



CPP  
INVESTMENT  
BOARD

# Independence Accountability Performance

Public Meetings 2006



CPP  
INVESTMENT  
BOARD

# Independence Accountability Performance

Gail Cook-Bennett, Chairperson of the Board  
David Denison, President & CEO



## Tonight's discussion

CPP reforms

Gail Cook-Bennett

Our mandate - independence and  
accountability

Sustainability of the CPP

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Fiscal 2006 results

David Denison

Future growth and plans

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Q&A session



## CPP funding crisis resolved

### Crisis

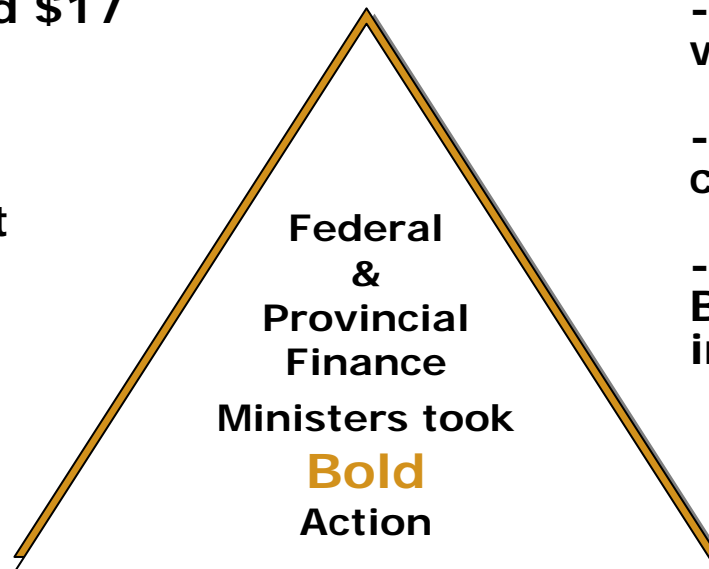
1996

- \$11 billion in and \$17 billion out
- Demographic projections: fewer workers to support pensioners
- CPP was unsustainable

### Solution

1997

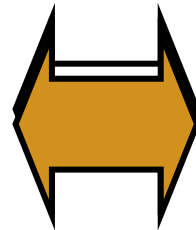
- Contribution rates were increased
- Pool of assets created
- CPP Investment Board formed to invest assets





## Our Mandate

Maximize investment  
returns without  
undue risk of loss



## Our Goal

Help secure the  
future pensions  
of 16 million  
contributors and  
beneficiaries



## **The CPP fund is protected by legal safeguards**

- Not part of general government revenues
- Can only be used to pay benefits, administer the plan and invest assets



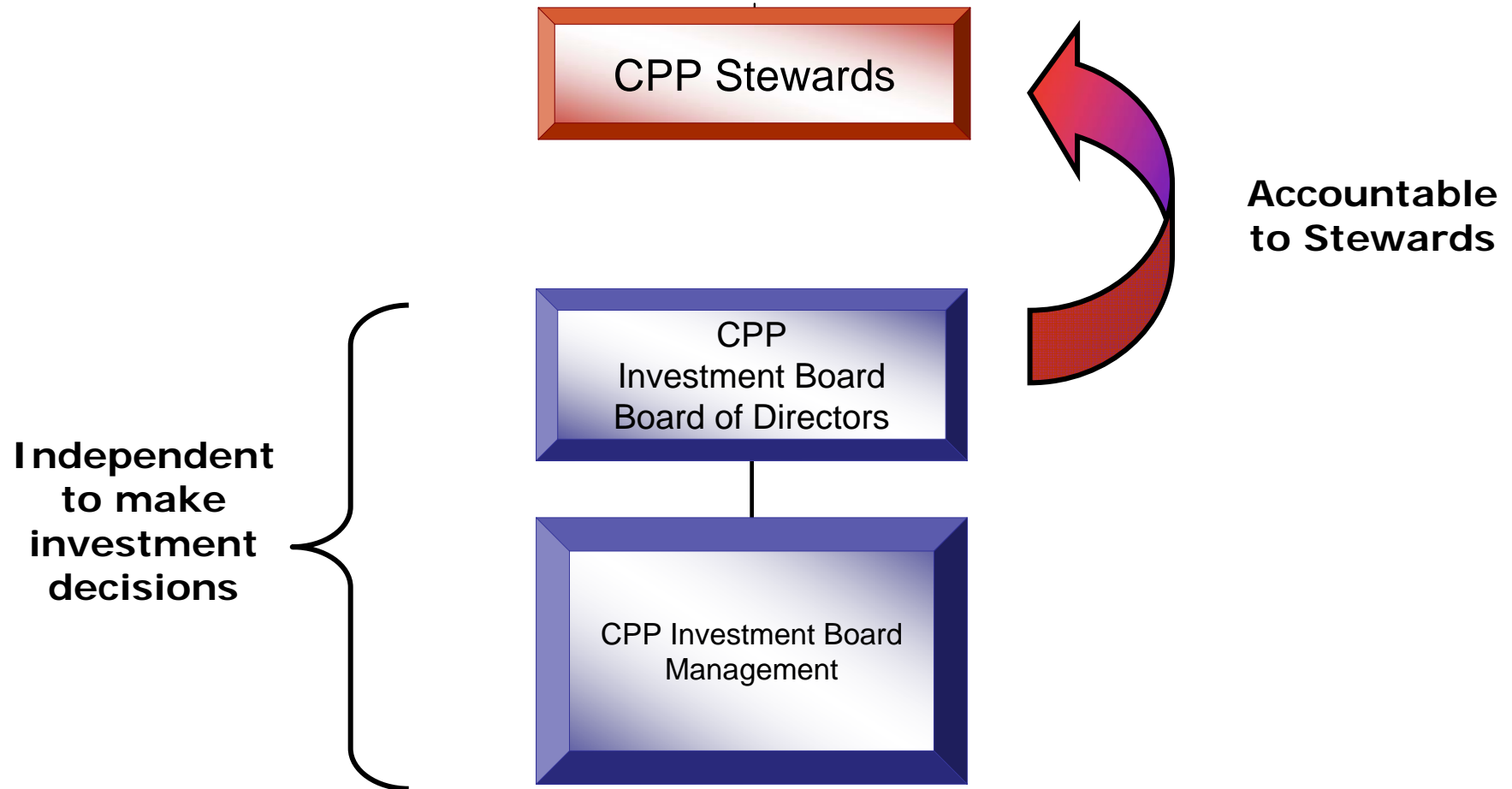
## Innovative governance model



- Designed for our distinct mission
- Cited by the World Bank and Conference Board of Canada
- Operates at arm's length from governments
- Segregated assets



## Our governance foundation

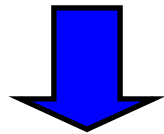




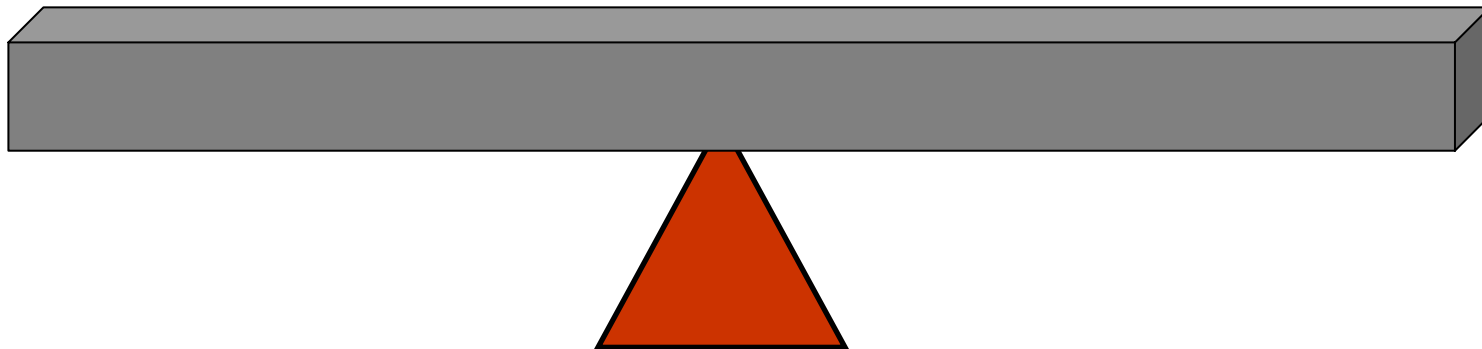
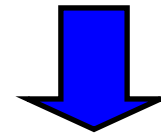


## Our governance foundation

**Independence**



**Accountability**

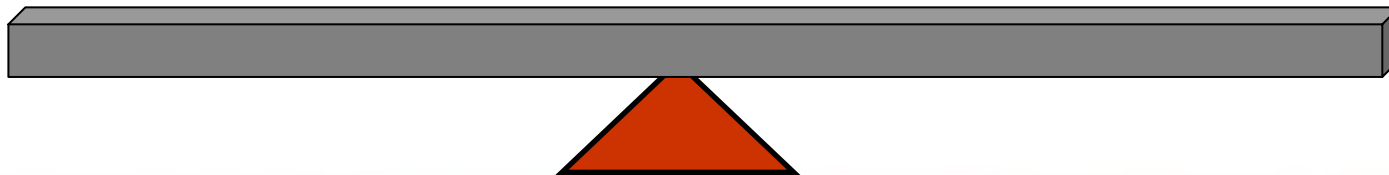




## Our governance foundation

### Independence

- Board selects CEO and management compensation
- Investment decisions made by investment professionals
- CPPIB Act requires federal and provincial governments to amend

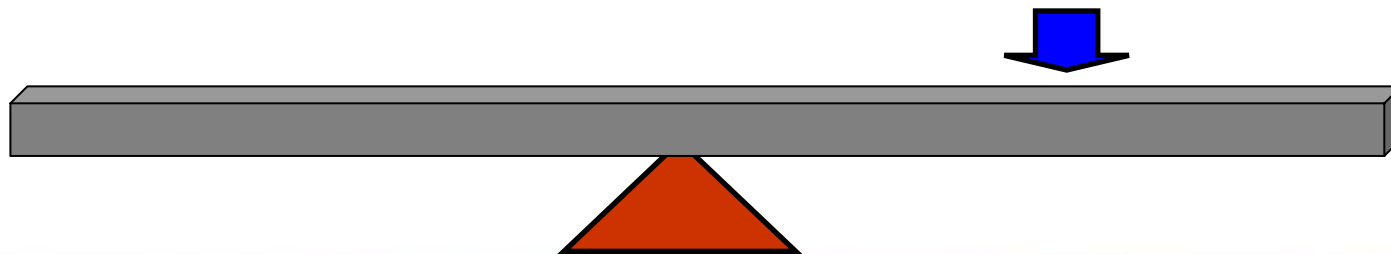




## Our governance foundation

### Accountability

- Extensive disclosure
- Triennial review of CPP/ CPPIB
- Special exam every 6 years
- Special audit provision
- Public meetings





## **Canadians have the right to know**

“Canadians have the right to know why, how and where we invest their Canada Pension Plan money, who makes the investment decisions, what assets are owned on their behalf, and how the investments are performing.”

- Disclosure Policy of the CPP Investment Board



## Leaders in disclosure

[www.cppib.ca](http://www.cppib.ca)

- Public equity holdings
- Private equity holdings
- Fixed income portfolio
- Real estate holdings
- External partners
- Proxy-voting
- 300 pages of policies and procedures
- Speeches, news releases, reports
- Annual & quarterly reports

The screenshot shows the CPP Investment Board website homepage. The browser window title is "CPP Investment Board - Home Page - Microsoft Internet Explorer". The address bar shows "http://www.cppib.ca/index\_en.htm". The website header includes the CPP Investment Board logo and navigation links for "Site Map", "Contact", "Français", and "CPP website". The main content area features a section titled "Investing for Canadians" with a sub-headline "Canadians have the right to know why, how and where their CPP contributions are invested, who makes the investment decisions, what assets are owned on their behalf, and how the investments are performing." Below this is a "Who We Are, Why We Exist" section, followed by "Highlights of Information" which lists several news items: "CPP fund grows to \$98 billion, mostly on the strength of 15.5 per cent investment returns", "CPP Investment Board, ING Real Estate buy two prime London office buildings", "CPP Investment Board and Osmington Inc. invest \$100 million in redevelopment of Centre Mall in Hamilton", and "RioCan Real Estate Investment Trust announces firm agreement to sell 50% interest in three Developments to Canada Pension Plan Investment Board". A search bar is located on the left side of the page.



## **The CPP: Sustainable for the long term**

- Chief Actuary: The CPP is sustainable at current contribution rates
- The CPP Investment Board continues to contribute to that sustainability



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Future growth and plans

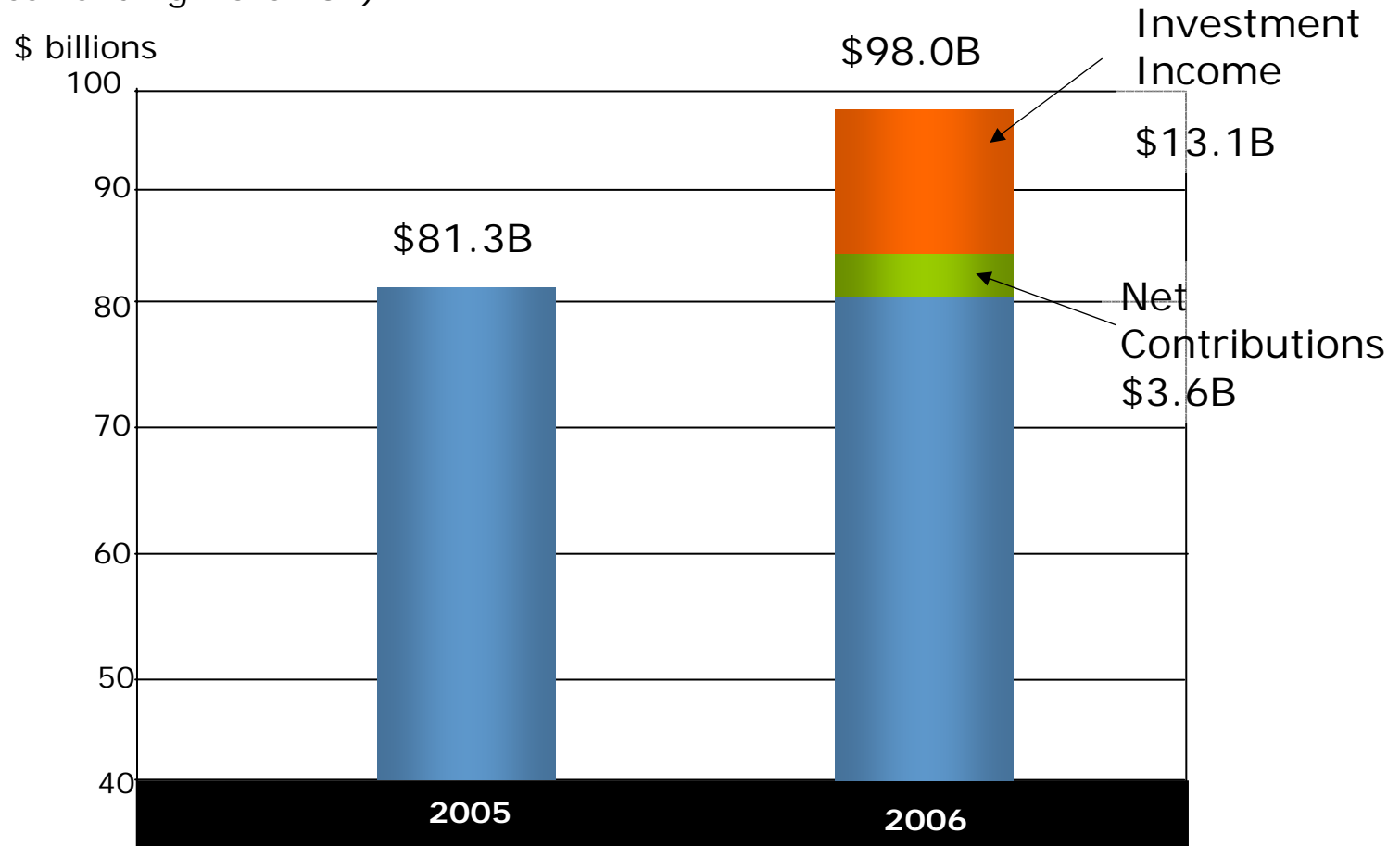
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Q&A session



# Financial highlights

(Fiscal year ending March 31)



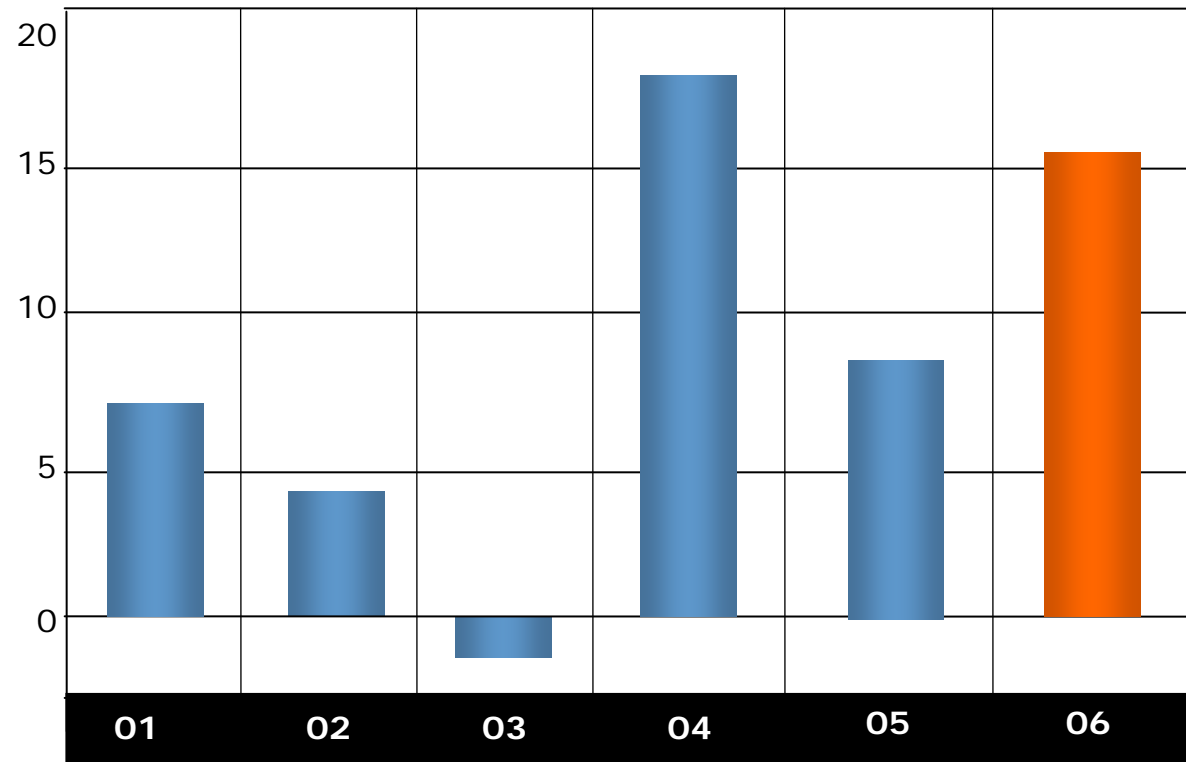




## Investment returns

(Fiscal year ending March 31)

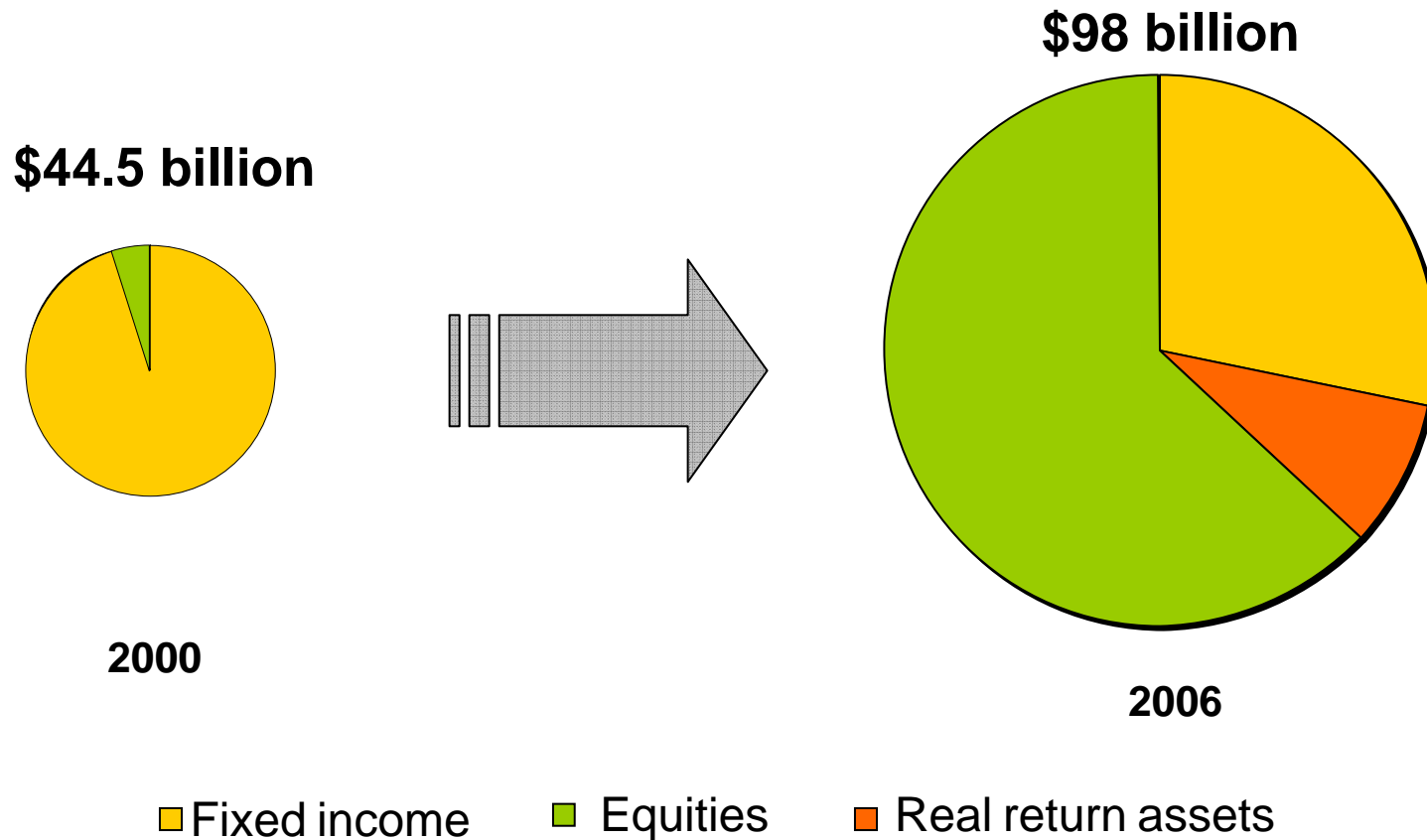
(%)



15.5 per cent  
annual rate of  
return for  
fiscal 2006



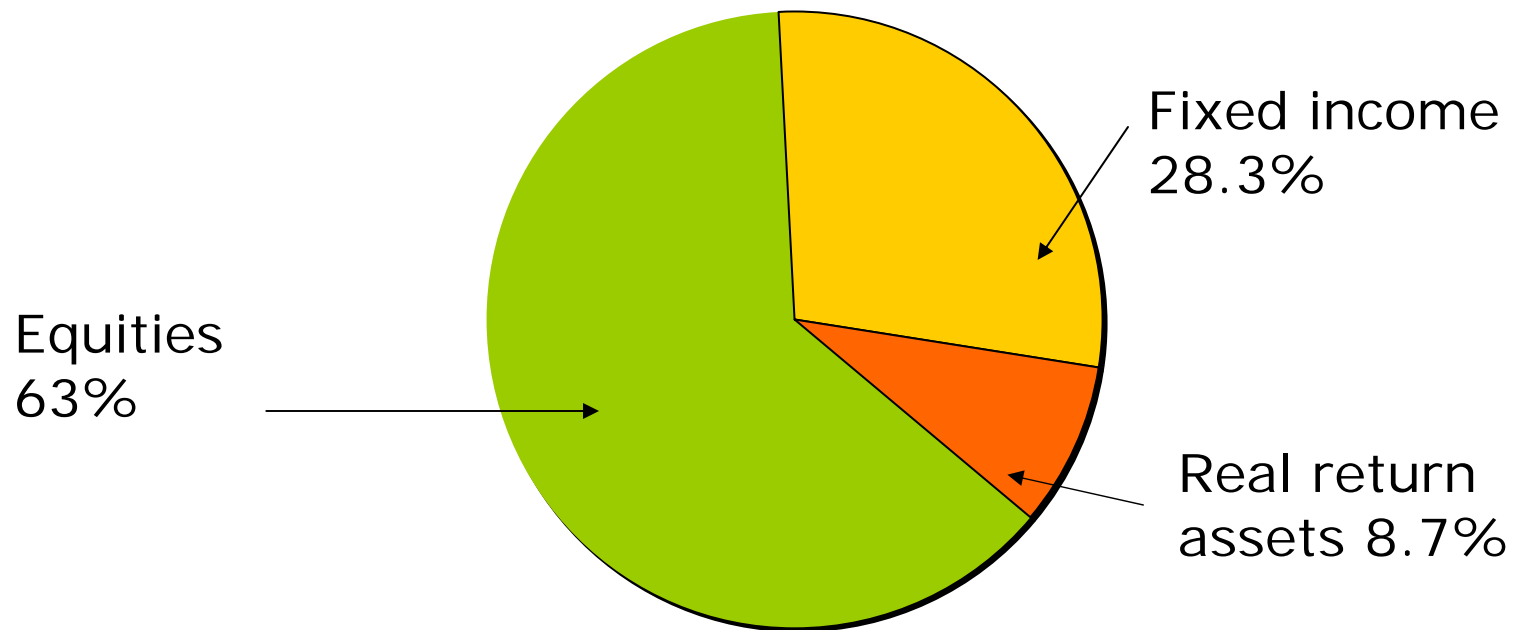
## The CPP fund: A diversified portfolio





## Asset mix of the CPP fund

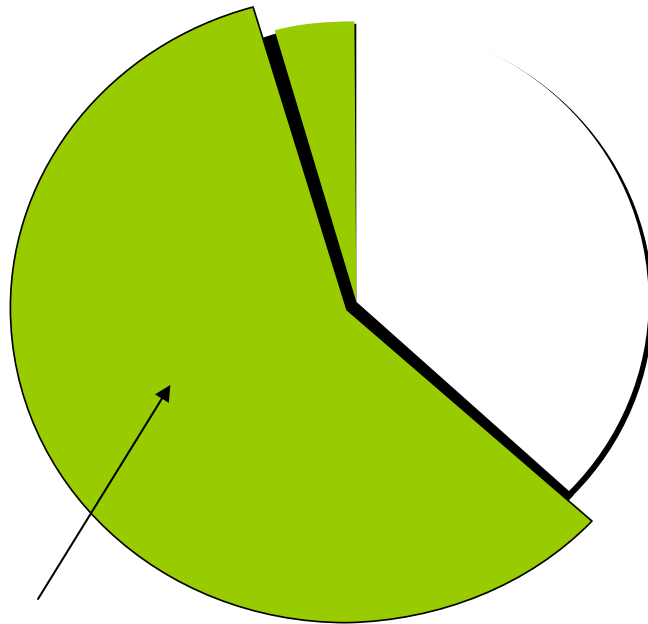
(Market value as at March 31, 2006)





## Public equities

(Market value as at March 31, 2006)



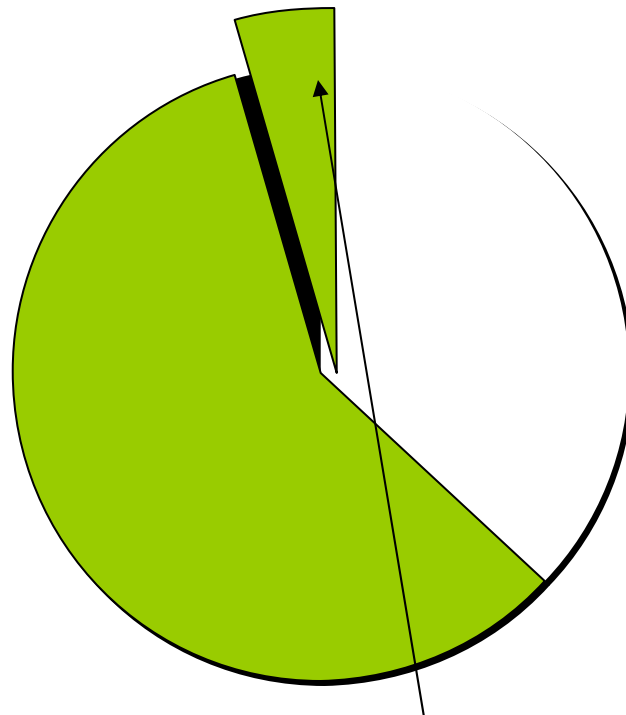
Public equities  
58.5%

- \$57.3 billion
- Large portfolio replicating broad market indexes
- Universal investor with holdings in over 2,600 companies



## Private equities

(Market value as at March 31, 2006)



Private equities  
4.5%

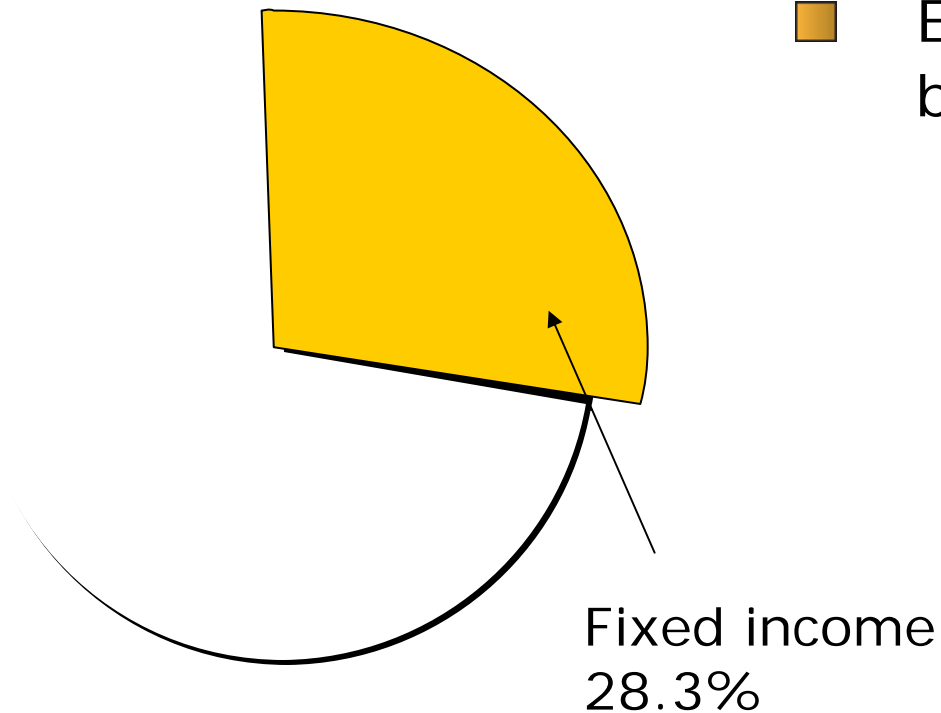
- \$4.4 billion
- Over \$13.3 billion committed with 50 external fund managers



## Fixed income

(Market value as at March 31, 2006)

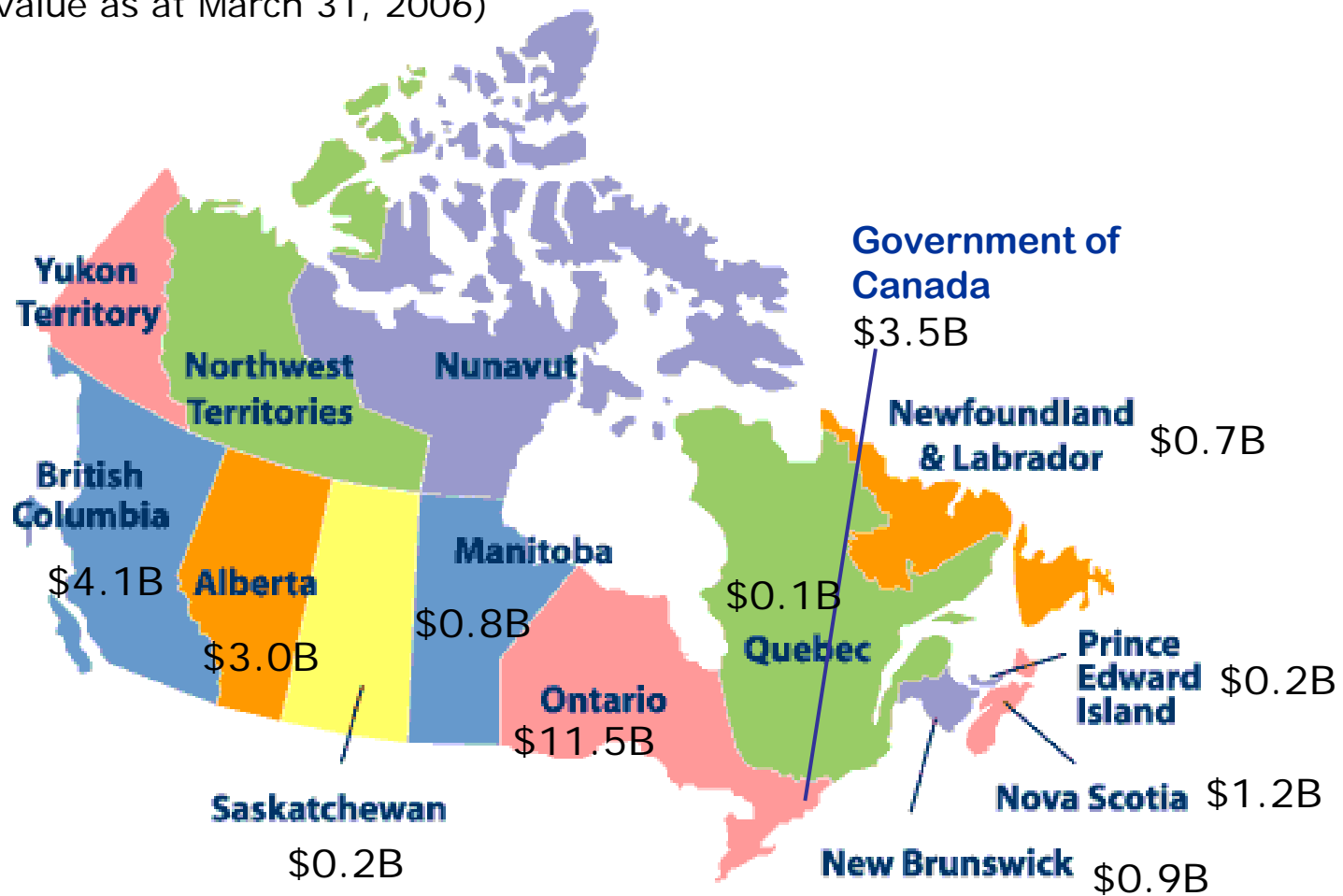
- \$27.2 billion
- Entirely government bonds





# Fixed income

(Market value as at March 31, 2006)

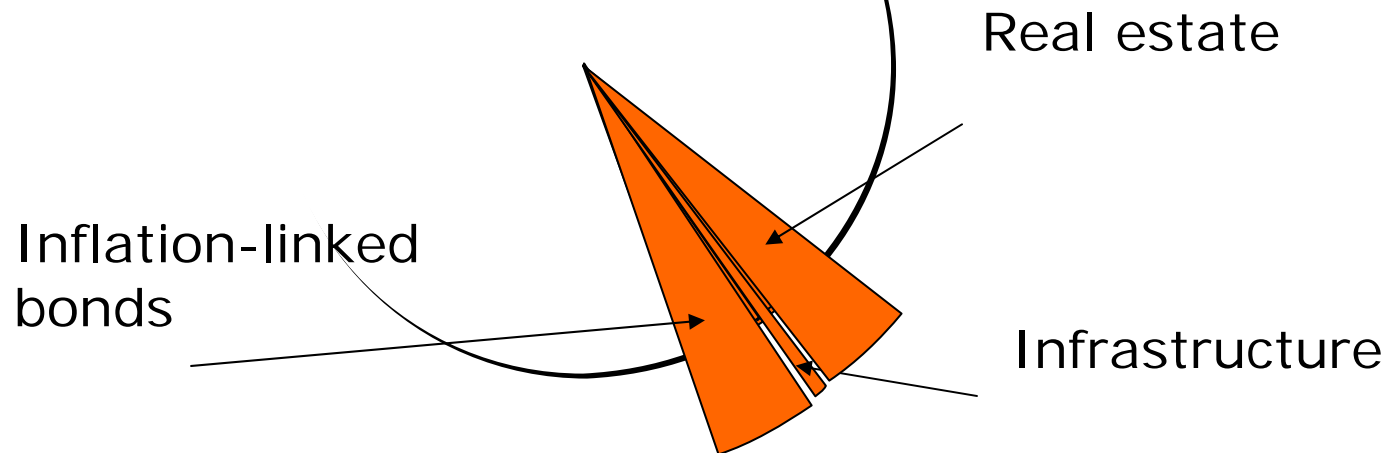




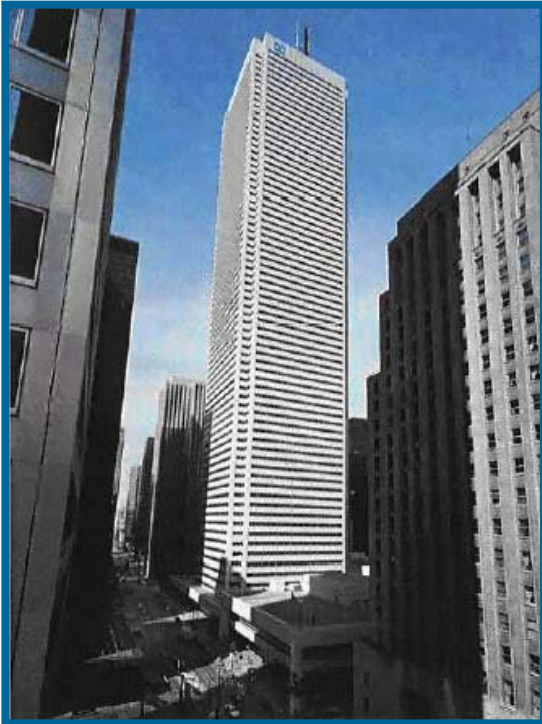
## Real return assets

(Market value as at March 31, 2006)

- \$8.5 billion
  - Inflation sensitive assets
  - Strong growth - 8.7% vs. 1.2%







**First Canadian Place**

Location: Toronto, Ontario  
Area: 2.66 million sq. ft.



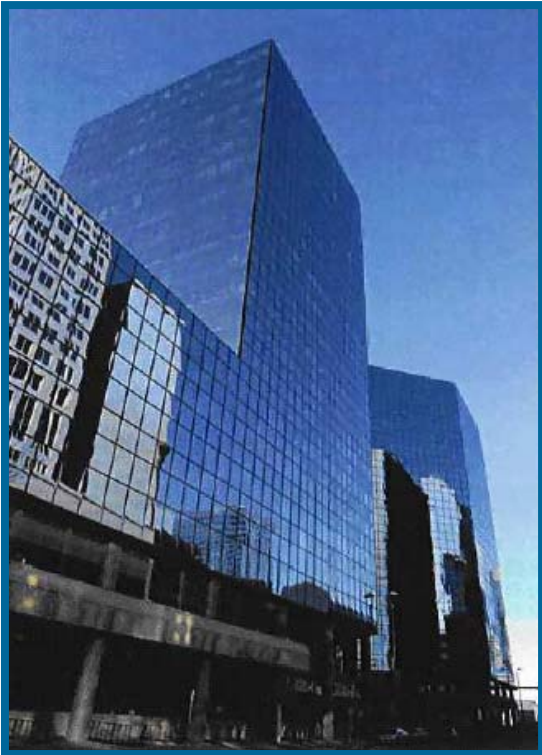
**Oceanic Plaza**

Location: Vancouver, British  
Columbia  
Area: 344,000 sq. ft.



**Yonge/Richmond Centre**

Location: Toronto, Ontario  
Area: 304,000 sq. ft.



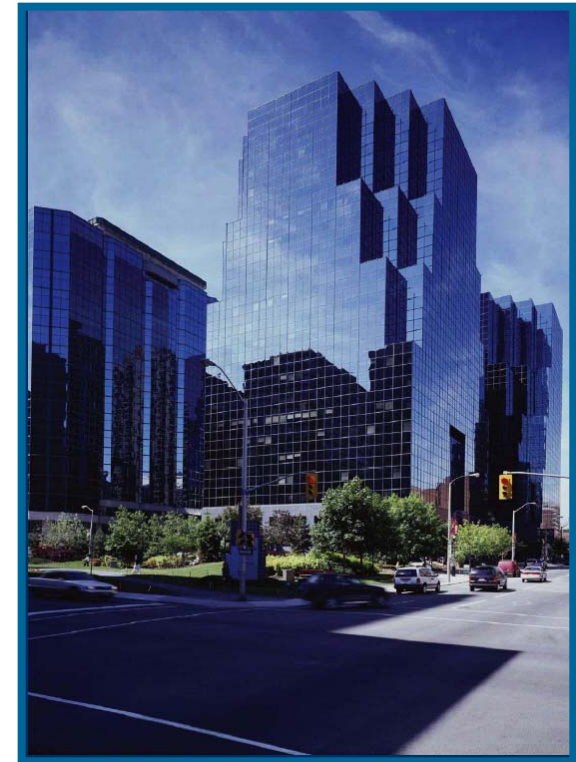
**Gulf Canada Square**

Location: Calgary, Alberta  
Area: 1.12 million sq. ft.



**Canterra Tower**

Location: Calgary, Alberta  
Area: 819,000 sq. ft.



**Constitution Square**

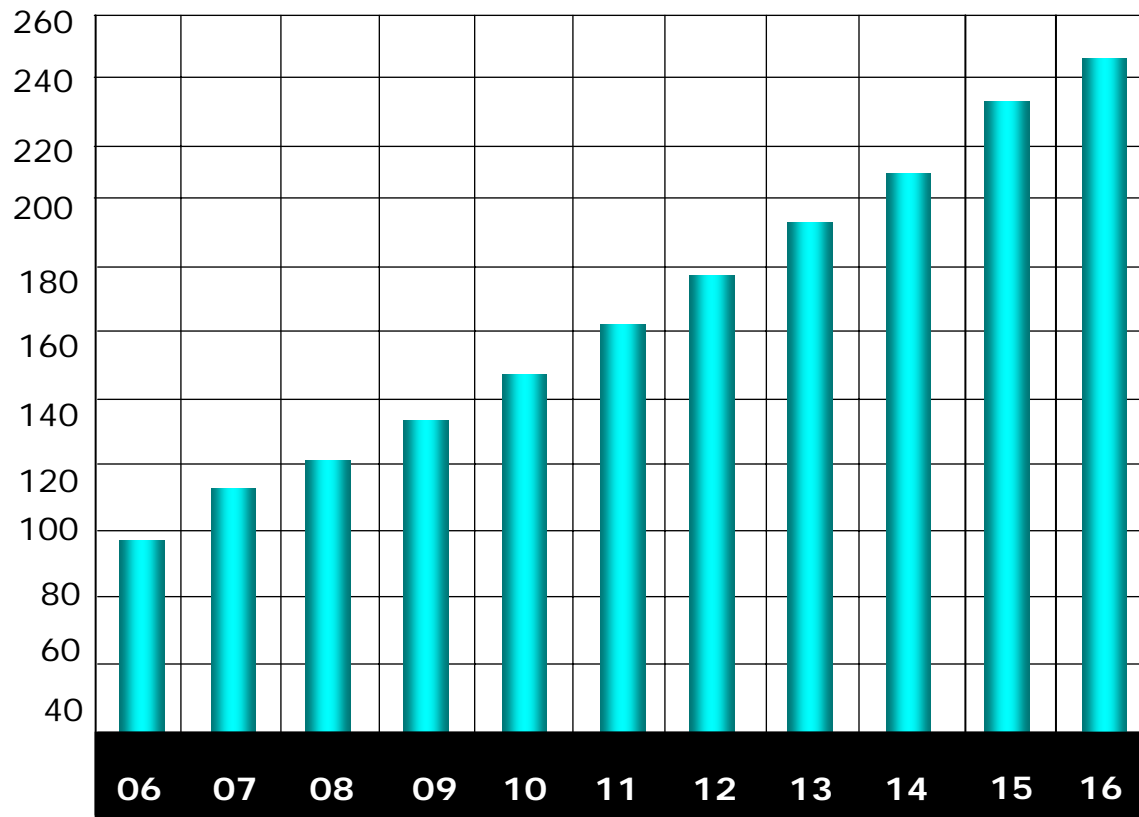
Location: Ottawa, Ontario  
Area: 712,000 sq. ft.



## Future growth for next 10 years

- Estimated \$250 billion by 2016
- One of the fastest growing and largest funds in the world

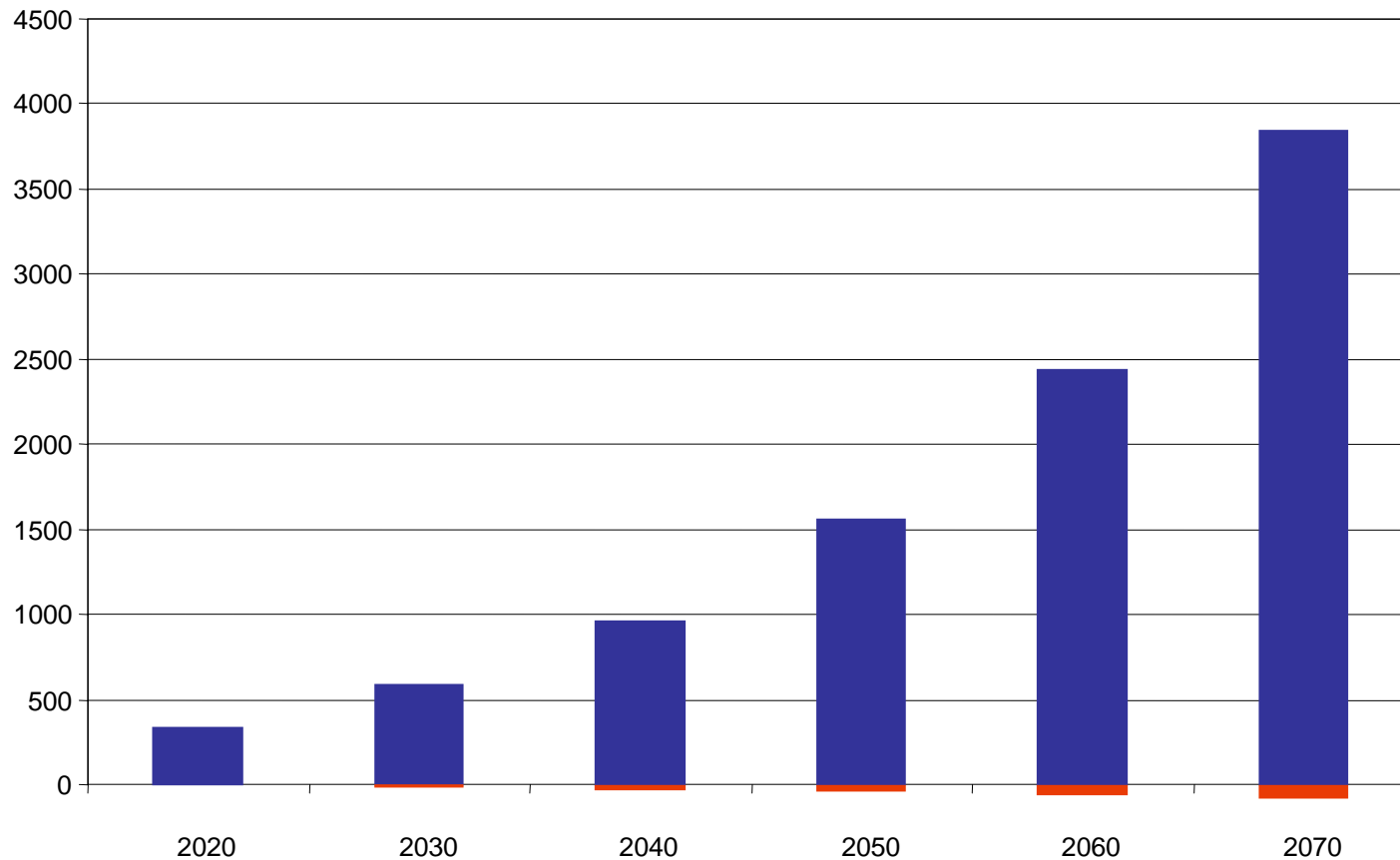
\$ billions





## Future pension payments from the CPP fund

\$ billions



Fiscal year ending March 31



## CPP benefits paid in 2030

**\$97 billion  
in benefits**



**9%**

Investment Income  
needed - \$9 billion

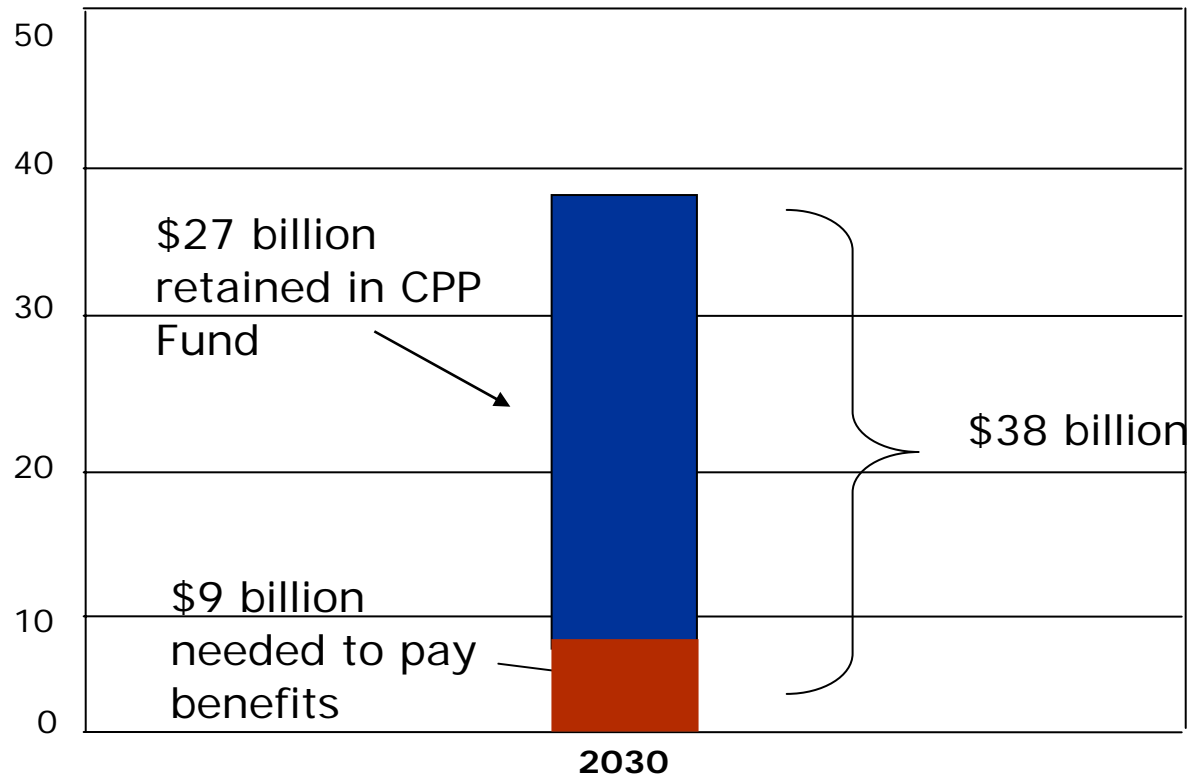
**91%**

Money from  
contributions - \$88  
billion



## Investments earnings in 2030

(\$ billions)



Total CPP fund is \$591 billion



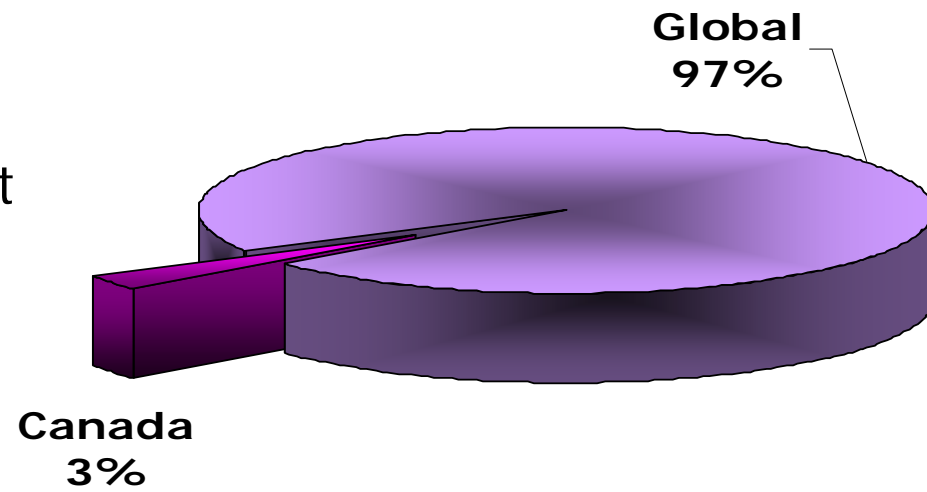
## Plans for fiscal 2007 and beyond

- Further portfolio diversification
- Build capability to manage growth
  - Internal resources
  - External partnerships
- Responsible investing



## International diversification

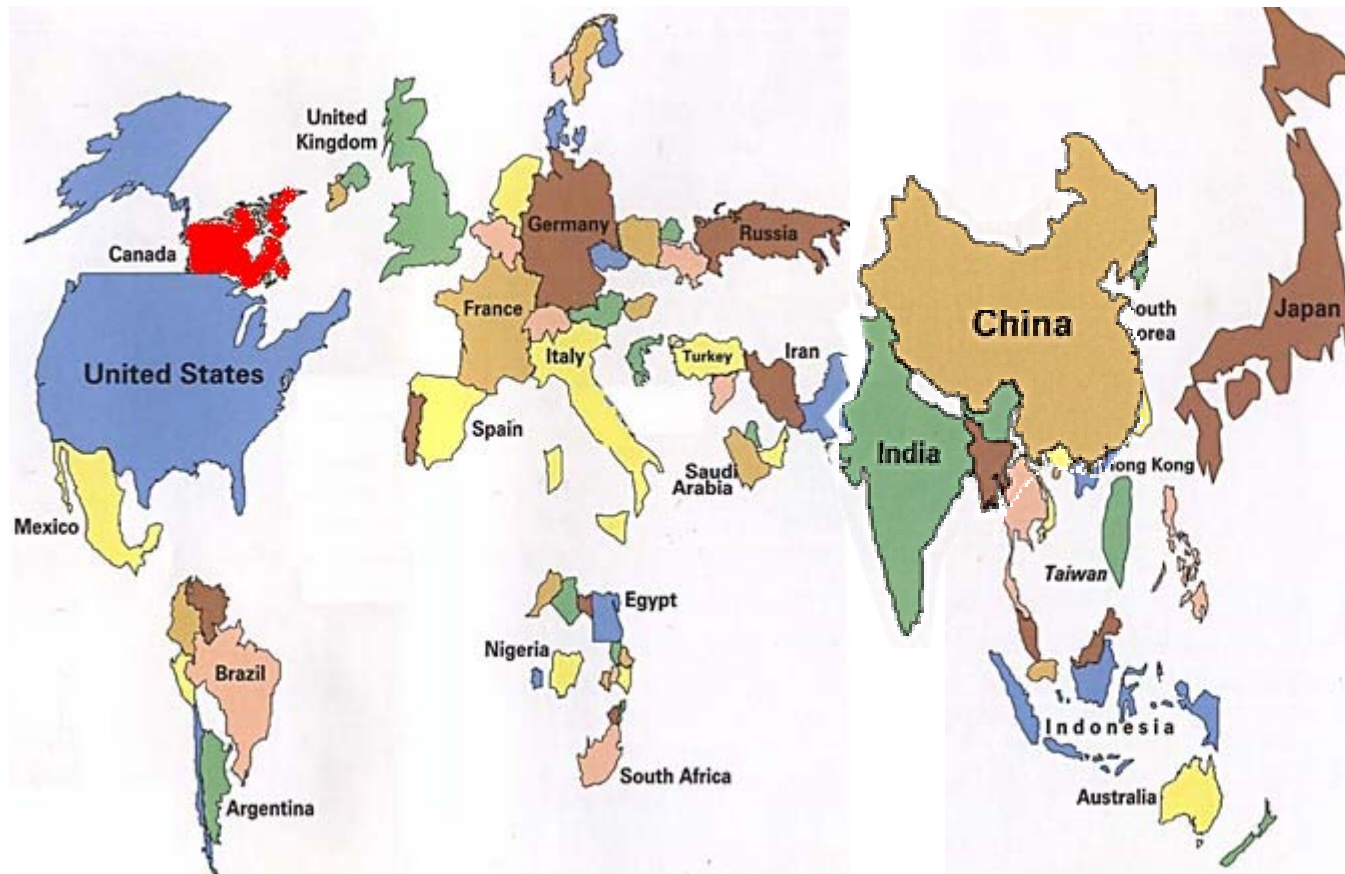
Canada's stock market is small and heavily concentrated in a few sectors







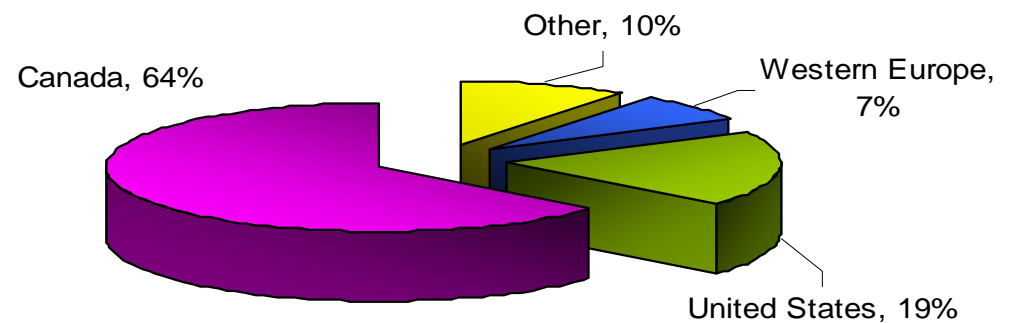
## Canada compared to world markets





## International diversification

- Becoming universal investor in global markets
- A flow of foreign income helps support pensions for Canadians
- Contributions into the CPP vary with health of the Canadian economy

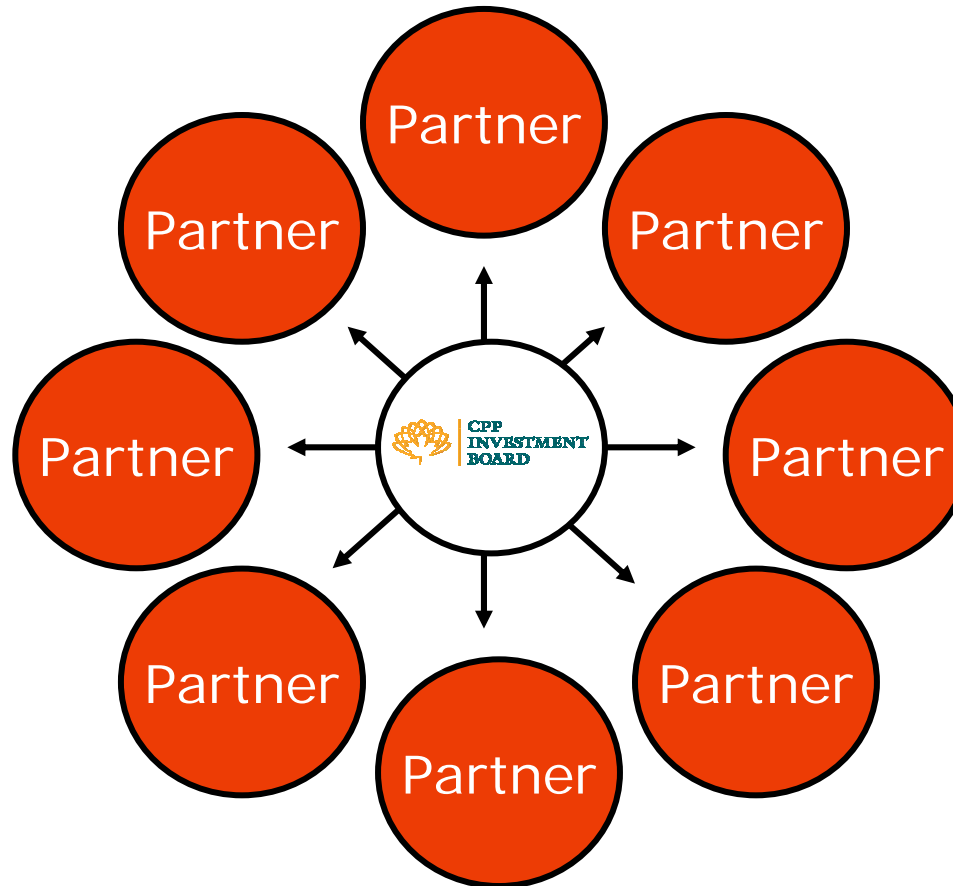


\$63 billion invested in Canada



## Building investment capabilities

Expanding  
internal  
investment  
teams



Partnering  
with top-tier  
investment  
managers



## Partnering with top-tier firms

- \$21 billion committed to investments involving 62 partners—such as:

The Blackstone Group<sup>®</sup>

KKR

BROOKFIELD

TEXAS  
PACIFIC  
GROUP

Apax  
PARTNERS

UBS Global Asset  
Management

WELSH, CARSON, ANDERSON  
& STOWE

ING  
REAL ESTATE

APOLLO  
MANAGEMENT, L.P.

MPM CAPITAL



MACQUARIE



Connor, Clark & Lunn  
Investment Management Ltd.

SLP  
Silver  
Lake  
Partners

Celtic House

Goldman  
Sachs

Asset  
Management

CREDIT  
SUISSE | First Boston  
Private Equity

\* Selected partners



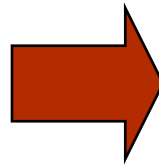
## External partners





## Policy on Responsible Investing

Environmental,  
Social and  
Governance  
(ESG) factors  
viewed as  
investment  
criteria



- ESG factors: impact long-term corporate financial performance
- Fiduciary investment agenda
- Portfolio constraints reduce returns, increase risk
- Commitment to engage but not screen



## Policy on Responsible Investing

Engagement Objective: Improve disclosure of and performance on ESG factors



### **Commitments:**

- Build engagement capability
- Fund research
- Integrate into investment process



### **Coalitions:**

- Enhanced Analytics Initiative: US\$1 trillion
- UN Policy on Responsible Investing: US\$2 trillion
- Carbon Disclosure Project: US\$31 trillion



## In conclusion...

- Our goal is to help secure the pension benefits of 16 million Canadians
- Our results to date have exceeded required returns
- Our plans position us to meet investment challenge and deliver required returns well into the future





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