception that T+1 is done, but with up to 30% of the Canadian pension plan portfolio being invested into Europe and Asia, there is a growing need to find partners who can help to deliver a global operating model. This includes 24-hour FX execution and funding, trade matching support and seamless securities lending. As trading windows compress under the T+1 settlement cycle, asset owners should ensure they can access the necessary liquidity and funding in real time, regardless of market location. Without the right infrastructure in place, global exposures can quickly translate into operational risk and failed trades.

With more than 42% of investors choosing to outsource their FX execution to their custodians ahead of last year's T+1 transitions[4] (in Canada and the US), the need to remove potential weak links and points of failure (by consolidating all post-trade activities under one bank) is clear. This approach allows pension plans to streamline trade flows, improve coordination across time zones and reduce latency between execution and settlement. For Canadian pension plans with globally diversified portfolios, the ability to operate seamlessly across jurisdictions is essential infrastructure.

Pension risk transfer

On more element that adds to plan complexity is how they are managed moving forward. Many corporate plans are now fully funded, so there are two decisions to make when it comes to managing plans: hibernation (i.e. to continue managing the plan internally) and pension risk transfer (i.e. to offload liabilities via buy-ins or partial transfers). Partial pension risk transfers are also growing in popularity as a cost-effective way to reduce risk and manage retiree liabilities without fully exiting the pension space.

> "An effective OCIO model strengthens governance by allowing asset owners to focus on strategic oversight while gaining access to sophisticated investment strategies and real-time portfolio execution."

Erwan Pirou,
Canada CIO,
Aon

QUESTIONS FOR PENSION PLANS

- Which functions are truly core to our purpose and identity, and which could be more efficiently delivered through external partnerships or automation?
- Do we have the governance infrastructure to manage increasingly complex investment mandates and a more digital operating model?
- Are we capturing the full value of outsourcing models, such as OCIOs or custodians?

[4] T+1 pulse survey, The ValueExchange, September 2023 (https://thevx.io/campaign/t1).

Addressing growing data needs

Protecting yourself against emerging cyber threats

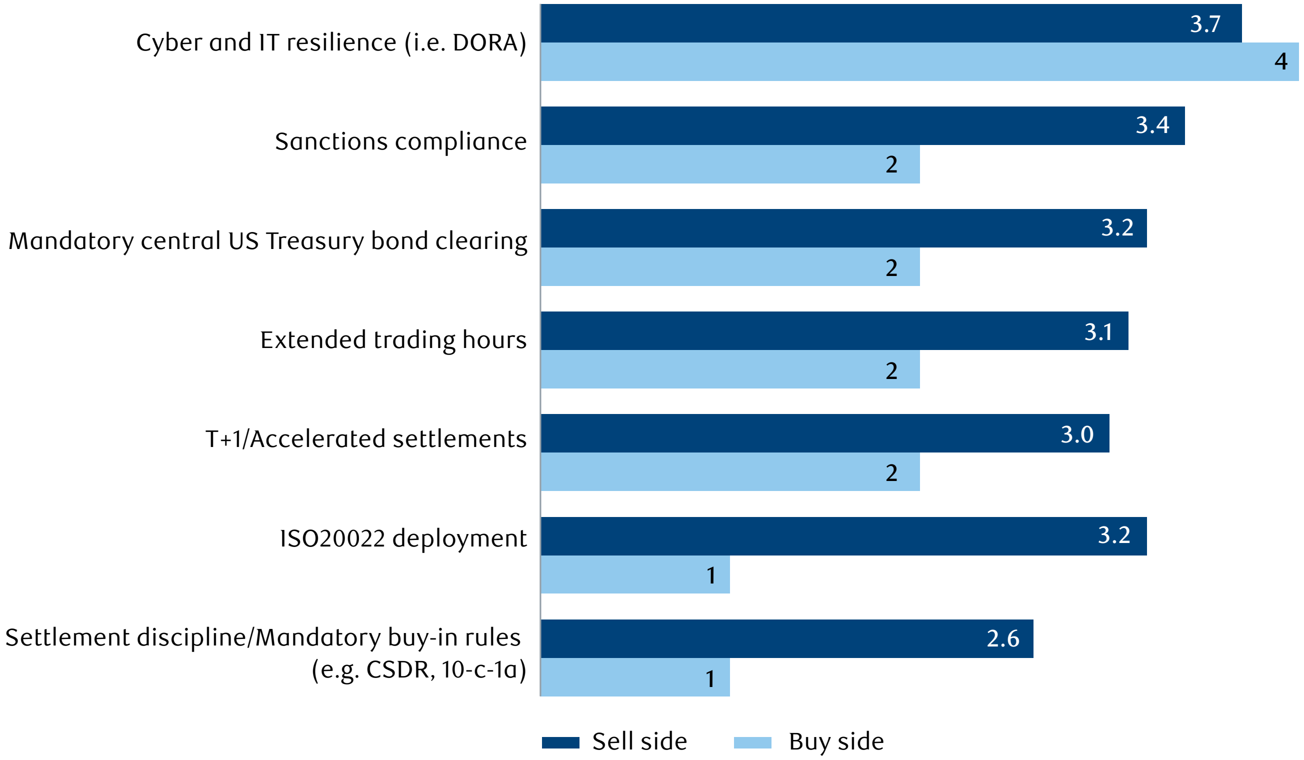
As automation, digitization and cloud adoption reshape the investment landscape, the demand for data has surged. For pension plans, this evolution brings mounting pressure to manage, secure and govern their data effectively. As a result, concerns around cybersecurity and data sovereignty have moved to the top of the board's agenda. How firms ensure business continuity, security and cyber protection are core considerations firms are prioritizing more than ever. This section helps pension plans meet these expectations and develop a proactive approach to data management and third-party oversight.

Curb data sprawl

Pension plans hold significant volumes of personal information (PI), including sensitive health information on members, beneficiaries and employees. The foundational principle is clear: Retain only what you need, and only for as long as you need it. This means plans should only collect what they need, store it securely and then destroy it according to a robust document retention policy. (In some cases, the data should be returned to the client rather than deleted, particularly when the client owns the data.) Yet in practice, many organizations lack the discipline to purge data systematically, allowing information to accumulate over time.

Given the risks, regulators expect pension plans and asset managers to have a well-defined document retention

Average impact of regulation per type of regulation (average score out of 5, where 5 is maximum impact)



Source: The path to 2030, The ValueExchange, 2023.

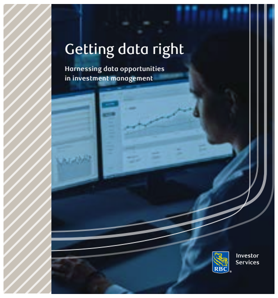
RBC's significant technology resources are playing a vital role in providing RBCIS with the skills, technology and business tools to deliver quality data to our clients. As Canada's largest bank[5], RBC makes substantial investments in technology and innovation each year. RBC Investor Services has a robust governance model in place across our data lifecycle to manage and control data, ensuring it's safe, secure, accurate and trusted by clients. Data accountability resides within the RBC Investor Services business, and our Data Management Office plays an important role in the adoption and execution of enterprise-wide data standards and best practices. A central, multi-disciplinary governing body oversees our data activities, ensuring they align with business objectives.

policy that ensures client and employee data is maintained only for as long as necessary. These policies should apply across all systems and departments where PI is collected or stored. Strong data governance forms the basis for privacy compliance and operational resilience.

Data security

Pension plans today face mounting pressure to manage compliance on a global scale, with the regulatory landscape growing more interconnected across jurisdictions. Pension plans are responsible for ensuring the secure treatment, protection and distribution of PI. Failure to do so may result in a breach of their fiduciary duty. As a result, data security and cybersecurity have emerged are the top two change drivers for asset owners.

With increasing reliance on cloud-based infrastructure and third-party platforms to manage complex workflows, the risk of breaches, ransomware and compliance failures is escalating. These threats impact not only portfolio risks but also broader pension risks—such as data protection failures, reputational damage and loss of member trust.



EXPLORE HOW TO GET A HANDLE ON YOUR DATA IN OUR LATEST REPORT:

Getting data right
Harnessing data opportunities in investment management

Core change drivers today for asset owners	
Data security and residency	39%
Cybersecurity	36%
Sanction risk	36%
Industry consolidation (of peer firms)	32%
Market practice changes	32%

Source: Getting data right, RBC Investor Services/The ValueExchange, 2025.

To meet these expectations, clients and regulators expect pension plans to keep information systems secure and operational. This includes having an effective business continuity program that supports electronic systems, is tested regularly and stays current with the evolving threat landscape. When incidents occur, regulators expect prompt reporting to relevant authorities. (For OSFI-regulated institutions, expectations extend to having incident response protocols in place; these include the ability to notify regulators within 24 hours of an incident, even if the full scope is not yet understood.)

Security as a shared responsibility

Today's cyber risk environmental is shaped by interconnectedness. Every organization and individual are digitally linked to countless others. One weak point, whether it is an internal employee or a third-party vendor, can create system-wide vulnerability. But protecting the business isn't about building walls; it is about making sure you're looking at your own defences and everyone else you're connected to.

[5] Based on market capitalization as at April 30, 2025.

Still, human error remains a top risk. Social engineering attacks like phishing continue to be effective, especially as AI tools make malicious emails harder to distinguish from legitimate ones.

Managing third-party risks

Risk does not stop at a company's perimeter. For pension plans, service providers and business partners can introduce vulnerabilities that regulators—and stakeholders—expect to be addressed proactively.

Just as importantly, a continuity program should cover service providers. If they experience an incident that affects a plan's operations, the continuity program should include clear procedures for protecting clients.

Any supplier contracts should include clear privacy and cybersecurity provisions that align with the plan administrator's risk mitigation objectives. But remember: Outsourcing a core function does not mean you've outsourced your regulatory responsibility. While your service provider's responsibility to you is contractual, your responsibility to clients and regulators remains intact. Firms are expected to ensure their service providers validate they have similarly robust programs in place.

- **Review your supplier agreements** for clear provisions or data management and security. Do you have rights to audit or obtain external audit reports from your vendors?
- **Conduct due diligence up front** and on an ongoing basis.
- **Determine your weakest links.** You may have a strong internal security perimeter, but do you test your staff via regular simulated phishing exercises?

Understanding how risks are distributed across a firm's partner network is essential to avoid blind spots. This includes documenting expectations and conducting information-sharing risk assessments at the onset and throughout the lifecycle of vendor engagement.

Taking action

Even modest upgrades to privacy practices can make a difference in protecting sensitive data. A strong formation management program is the foundation.

- **Avoid retaining PI longer than necessary.** The longer you hold on to personal data, the greater the risk for theft or loss. Ensure people are trained to recognize phishing attempts and avoid engaging with suspicious emails. Curiosity often defeats caution. The rise of AI-enhanced threats means heightened vigilance is essential.
- **Revisit your document retention policy.** Are you holding data beyond its useful life? Align your internal policies—and those of any service providers—to ensure retention rules are followed and security measures are consistent.
- **Consider where your data is stored,** especially if it is in the cloud or across borders. If your data resides outside Canada, be aware that Canadian privacy laws may not apply. Understanding and complying with jurisdictional data laws is essential.

Staying vigilant about cyber threats

All it takes is one employee downloading a malicious file to cost a company millions. Advance preparation is key to effective cyber risk management, including a well-thought-out approach that aligns with the pension plan's overall risk management framework:

- Foster a cyber culture across the organization through employee training on a range of topics, such as password creation, identifying phishing emails and social media etiquette.
- Create a process for backing up all data at a secure, off-site facility, and regularly refresh the backup with new versions of the data.
- Centrally manage software to avoid the potential for ransomware attacks from fake updates.
- Implement multifactor authentication protocols for additional security.
- Establish and enforce formal security policies across your organization so employees don't have to guess about security.

> "Outsourcing a core function does not mean you've outsourced your regulatory responsibility. RBC's Third Party Risk team performs assessments at the start of each supplier relationship and conducts risk evaluations regularly."

Nick Cardinale
Vice President,
RBC Wealth Management &
Insurance Compliance Canada

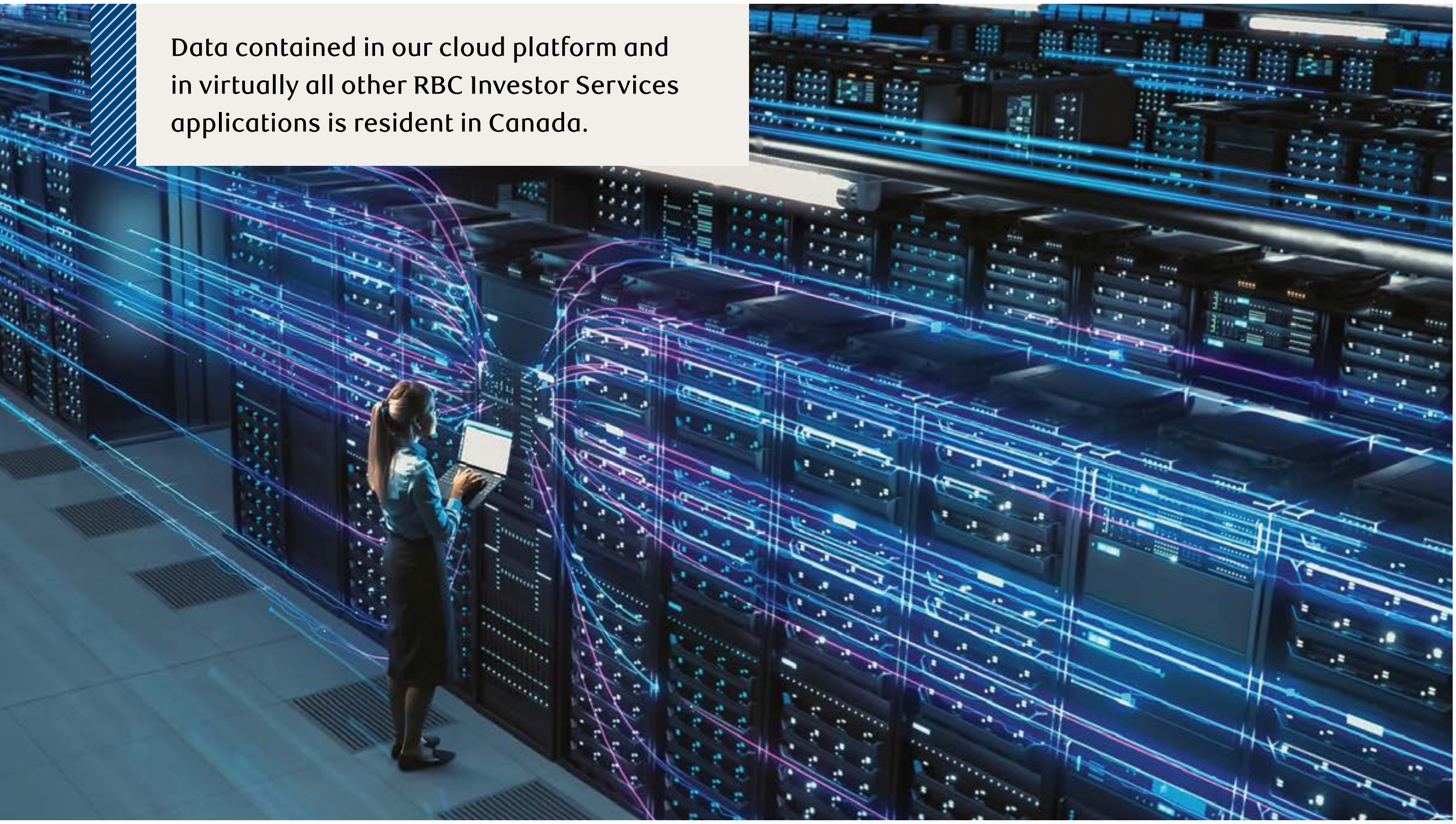
Today's regulatory environment

Regulators are more active and aware than ever. Across Canada, federal and provincial legislation is evolving to keep pace with rising public concern.

- **The Personal Information Protection and Electronic Documents Act** (PIPEDA) is a Canadian privacy law that impacts financial institutions and other organizations that handle PI during commercial activity. It sets the ground rules for how organizations can collect, use and disclose this information. Key aspects relevant to finance security include data protection, consent requirements and limitations on data use.
- **Bill C-27** (the Digital Charter Implementation Act, 2022) looks to modernize Canadian privacy law by repealing parts of PIPEDA and replacing them with three new acts: the Consumer Privacy Protection Act (CPPA), the Personal Information and Data Protection Tribunal Act (PIDPTA) and the Artificial Intelligence and Data Act (AIDA). Tabled in 2022, it has yet to pass.

> RBC Privacy by Design: Every process that touches personal information is risk assessed, including every time there is a process change or different information is brought into scope.

- **Quebec's Bill 64** mandates organizations have formal privacy programs in place. This legislation impacts both public and private sector organizations, requiring them to implement stricter security measures, enhance transparency and comply with new consent requirements.
- **The Digital Operational Resilience Act (DORA)** is an EU regulation that requires financial institutions to ensure they can withstand and recover from all types of ICT-related disruptions, with strict oversight of third-party service. While not directly applicable in Canada, DORA signals a shift toward tighter operational resilience and third-party risk standard; and Canadian institutions with EU ties should take note.



Data residency and sovereignty

As data becomes increasingly "borderless," Canadian asset owners should carefully evaluate the implications of data residency on regulatory protection, operational accessibility and vulnerability to foreign intervention. With a growing number of client agreements defining requirements around residency (including many that require all critical data to reside in Canada), it is important to understand where pension data is stored, how it is encrypted and who has access.

This is especially critical for Canadian plans, which may not longer assume protection under domestic privacy laws or regulations if client data is housed outside the country. For example, if Canadian client data is housed in US data centres, the protectional under Canadian privacy laws may not apply. In the event of legal or political action, foreign jurisdictions can freeze access to data, leaving firms exposed. Canadian-based data storage provides a layer of assurance, keeping personal and financial record with familiar regulatory frameworks—especially given the sensitive nature of the personal identifiable information in many plans.

QUESTIONS FOR PENSION PLANS

- Do we have a document retention policy, and when was it last reviewed for currency and effectiveness?
- How resilient is our cybersecurity framework?
- How confident are we that our plan member data is being protected by third-party vendors?

About RBC Investor Services

RBC Investor Services delivers investment servicing solutions to Canadian asset managers and asset owners, insurance providers, investment counsellors and global financial institutions. With more than 1,500 employees and offices across the globe, our focus is on safeguarding the assets of our clients and enabling their growth. Part of Royal Bank of Canada, Canada's largest bank[6], RBC Investor Services has over CAD 2.6 trillion of assets under administration. Learn more at rbcis.com.

A longstanding provider of asset services to Canadian pensions, RBC Investor Services understands the unique opportunities and challenges that plans are facing as they navigate today's volatility. We combine innovative technology with an unwavering focus on service excellence and risk management to support our pension clients, and add value through our:

- consultative partnership backed by experienced professionals
- solid product and service offering tailored to manager needs
- flexible, interactive digital reporting solutions
- broad range of thought leadership and market insights

Contact us

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[6] Based on market capitalization as at April 30, 2025.

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