



Public Opinion, Confidence and the CPP Investment Board

BENCHMARK SURVEY REPORT

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Introduction

The Canada Pension Plan CPP Investment Board was established by an act of parliament in consultation with the provinces and territories. The primary objective of the CPP Investment Board is to help ensure the long-term stability of the Canada Pension Plan (CPP). This objective is to be met by investing an increasing portion of the fund's assets under a mandate to maximize returns without taking on undue risk of loss.

The ultimate objective of this study is to assist the CPP Investment Board maintain public confidence in its ability to contribute to the long-term health of the Canada Pension Plan. Central to this endeavour is the need for the CPP Investment Board to effectively communicate with Canadians. This study has been designed to help the organization understand public confidence in its activities as the basis for developing an effective communications strategy.

The current report is the outcome of a public survey of over 2,500 adult Canadians, 18 years and older. This study constitutes a central component of a broader research program. There are two other main components: interviews with key stakeholders interested in the CPP and a series of tracking surveys with the Canadian public over the next several years. Each of these study components is reported separately.

Organization of the Report

The report is organized in two different ways. Two chapters are analytic dealing with specific issues — the construction of the confidence segments, and understanding the implications of confidence. The first provides an introduction to the report and the latter is presented following a detailed exposition of the issues covered in the survey.

With this thematic exposition and analysis of the issues addressed through the survey, each indicator is given a detailed exposition using both the confidence segments and a number of key demographic variables. The latter were selected on the basis of a thorough examination of all the demographic variables included in the study.

Research Methodology

The data presented in this report is based on 2,508 telephone interviews conducted with a stratified random sample of Canadians, 18 years and older.

- ❖ The survey was conducted between February 18th and March 10th 2002.
- ❖ Overall, the results are valid within +/- 2.0 percentage points, 19 times out of 20. The margin of error increases for indicators used on a split sample and for subgroups.
- ❖ The results have been weighted along age, gender and regional lines to reflect the Canadian general population.

Executive Summary

Public Confidence in the CPP Investment Board

- ❖ There are three key confidence segments showing differing levels of affinity for the CPP Investment Board — Pessimists, who are largely opposed to the principles underlying the CPP Investment Board; Agnostics, who are uncommitted, but warrant special attention as they could go either way with respect to confidence; and, the Optimists, who are the natural allies of the CPP Investment Board.
- ❖ Confidence in the CPP Investment Board is most heavily influenced by perceptions of equity markets, investment professionals, knowledge of investments and general attitudinal optimism
- ❖ While Canadians are generally comfortable with equity investments, there are strong differences in the way the three confidence segments will respond to various developments.
- ❖ This is particularly true with respect to investment performance — Optimists are much more comfortable with market volatility and have higher levels of risk tolerance than the other two segments; Pessimists are particularly sensitive to these two factors.
- ❖ Confidence in the CPP itself plays a minor role in influencing confidence in the CPP Investment Board.

Awareness, Knowledge and Expectations of the CPP

- ❖ The Canada Pension Plan is a well-known program
- ❖ Opinion about the health of the Plan is divided – more than a third of Canadians say it is going in the wrong direction
- ❖ Positive news, such as the fact that the Chief Actuary has labelled the Plan as financially secure for the foreseeable future, has not registered with up to two thirds of Canadians
- ❖ Current contributors are generally much more negative in their perceptions of the CPP than either past or non-contributors
- ❖ Negative perceptions on a number of indicators tend to be focused among the 25 to 44 year olds, and to a lesser extent among the wealthier and better educated
- ❖ On the positive side, only a minority of Canadians view contributions to the CPP as a tax grab

The terms and conditions of the CPP are not well understood:

- ❖ A significant minority of Canadians thinks that everyone is entitled to receive CPP benefits
- ❖ On the other hand, most people have a correct understanding of how benefits are calculated

In general, Canadians have pretty low expectations about what they will receive from the CPP when they retire

- ❖ More than half think they will receive less than pensioners do today
- ❖ Less than a quarter think the CPP is a good investment of their money
- ❖ Few expect to rely heavily on CPP benefits in their retirement planning
- ❖ More than two in five believe the CPP will be out of funds by the time they retire

Views on Investments

- ❖ Canadians are no strangers to investing. Three quarters have investments, or have had them in the past
- ❖ As a way of supplementing a pension, the amount most people have in investment assets is relatively modest – less than a third have financial assets of more than \$100,000
- ❖ In managing their investment assets, a quarter of all Canadians instruct their advisers to invest in ethical investments. Ethical investing is not a marginal topic.
- ❖ In preparation for retirement, a majority of Canadians have RRSPs and a large minority is entitled to a pension from their employer
- ❖ In general, people make more preparations the closer they are to retirement, but there is still a significant number who have no independent financial resources
- ❖ A majority is aware of the operations of major pension funds, though not in any great detail
 - Two thirds of Canadians rate themselves as having at least average knowledge in investment matters
 - A quarter rate themselves as pretty knowledgeable
- ❖ More than half don't agree that the topic of financial investing is confusing
- ❖ People tend to believe in the stock market, though a lot think that luck plays a significant role in stock market returns
- ❖ Confidence in the ability of investment professionals is strong and has a major influence on confidence in the CPP Investment Board

- ❖ Overall, Canadians select real estate as the best investment for long term returns, and rank mutual funds second
- ❖ Canadians also understand risk and can differentiate between the risks associated with different types of investment
- ❖ In general, their approach to risk is one of caution – many would not take risks with their savings to earn greater returns
- ❖ The true Canadian investment policy is one of diversification of assets to protect against too much risk

Investing CPP assets

- ❖ Very few Canadians are aware of CPP assets, and even fewer know the size of the assets — most of those who say they are aware underestimate the size by a fair margin.
- ❖ In general, Canadians are cautious but positively disposed towards taking some risks to increase returns on CPP assets.
- ❖ Most Canadians are comfortable with investing a portion of CPP assets in the stock market, but anything above one quarter of total assets gives cause for significant concerns
- ❖ When presented with the prospect of losing money on investments, Canadians are cautious about the idea of CPP assets being invested on stock markets.
- ❖ Canadians are reasonably well informed about market volatility and have a fairly mature attitude towards the issue.
- ❖ The impact of investing CPP assets to increase returns and improve the long-term viability of the CPP on confidence is only modest at this point, although only a few Canadians say their confidence in the CPP would lessen.

The CPP Investment Board

- ❖ At this early stage, the vast majority of Canadians are unaware of the CPP Investment Board
- ❖ Of those who are aware, the jury is still out on performance, but it is more positive than negative at this early juncture
- ❖ Making use of investment professionals to manage the investment of CPP assets resonates very strongly across all segments of Canadians — the vast majority feel it is a good idea
- ❖ Making use of investment professionals also has a substantially positive impact on confidence in the CPP Investment Board’s mandate

- ❖ Only a small minority of Canadians doubt that well qualified investment professionals can be recruited
- ❖ There are widespread concerns about political influence on the CPP Investment Board and its investment decisions
- ❖ At the same time, however, the governance model provides significant assurance that investment decision will be appropriately focused on improving the long-term health of the CPP

Confidence Segmentation

One of the primary objectives of this study is to obtain a practical understanding of public confidence in the CPP Investment Board's mandate and its activities. Understanding how the public may react to various aspects of the CPP Investment Board's model and activities is useful from both a communications as well as a policy perspective.

To this end, a segmentation of the Canadian population was constructed on the basis of confidence in the CPP Investment Board's mandate. This chapter explores how the segmentation was constructed and the characteristics of the different confidence segments developed. It is helpful to review this chapter before proceeding with the rest of the report as the confidence segments are used throughout the analysis.

Measuring Public Confidence

Public confidence in the CPP Investment Board's mandate is influenced by a number of factors, some more directly related than others to the CPP Investment Board and its activities. For example, Canadians may be more confident in the idea of investing CPP assets in equity markets if they are optimistic about the economy. On the other hand, public confidence may wane if there are large losses on these investments.

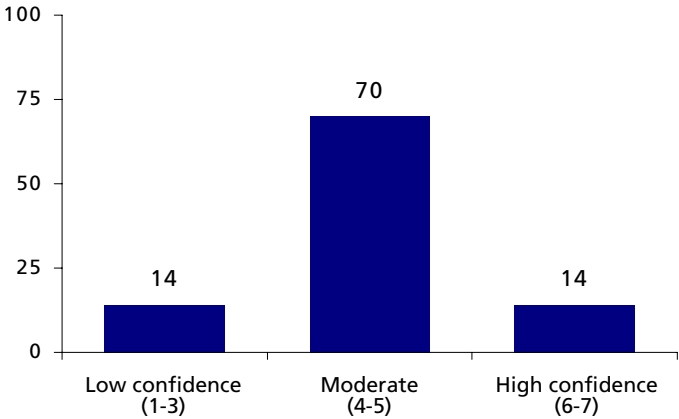
Since awareness of the CPP Investment Board is very low (less than 15 per cent recognize it by name), questions were developed to probe about the CPP Investment Board's mandate, approach and principles (e.g., investing CPP assets in equity markets to increase returns, investing for the long-term, using investment professionals, independence from political influence) rather than about the CPP Investment Board itself. These variables are more direct measures of confidence in the CPP Investment Board's mandate. Indirect measures of confidence were also used, including knowledge of investment finances, economic optimism, general attitudes towards equity investing, confidence in the CPP and so on.

Ultimately, the inter-relationship of these factors must be understood in terms of how they drive confidence in the CPP Investment Board's ability to improve the long-term health of the CPP. The survey used a total of 21 variables (i.e., survey questions) to identify those factors that are most important for influencing confidence in the CPP Investment Board's mandate. Using these variables, we conducted a series of multivariate analyses to construct a segmentation of the Canadian population (excluding Quebec where the QPP exists instead of the CPP).

To identify those variables which influence confidence a statistical model was developed. The first step was to isolate high and a low confidence groups by measuring confidence in the CPP Investment Board’s mandate (Figure 1).

Fig. 1
Impact of Equity Investing on Confidence

Q: Does the fact that CPP assets are being invested to increase returns make you more or less confident in the long-term health of the Canada Pension Plan?



{Base: Non-Quebecers, percentages; March 02, n=2258}

Taking the high and low confidence groups, a logistic regression analysis was conducted to identify those indicators (independent variables) most likely to influence responses to this question (i.e., predict either a high or low confidence score). This model was then applied to the entire population and each of the 21 variables was analysed to isolate those that have the greatest level of influence on confidence in the CPP Investment Board’s mandate.

From this analysis ten variables were identified as having a significant influence on confidence in the CPP Investment Board’s mandate (i.e., having the greatest level of predictability for generating a high or low score on the key confidence variable). These variables are listed in Table 1 and are arranged in ascending order of importance.

Table 1: Segmentation Variables

KEY CONFIDENCE MEASURE (dependent variable)
Does the fact that CPP assets are being invested to increase returns make you more or less confident in the long-term health of the Canada Pension Plan? (7 point scale, 1-strongly disagree, 7-strongly agree, 4 neither agree nor disagree)
DRIVERS OF CONFIDENCE (independent variables)
It is a bad idea to invest a portion of CPP assets in the stock market, because the CPP could lose a lot of money and not be able to pay future pension benefits (agree scale)
Although there may be occasional short-term losses if CPP assets were invested in stock markets, it wouldn't bother me because the gains will more than compensate over the next 20 years (agree scale)
I doubt that well qualified investment professionals could be recruited to invest CPP assets (agree scale)
I am worried that there may be political influence in the way CPP assets are invested (agree scale)
Thinking about how much you have paid into the CPP and what you expect to get in return once you retire, do you think this is a good or bad investment of your money? (7 point scale, 1-terrible, 7-excellent, 4-neither good nor bad)
How confident are you in the ability of investment professionals to obtain high returns on the stock market over the long term? (7 point scale, 1-not at all confident, 7-extremely confident, 4-somewhat confident)
Stock markets go up and down all the time, but over the long run they produce good returns for investors (agree scale)
How would you rate your own knowledge of investment finances? (1-terrible, 7-excellent, 4-neither good nor bad)
Personally, I find things about financial investments confusing (agree scale)
How would you rate the current overall health of the Canadian economy (1-terrible, 7-excellent, 4-neither good nor bad)

Some of these variables are more directly related to the CPP Investment Board’s mandate than others. Furthermore, many are not direct measures of confidence *per se* — they are factors that influence confidence in the mandate.

The variables and their significance are summarized below.

Equity market volatility and the long-term risk of investing CPP assets

Three of the segmentation variables address market volatility (both generally and in terms of investing CPP assets) and concerns about the risks involved with investing CPP assets.

The first variable listed is the ultimate risk involved with investing CPP assets — losing so much money that future benefits could not be paid. While an extreme case scenario, it essentially measures Canadians’ appetite for tolerating risks when investing CPP assets.

Two variables measure comfort with market volatility and optimism regarding equity returns: one as a general principle; the other as it pertains to the specific scenario of the CPP Investment Board. It is not uncommon for similar variables to emerge in a segmentation analysis — it speaks to the importance of this issue. Comfort with market volatility and optimism about returns are key drivers of confidence in the CPP Investment Board’s mandate

Independence

Concerns about political influence on investment decisions is another variable affecting confidence in the CPP Investment Board's mandate. Though not a direct measure of confidence in its ability to maintain independence, concerns about political influence are an underlying factor with strong influence on public confidence in the mandate.

Investment professionals

The study probed about investment professionals both at a general level and more specifically as it pertains to investing CPP assets. In terms of driving confidence in the CPP Investment Board's mandate, confidence in both the ability of investment professionals generally and in the likelihood of recruiting well qualified investment professionals to invest CPP assets are key factors.

While the importance of confidence in the ability of investment professionals is self-evident, the significance of recruiting well qualified ones may be somewhat abstruse. Evidently, Canadians do not believe all investment professionals are created equally — the greater the perceptions that those responsible for investing CPP assets are well qualified, the greater the confidence.

It is noteworthy that perceptions of investment professionals have an important influence on confidence in the CPP Investment Board's mandate despite the fact that there is no mention of investment professionals in the key confidence variable.

Knowledge and comfort with investment finances

It is not surprising given the investment focus of the CPP Investment Board's mandate that Canadians' knowledge and understanding of investment finances would have a significant impact on their confidence.

While these two indicators appear to measure the same thing, the reality is that there is not a perfect overlap. Over a quarter of those rate their knowledge of investment finances as "good" also agree that they find things about financial investments confusing.

The CPP and return on investment

One of the most surprising findings to emerge from the segmentation analysis is that confidence in the long-term health of the CPP does not have a major influence on confidence in the CPP Investment Board's mandate. Interestingly, however, perceptions of whether or not the CPP provides a good return on investment does.

Economic Optimism

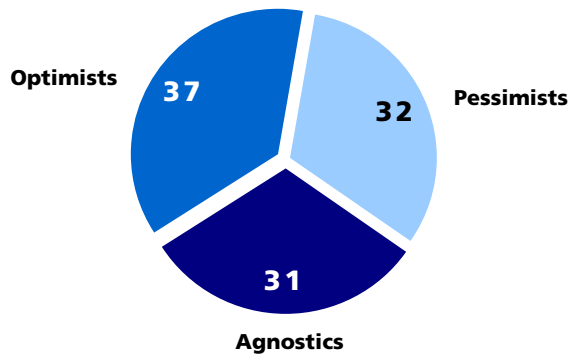
Given the importance of the economy to investments generally, it is not surprising to find that perceptions of the current state of the economy have an impact on confidence in the CPP Investment Board’s mandate — the better the state of the economy, the greater the likelihood of increased returns.

Confidence Segments

Three segments — Pessimists, Agnostics and Optimists — were developed by measuring the average probability that Canadians will have a high confidence score on the segmentation variables. Each segment makes up approximately one-third of the overall population (Figure 2).

Fig. 2

Confidence Segments



{Base: non-Quebecers, percentages; March 02, n=2254}

As is suggested by the naming of the segments, Pessimists have the lowest confidence, Optimists the highest, and Agnostics are situated between them. The characteristics of each segment are defined by the way they respond to the segmentation variables. It is particularly important to note that the segments are distinguished from one another primarily by their differing attitudes towards investing. Each of the top five segmentation variables (in terms of showing the

greatest differentiation between the segments) address issues of investing, markets and investment professionals (Table 2¹).

Table 2: Segmentation Variables

(average ratings on 7-point scale)

KEY CONFIDENCE MEASURE	Pessimists	Agnostics	Optimists
Does the fact that CPP assets are being invested to increase returns make you more or less confident in the long-term health of the Canada Pension Plan?	3.7	4.4	5.0
DRIVERS OF CONFIDENCE			
How confident are you in the ability of investment professionals to obtain high returns on the stock market over the long term? (7 point scale, 1-not at all confident, 7-extremely confident, 4-somewhat confident)	2.7	4.1	5.1
Stock markets go up and down all the time, but over the long run they produce good returns for investors (7 point scale, 1-strongly disagree, 7-strongly agree, 4 neither agree nor disagree)	3.9	4.8	5.6
Although there may be occasional short-term losses if CPP assets were invested in stock markets, it wouldn't bother me because the gains will more than compensate over the next 20 years (agree scale)	3.5	4.3	5.1
It is a bad idea to invest a portion of CPP assets in the stock market, because the CPP could lose a lot of money and not be able to pay future pension benefits * (agree scale)	4.8	4.2	3.4
I doubt that well qualified investment professionals could be recruited to invest CPP assets * (agree scale)	4.2	3.8	2.9
How would you rate the current overall health of the Canadian economy? (7 point scale, 1-terrible, 7-excellent, 4-neither good nor bad)	3.6	4.2	4.8
How would you rate your own knowledge of investment finances? (7 point scale, 1-terrible, 7-excellent, 4-neither good nor bad)	3.3	3.7	4.4
Thinking about how much you have paid into the CPP and what you expect to get in return once you retire, do you think this is a good or bad investment of your money? (7 point scale, 1-terrible, 7-excellent, 4-neither good nor bad)	1.5	1.8	2.5
Personally, I find things about financial investments confusing* (agree scale)	4.6	4.5	3.9
I am worried that there may be political influence in the way CPP assets are invested * (agree scale)	5.4	5.0	4.8

*lower rating reflects a higher confidence score (reverse scale)

Three broad features distinguish Pessimists, Agnostics and Optimists.

- ❖ They are most strongly distinguished by differing levels of confidence in various investment issues (e.g., ability of investment professionals, market volatility, risk tolerance). This is particularly germane given the focus on investment returns in the CPP Investment Board's mandate.

¹ The variables are listed in Table 2 according to the degree of variation they show between segments with the greatest variation at the top and the lowest at the bottom. The variables listed in Table 1, on the other hand, are arranged in ascending order of influence on confidence in the CPP Investment Board's mandate.

- ❖ Differing levels of optimism also play a key role in defining the three segments. Optimism is a crucial ingredient being measured by the segmentation variables. This holds for most of the investment related variables, as it does for others (e.g., rating the Canadian economy, expected returns from CPP investments).
- ❖ Knowledge of investment finances and comfort with issues surrounding financial investments is the third most distinguishing feature of the confidence segments. The segments' confidence in their knowledge of and comfort with investment finances increases moving from Pessimists to Optimists.

Summary of Segment Characteristics

It is critical to recognize that these segments are defined attitudinally. While there are some general demographic differences between Pessimists, Agnostics and Optimists, these do not define the segments. People in each of the attitudinal segments can be found in all demographic categories. Below is a brief summary of the characteristics defining Pessimists, Agnostic and Optimists based on responses to the segmentation variables. These characteristics will become more apparent in the course of the report as the analysis shows the differences in the way the segments respond to various issues.

Optimists

- ❖ most highly in tune with the CPP Investment Board's approach and mandate
- ❖ high levels of confidence in the stock market and investment professionals as well as high tolerance for investment risks and comfort with market volatility.
- ❖ optimistic about market returns and the economy
- ❖ confident in their knowledge of investment finances

Pessimists

- ❖ more or less at odds with the CPP Investment Board's approach and mandate
- ❖ uneasy about stock markets and investment professionals; low tolerance for risk and low comfort with market volatility
- ❖ sceptical, pessimistic and uncertain

Agnostics

- ❖ neither opposed nor overly enthusiastic about the CPP Investment Board's approach and mandate
- ❖ situated between Pessimists and Optimists on each segmentation variable, less inclined to think either positively or negatively

Demographic Characteristics of Confidence Segments

Although Optimists, Pessimists and Agnostics have distinctive demographic characteristics, what is most remarkable about them demographically, is that there is strong representation from virtually all subgroups within each segment, whether examined by age, gender, education or wealth (Table 3).

Table 3: Demographic Characteristics of Segments

(per cent)

AGE	Pessimists	Agnostics	Optimists
Under 25	15	20	13
25 to 44	39	35	40
45 to 64	26	24	33
65 and over	18	21	13
EDUCATION			
No Postsecondary Ed.	43	41	30
College	25	26	26
University	30	32	44
GENDER			
Male	46	49	55
Female	54	51	45
HOUSEHOLD INCOME			
Under \$20,000	21	17	10
\$20,000 to \$39,999	27	25	17
\$40,000 to \$59,999	17	22	22
\$60,000 to \$99,999	22	25	34
\$100,000 and over	12	10	18
INVESTMENTS			
Currently hold or ...	62	69	81
... Previously held	12	10	6
INVESTMENT AMOUNT			
Greater than \$100,000	16	21	31
Less than \$100,000	76	71	63
PRIVATE PENSIONS			
RRSP	52	60	74
Employer Private Pension	33	38	45
CPP CONTRIBUTORS			
Current	53	53	65
Past	37	38	27
Never	11	8	8

As can be seen in the table, there are demographic differences between the segments along various demographic lines (e.g., Optimists are more likely to have high household income), but, as will become evident in the course of this report, confidence is largely attitudinal and not directly driven by demographic characteristics.

This is not say, however, that demographic differences are unimportant. For instance, Pessimists and Agnostics demonstrate significantly lower confidence in their knowledge of investment finances compared to Optimists. At the same time, Pessimists and Agnostics are less likely to hold investments or have a postsecondary education. Without a doubt, experience with investments and higher levels of education influence confidence in knowledge of investment finances.

The important thing to remember is that there are significant numbers of Optimists, Pessimists and Agnostics in each demographic subgroup. They are defined above all else by their attitudes rather than their demographic characteristics. Moreover, these attitudes all relate to investing whether directly or indirectly.

It is also of some importance to note that the array of attitudes that define confidence segments is not concerned with confidence in the CPP itself. While several segmentation variables address investing CPP assets, only one involves perceptions of the CPP itself (and even here the perceptions are about return on investment). Confidence in the CPP Investment Board's mandate is driven by confidence in investments and investment professionals, economic optimism and knowledge of investment finances. While not necessarily unrelated, confidence in the CPP does not play an important role in influencing confidence in the CPP Investment Board's mandate (certainly not in comparison with the factors identified above).

From a practical point of view, in the future we will want to track reactions to the CPP Investment Board's activities among these attitudinal segments. As the CPP Investment Board becomes larger and more well known, we will measure reactions among those who are most in tune with its mandate as well as those who are most philosophically opposed. The battery of questions on which this analysis is based has been designed to be incorporated into future tracking surveys to accomplish this objective.

Attitudes toward the CPP

The Canada Pension Plan is a major program to provide Canadians with retirement income in all provinces outside Quebec. It was designed to support and ensure the long-term viability of the Plan that the federal, provincial and territorial governments agreed to the establishment of the CPP Investment Board. For this reason, measurements of the progress of the CPP Investment Board are inextricably entwined with the performance of the CPP.

Nevertheless, the CPP and the CPP Investment Board are not the same. It is possible for Canadians to have one view about the performance of the CPP and another about the activities of the CPP Investment Board, and it is important for the research to maintain that perspective.

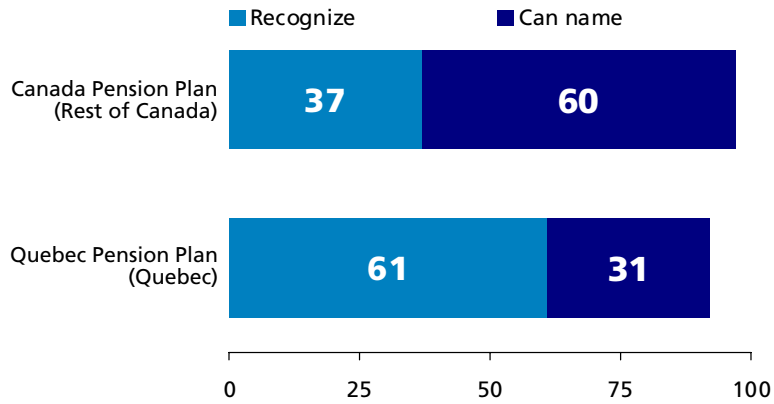
This chapter of the report looks at measurements of Canadians' attitudes toward the CPP (and in Quebec toward the QPP) in the following topic areas:

- ❖ *Awareness of the CPP/QPP*
- ❖ *Overall Direction of the CPP/QPP*
- ❖ *Financial Stability of the CPP/QPP*
- ❖ *Perception of the CPP/QPP as a Tax*
- ❖ *Knowledge of Benefits Entitlement*
- ❖ *Knowledge of Benefits Calculations*
- ❖ *Expectations for Future Benefits*
- ❖ *Return on Investment*
- ❖ *Expected reliance on the CPP/QPP*
- ❖ *Overall Viability of the CPP/QPP*

Fig. 3
Awareness of the CPP/QPP

Q: Can you **name** the Government of Canada public pension programs?

Q: Have you **heard of** the Canada Pension Plan or CPP/Quebec Pension Plan or QPP?



{Base: Percentages; March 02, ROC n=2258; Que. n=250}

Table 4: CPP Awareness

(non-Quebecers, per cent)

GENDER/AGE	Male	Female	<25	25-44	45-64	65+
Can name	61	59	24	61	73	70
Recognize	35	38	66	36	26	28
No awareness	4	3	10	3	1	2
HOUSEHOLD INCOME	<\$20K	\$20-\$39K	\$40-\$59K	\$60-\$79K	\$80-\$99K	\$100K+
Can name	48	57	60	69	68	70
Recognize	45	40	38	29	30	27
No awareness	7	3	2	2	2	3
EDUCATION/CONTRIBUTORS	HS or less	College	University	Never	Past	Current
Can name	49	61	71	18	67	64
Recognize	46	36	27	59	31	35
No awareness	5	3	2	23	2	1
CONFIDENCE SEGMENTS	Pessimists	Agnostics	Optimists			
Can name	56	56	67			
Recognize	40	40	30			
No awareness	4	4	3			

Most Canadians are aware of public pension plans, and almost two thirds identify the Canada Pension Plan by name

Within Canada outside Quebec, 60 per cent of Canadians, without prompting, can identify the Canada Pension Plan by name, and virtually all of the rest have heard of the Plan (Figure 3). In Quebec, less than a third identify the Quebec Pension Plan by name, though most of the rest have heard of it.

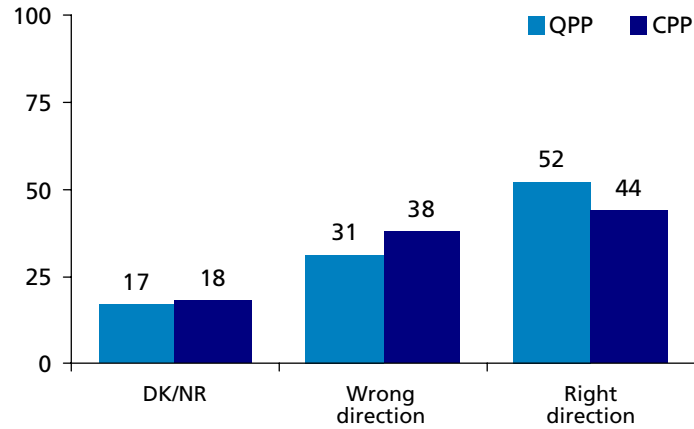
Recognition of the CPP varies somewhat among demographic groups (Table 4):

- ❖ Those groups most likely to name the Plan are the middle aged and older, those in the highest income brackets, and those with the highest levels of education.
- ❖ Not surprisingly, the youngest age group and non-contributors are the least likely to be able to name the Plan.

Variation in awareness of the Plan between confidence segments is less marked than by demographic variables. The confidence segments are based on Canadians' confidence in the mandate of the CPP Investment Board, not in the CPP itself, though there is clearly some overlap between the two. Reflecting the relatively higher number of CPP contributors among Optimists, two-thirds (67 per cent) name the Plan compared to only 56 per cent for each of the other two segments.

Fig. 4
Overall Direction of the CPP/QPP

Q: All things considered, would you say the overall health of the Canada Pension Plan/Quebec Pension Plan is moving in the right direction or the wrong direction?



(Base: Canadians, percentages; March 02, ROC n=2258; Que. n=250)

Table 5: Overall Direction of the CPP

(non-Quebecers, per cent)

GENDER/AGE	Male	Female	<25	25-44	45-64	65+
Right direction	47	41	53	31	47	61
Wrong direction	36	41	35	51	36	17
Do not know/NR	17	18	13	18	17	22
HOUSEHOLD INCOME	<\$20K	\$20-\$39K	\$40-\$59K	\$60-\$79K	\$80-\$99K	\$100K+
Right direction	51	44	46	41	39	40
Wrong direction	30	38	36	41	48	48
Do not know/NR	20	18	18	18	13	12
EDUCATION/CONTRIBUTORS	HS or less	College	University	Never	Past	Current
Right direction	50	39	42	58	51	38
Wrong direction	33	42	40	19	29	47
Do not know/NR	17	19	18	23	20	15
CONFIDENCE SEGMENTS	Pessimists	Agnostics	Optimists			
Right direction	33	42	55			
Wrong direction	48	37	31			
Do not know/NR	19	21	14			

Opinion is split on whether the health of the CPP is moving in the right direction or the wrong direction

Whether Canadians feel the CPP is moving in the right direction or the wrong direction is a key measure of confidence in the Plan itself. Clearly, if the CPP Investment Board's activities are to have an impact on Canadians' attitudes toward the CPP, it will be reflected in the attitudes benchmarked here.

Among Canadians outside Quebec, opinion is almost evenly divided — 44 per cent say it is moving in the right direction and 38 per cent say wrong direction (Figure 4). This substantial negative reading is certainly at odds with the most recent actuarial assessment.

Within Quebec, opinion about the direction taken by the QPP is much more favourable. More than a half say it is moving in the right direction compared with less than a third who say it is going the wrong way.

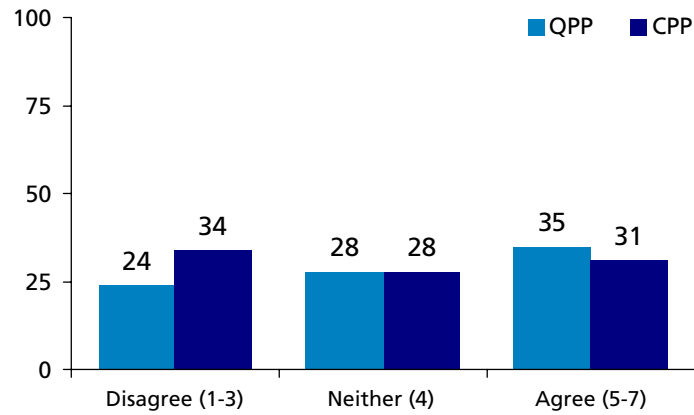
Variations can be found among some key demographic subgroups (Table 5):

- ❖ Among Canadians 25 to 44, half say the CPP is going in the wrong direction, compared with just 31 per cent who think it is on the right track. (As will be shown throughout this chapter, this subgroup is generally more negative and pessimistic about the CPP than any other demographic subgroup.)
- ❖ Current CPP contributors and wealthier Canadians (with household incomes above \$80,000) are also more likely to say the CPP is heading in the wrong direction.
- ❖ The groups with the most positive balance toward the CPP are non-contributors, past contributors, those with lower household incomes, and those with the lowest levels of education.

As might be expected, Optimists are much more positive in their perception of the direction of the CPP, and Pessimists somewhat more negative. That being said, a large number of Optimists (31 per cent) have a negative view. As will be shown throughout the report, although Optimists are generally more positive about the CPP than others, they are distinctively even more positive about the CPP Investment Board and its activities, as well as on investment related issues.

Fig. 5
Financial Stability of the CPP/QPP

Q: I think that the CPP/QPP is on a sounder financial footing than it was a few years ago.



{Base: Canadians, percentages; March 02, ROC n=2258; Que. n=250}

Table 6: Financial Stability of the CPP

(non-Quebecers, per cent)

GENDER/AGE	Male	Female	<25	25-44	45-64	65+
Agree	34	28	27	24	35	43
Neither	29	28	36	28	24	28
Disagree-	32	37	31	42	35	20
Do not know/NR	5	8	6	5	5	9
HOUSEHOLD INCOME	<\$20K	\$20-\$39K	\$40-\$59K	\$60-\$79K	\$80-\$99K	\$100K+
Agree	32	31	32	29	32	30
Neither	31	27	30	30	24	25
Disagree-	26	35	35	35	41	41
Do not know/NR	10	7	4	5	2	4
EDUCATION/CONTRIBUTORS	HS or less	College	University	Never	Past	Current
Agree	33	22	31	32	38	27
Neither	30	28	27	34	28	27
Disagree-	30	41	35	19	28	41
Do not know/NR	7	4	7	15	7	5
CONFIDENCE SEGMENTS	Pessimists	Agnostics	Optimists			
Agree	22	29	41			
Neither	28	29	28			
Disagree-	43	35	26			
Do not know/NR	7	7	5			

The balance of opinion on the current financial footing of the CPP is slightly negative

Based on the Chief Actuary's most recent projections, contributions to the CPP will exceed benefits until 2021 and, with income generated from investments, the Plan is projected to be financially secure for the foreseeable future. This message has not been widely received.

Canadians were asked whether they agree or disagree that the CPP is on a sounder financial footing than it was a few years ago (Figure 5). Opinion is split on this issue, as approximately one-third disagree and one-third agree.

In Quebec, the finding is more positive. There, 35 per cent agree that the financial footing is sounder than it was, compared with just 24 per cent who disagree.

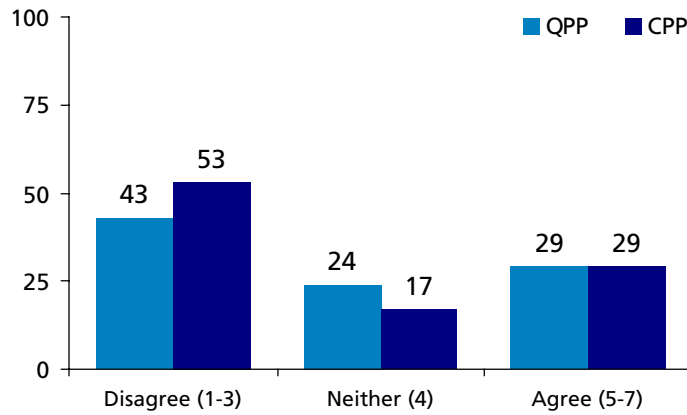
The response among different demographic groups (Table 6) shows a similar pattern for the CPP to that reported on the previous page:

- ❖ The 25 to 44 year olds are the most negative — 42 per cent disagree that there is now a sounder financial footing compared with only 24 per cent who agree. Seniors are the only age group where the positives outnumber the negatives.
- ❖ The pattern by income and education is also similar. Those with higher incomes and higher education tend to be more negative. In fact, the only income or educational subgroups with a positive skew on this indicator are those in the lowest income and education groups.
- ❖ Current contributors again show a decidedly more negative stance than past contributors or non-contributors.

Among the confidence segments, Optimists are significantly more likely to see the CPP to be on sounder financial footing than either Pessimists or Agnostics (or any of the demographic subgroups as well). Almost twice as many Pessimists are negative on this issue than positive and Agnostics are not much less likely to feel negatively about the financial stability of the CPP. That being said, more than a quarter of Optimists disagree.

Fig. 6
Perceptions of the CPP/QPP as a Tax

Q: I think that CPP/QPP contributions are just another method of taxing Canadians.



{Base: Canadians, percentages; March 02, ROC n=2258; Que. n=250}

Table 7: Perceptions of the CPP as a Tax

(non-Quebecers, per cent)

GENDER/AGE	Male	Female	<25	25-44	45-64	65+
Agree	29	29	37	33	26	19
Neither	16	18	18	20	15	16
Disagree	54	51	44	47	59	64
HOUSEHOLD INCOME	<\$20K	\$20-\$39K	\$40-\$59K	\$60-\$79K	\$80-\$99K	\$100K+
Agree	27	30	27	30	30	30
Neither	22	20	14	16	15	12
Disagree	48	49	59	54	54	57
EDUCATION/CONTRIBUTORS	HS or less	College	University	Never	Past	Current
Agree	31	33	23	24	24	33
Neither	21	16	14	28	18	15
Disagree	46	50	62	43	58	51
CONFIDENCE SEGMENTS	Pessimists	Agnostics	Optimists			
Agree	38	30	20			
Neither	19	18	15			
Disagree	41	50	65			

The CPP is not generally viewed as just another tax

Critics of the CPP have sometimes claimed that requiring Canadians to make contributions to the CPP is just another way for the government to collect taxes. Overall, most Canadians do not buy into this assessment of the Plan. While a minority (29 per cent) agrees with this view, a majority (53 per cent) disagree, and the rest are not sure (Figure 6).

The pattern of response in Quebec is similar, with the unsure category being a little higher than in the rest of Canada.

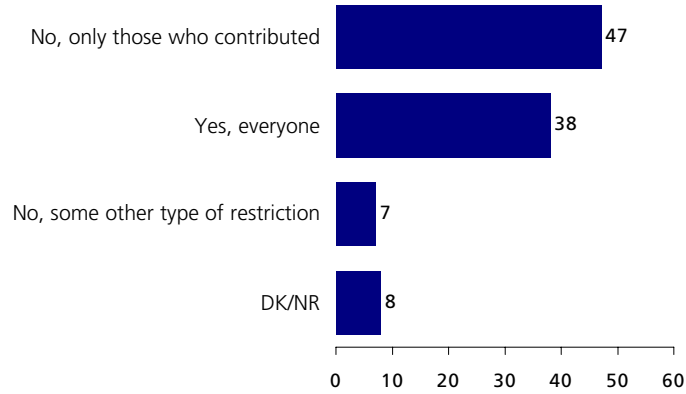
In no demographic group does a majority view CPP contributions as a tax (Table 7).

- ❖ The demographic subgroups most likely to agree with this notion are the youngest cohort and the disaffected 25 to 44 year olds. But even with these two subgroups, a plurality disagrees with the idea that the CPP is a tax grab.
- ❖ Disagreement is highest among older Canadians and those with higher incomes and education.
- ❖ Current contributors are somewhat more likely to agree than past or non-contributors, but a majority of them disagree with the statement.

Among confidence segments, Optimists overwhelmingly (more than three to one) reject the notion of the CPP as a tax, while the Pessimists are almost evenly split on the subject, although a plurality disagree.

Fig. 7
Knowledge of Benefits Entitlement

Q: Are all Canadians currently entitled to CPP benefits when they retire?



{Base: Non-Quebecers, percentages; March 02, n=2258}

Table 8: Knowledge of Benefits Entitlement

(non-Quebecers, per cent)

GENDER/AGE	Male	Female	<25	25-44	45-64	65+
Only contributors	46	47	27	40	56	64
Everyone	39	38	47	45	32	27
Other	7	7	9	8	7	6
Do not know/NR	8	8	17	7	5	3
HOUSEHOLD INCOME	<\$20K	\$20-\$39K	\$40-\$59K	\$60-\$79K	\$80-\$99K	\$100K+
Only contributors	40	50	48	49	49	44
Everyone	42	36	38	37	36	40
Other	6	6	6	8	8	9
Do not know/NR	12	8	7	5	7	7
EDUCATION/CONTRIBUTORS	HS or less	College	University	Never	Past	Current
Only contributors	45	47	48	30	56	45
Everyone	42	38	35	41	33	41
Other	5	7	9	8	6	8
Do not know/NR	8	8	8	21	6	6
CONFIDENCE SEGMENTS	Pessimists	Agnostics	Optimists			
Only contributors	44	44	51			
Everyone	40	40	35			
Other	8	7	7			
Do not know/NR	8	9	7			

There is considerable confusion about who is entitled to receive CPP benefits

The Canada Pension Plan is a state run pension system, funded equally by employers and employees, that provides benefits to contributors and their dependents. Benefits are dependent on the level and length of contributions. Despite the fact that the scheme has been in operation for many years, there is considerable fuzziness about how it works — overall, less than half (47 per cent) think benefits are only for contributors and almost four in ten feel everyone is entitled (Figure 7).

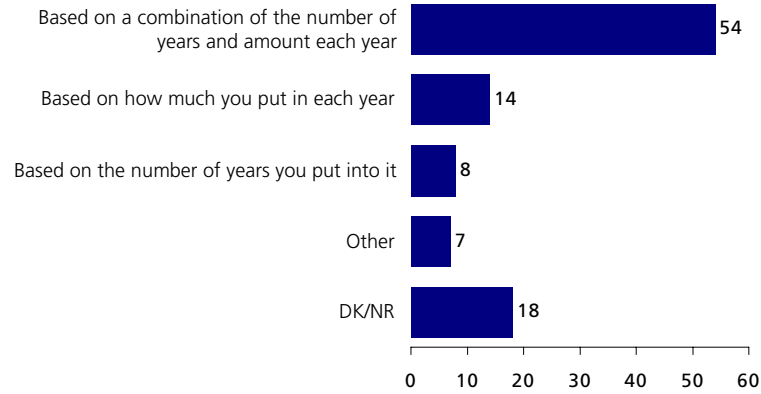
The extent of the misconception about the CPP is quite startling as it crosses most demographic subgroups (Table 8).

- ❖ There is little variation by gender, income or even education.
- ❖ Age is an important factor, however, as there is a progressive relationship between age and the number identifying contributor entitlement. Nearly half the under 25-year olds believe that everyone is entitled, dropping to just over a quarter for seniors.
- ❖ Current contributors are somewhat surprisingly just as likely as non-contributors to think everyone is entitled to benefits.

There is also little variation among confidence segments, although Optimists show themselves to be slightly more knowledgeable than either Pessimist or Agnostics.

Fig. 8
Knowledge of Benefits Calculations

Q: To the best of your knowledge, how are CPP benefits calculated?



{Base: Non-Quebecers, percentages; March 02, n=2258}

Table 9: Knowledge of Benefits Calculations

(non-Quebecers, per cent)

GENDER/AGE	Male	Female	<25	25-44	45-64	65+
No. of years + amount	53	55	46	57	56	53
Amount paid each year	14	14	12	12	14	18
Years of contribution	7	8	6	6	8	12
Other	7	5	8	8	6	5
Do not know/NR	19	17	29	18	15	12
HOUSEHOLD INCOME	<\$20K	\$20-\$39K	\$40-\$59K	\$60-\$79K	\$80-\$99K	\$100K+
No. of years + amount	40	55	59	61	59	56
Amount paid each year	17	15	15	10	11	13
Years of contribution	11	7	6	7	8	8
Other	7	7	7	8	9	9
Do not know/NR	26	17	14	14	12	15
EDUCATION/CONTRIBUTORS	HS or less	College	University	Never	Past	Current
No. of years + amount	48	56	59	35	57	57
Amount paid each year	15	14	13	12	16	13
Years of contribution	8	8	7	8	8	7
Other	6	7	7	4	6	8
Do not know/NR	22	16	14	41	14	16
CONFIDENCE SEGMENTS	Pessimists	Agnostics	Optimists			
No. of years + amount	50	55	57			
Amount paid each year	15	14	13			
Years of contribution	7	8	8			
Other	7	7	7			
Do not know/NR	21	16	15			

Knowledge of Benefits Calculation

There is not much misunderstanding about how CPP benefits are calculated

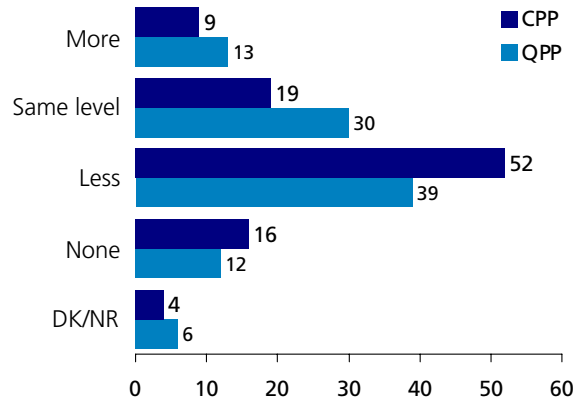
In contrast with the confusion over entitlement, there is less confusion about how benefits are calculated. More than half (54 per cent) say benefits are based on a combination of the number of years and the amount of contribution made each year, and most of the rest make some reference to the number of years or the amount contributed (Figure 8).

There is still a sizable minority (18 per cent) who say they do not know how the benefits are calculated, and this lack of knowledge extends across virtually all demographic subgroups, though lack of knowledge is inversely related to age, income and education (Table 9).

There are only slight differences across the confidence segments as well, although Pessimists show themselves to be less knowledgeable than either Agnostics or Optimists.

Fig. 9
Expectations for Future Benefits

Q: Thinking about your own retirement, do you think that the CPP/QPP will provide you with more, the same or less benefits than retired people today, or no benefits at all?



{Base: Canadians (non-retirees), percentages; March 02, ROC n=1877; Que. n=217}

Table 10: Expectations for Future Benefits

(non-Quebecers, per cent)

GENDER/AGE	Male	Female	<25	25-44	45-64	65+
More	10	8	22	5	8	3
Same level	21	17	18	13	29	42
Less	49	55	41	58	51	30
None	16	17	15	21	10	9
Do not know/NR	4	2	5	2	2	9
HOUSEHOLD INCOME	<\$20K	\$20-\$39K	\$40-\$59K	\$60-\$79K	\$80-\$99K	\$100K+
More	12	9	9	10	8	6
Same level	21	18	22	17	17	18
Less	43	53	52	55	55	53
None	16	16	13	17	18	21
Do not know/NR	6	3	3	1	1	2
EDUCATION/CONTRIBUTORS	HS or less	College	University	Never	Past	Current
More	13	7	6	30	8	6
Same level	22	19	17	24	20	19
Less	42	55	58	27	49	56
None	17	16	16	10	16	17
Do not know/NR	4	2	2	10	7	2
CONFIDENCE SEGMENTS	Pessimists	Agnostics	Optimists			
More	7	8	12			
Same level	14	19	24			
Less	50	54	52			
None	25	15	10			
Do not know/NR	4	5	3			

Most Canadians have pretty low expectations about the benefits they will receive from the CPP

Thinking ahead to their own retirement, Canadians were asked whether they expect the CPP to provide them with more, the same or less benefits than retired people receive today, or no benefits at all. Expectations are decidedly bearish, even among the Optimists.

More than half (52 per cent) expect that their benefits will be less than those received today and another 16 per cent say there will be no benefits by the time they retire – in sum, almost seven in ten Canadians have negative expectations of the Plan (Figure 9). Only 19 per cent expect to receive even the same level of benefits as pensioners today, and a tiny 9 per cent expect to receive more.

The picture in Quebec is not as negative as in the rest of the country. About half expect to receive less or no benefits from the QPP, but most of the rest expect to receive the same level or more.

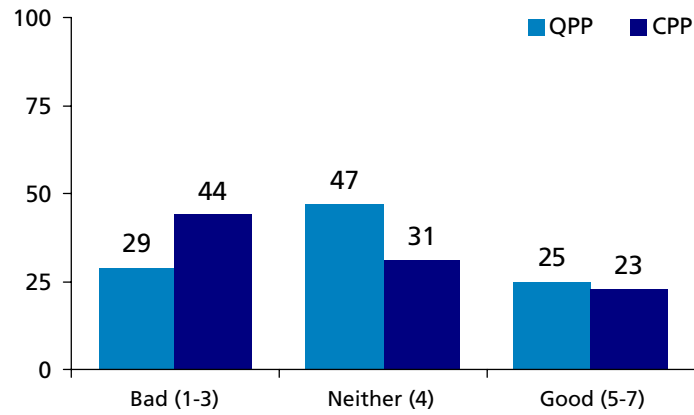
Negative expectations are spread across all demographic groups (Table 10).

- ❖ The most negative demographic group is the 25 to 44 year olds, consistent with measurements of a number of other aspects of the Plan. Four out of five of this group expect to receive less or no benefits, which suggests that the CPP Investment Board's communication with this age group is going to be an uphill battle.
- ❖ Also troubling is the low expectation among those with higher incomes and higher education. On average, fewer of those groups expect good things from the Plan. This is likely a reflection of the higher commitment these subgroups have with respect to RRSPs (see following chapter).

It is interesting to note that the Optimists, who have the highest confidence in the contribution the CPP Investment Board can make to the CPP, are only slightly more optimistic in their expectations about benefits than are the Pessimists. This is indicative of the independence that exists between confidence in the CPP and confidence in the CPP Investment Board's mandate.

Fig. 10
Return on Investment

Q: Thinking about how much you have paid into the CPP/QPP and what you expect to get in return once you retire, do you think this is a good or bad investment of your money?



(Base: Canadians (contributors), percentages; March 02, ROC n=1399; Que. n=136)

Table 11: Return on Investment

(non-Quebecers, per cent)

GENDER/AGE	Male	Female	<25	25-44	45-64	65+
Good	22	24	25	18	28	54
Neither	30	33	28	30	34	46
Bad	46	42	46	50	36	0
HOUSEHOLD INCOME	<\$20K	\$20-\$39K	\$40-\$59K	\$60-\$79K	\$80-\$99K	\$100K+
Good	30	25	24	27	17	16
Neither	33	37	36	29	28	27
Bad	34	37	38	43	55	56
EDUCATION/CONTRIBUTORS	HS or less	College	University	Never	Past	Current
Good	27	21	22	--	--	--
Neither	35	32	28	--	--	--
Bad	37	46	39	--	--	--
CONFIDENCE SEGMENTS	Pessimists	Agnostics	Optimists			
Good	13	18	35			
Neither	28	36	30			
Bad	57	44	35			

Fewer than a quarter of Canadians think the CPP is a good investment

In keeping with unrealistically low estimates of the health of the CPP and widespread perceptions that benefits will be lower or even non-existent by the time they retire, more than two out of five Canadians (44 per cent) consider the CPP to be a bad investment of their money (Figure 10). Less than a quarter consider it to be a good investment.

Quebecers are less negative in their perception of the returns provided by the QPP. Almost as many say it is a good investment as say it is bad, and the rest say it is neither particularly good nor bad.

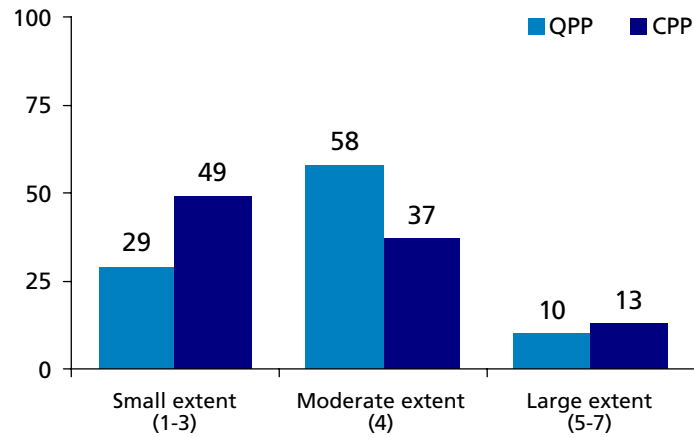
The demographic groups with the most negative attitude toward the CPP as an investment are those who are philosophically opposed on a number of other measures, led by the 25 to 44 year olds, half of whom consider it to be a bad investment of their money (Table 11).

Adding to the communications challenge is the fact that those with higher income and higher education are also more likely than average to portray the CPP as a bad investment.

As might be expected, the Optimists among the three confidence groups are the most favourable in their assessment — a third say it is a good investment, a third say it is bad and a third say it is neither good nor bad. This contrasts with the Pessimists, 57 per cent of whom say it is a bad investment and only 13 per cent who say it is good.

Fig. 11
Expected Reliance on the CPP/QPP

Q: To what extent do you plan to rely on the CPP for your retirement income?



{Base: Canadians (non-retirees), percentages; March 02, ROC n=1877; Que. n=217}

Table 12: Expected Reliance on the CPP

(non-Quebecers, per cent)

GENDER/AGE	Male	Female	<25	25-44	45-64	65+
Large extent	11	14	13	10	16	28
Moderate extent	36	37	40	32	42	40
Small extent	52	47	45	57	41	26
HOUSEHOLD INCOME	<\$20K	\$20-\$39K	\$40-\$59K	\$60-\$79K	\$80-\$99K	\$100K+
Large extent	19	22	13	9	6	3
Moderate extent	37	43	47	31	37	21
Small extent	43	33	39	59	57	75
EDUCATION/CONTRIBUTORS	HS or less	College	University	Never	Past	Current
Large extent	19	11	9	13	17	12
Moderate extent	43	40	27	49	32	36
Small extent	38	46	64	29	49	52
CONFIDENCE SEGMENTS	Pessimists	Agnostics	Optimists			
Large extent	13	14	12			
Moderate extent	33	40	38			
Small extent	54	45	50			

Only about one Canadian in ten expects to rely heavily on the CPP for retirement income

Half of all Canadians (49 per cent) say that they plan to rely to only a small extent on the CPP for their retirement income — just over a third (37 per cent) expect to rely on it to a moderate extent (Figure 11). These expectations are really quite low. In contrast, nearly three quarters of Quebecers expect to rely either to a moderate or large extent on the QPP for their retirement income.

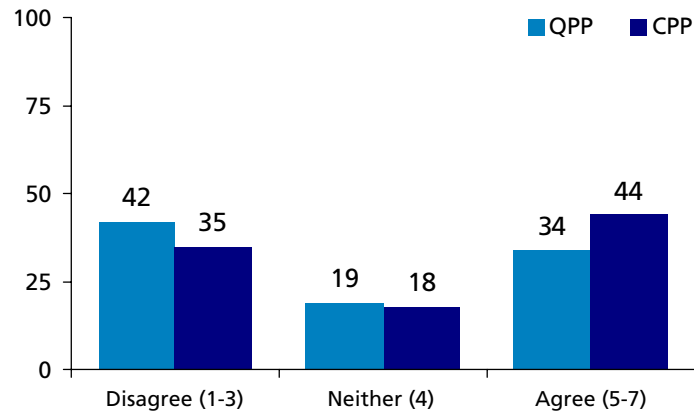
The demographic pattern of reliance is similar to that noted in other indicators (Table 12).

- ❖ The 25 to 44 year olds cohort shows the most negative expectations of any age group, while older Canadians are more likely to expect to rely on CPP income than are younger Canadians
- ❖ Wealthy and well educated Canadians are much less likely to anticipate reliance than those with less income or less education.

One surprise is that there is practically no difference between the three confidence segments in their expectations about the extent to which they will rely on CPP income. About a half of all segments expect their reliance to be small.

Fig. 12
Overall Viability of the CPP/QPP

Q: The CPP/QPP will be out of money by the time I retire.



{Base: Canadians (non-retirees), percentages; March 02, ROC n=1877; Que. n=217}

Table 13: Overall Viability of the CPP

(non-Quebecers, per cent)

GENDER/AGE	Male	Female	<25	25-44	45-64	65+
Agree	40	48	40	52	34	--
Neither	18	18	24	17	16	--
Disagree	39	31	34	29	48	--
HOUSEHOLD INCOME	<\$20K	\$20-\$39K	\$40-\$59K	\$60-\$79K	\$80-\$99K	\$100K+
Agree	44	45	40	43	49	47
Neither	22	17	21	18	12	10
Disagree	31	31	37	38	37	42
EDUCATION/CONTRIBUTORS	HS or less	College	University	Never	Past	Current
Agree	39	49	44	31	44	46
Neither	22	19	12	24	16	17
Disagree	35	29	41	38	33	36
CONFIDENCE SEGMENTS	Pessimists	Agnostics	Optimists			
Agree	59	44	31			
Neither	17	21	16			
Disagree	21	31	51			

A significant minority of Canadians expects the CPP to be out of money by the time they retire

Sensational media reports, acrimonious political debates in the US, competitive jostling by competitors in the pension business, may all have contributed to a fairly widespread perception among Canadians that the CPP will be out of money by the time they retire. Better than two out of five (44 per cent) believe this to be the case (Figure 12).

Again, the picture in Quebec is not quite as gloomy. More people disagree with the proposition that the QPP will run out of money than agree with it, but even there, about a third expect the QPP to be out of money by the time they retire.

Among demographic groups, only older Canadians firmly believe that the CPP will still have funds (Table 13). In all other demographic groups, more people agree than disagree with the proposition that the CPP will be out of funds by the time they retire.

As with virtually all other indicators on the CPP, current contributors are much more negative in their outlook than non-contributors.

There is a quite sharp contrast among the confidence segments on this issue. Reflecting the relative degrees of pessimism and optimism among the segments, more than half (61 per cent) the Pessimists expect the funds to be gone, while half (51 per cent) the Optimists disagree (the highest number disagreeing of any subgroups).

Awareness, Knowledge and Expectations of the CPP....

In Sum:

- ❖ The Canada Pension Plan is a well-known program
- ❖ Opinion about the health of the Plan is divided – more than a third of Canadians say it is going in the wrong direction
- ❖ Positive news, such as the fact that the Chief Actuary has labelled the Plan as financially secure for the foreseeable future, has not registered with up to two thirds of Canadians
- ❖ Current contributors are generally much more negative in their perceptions of the CPP than either past or non-contributors
- ❖ Negative perceptions on a number of indicators tend to be focused among the 25–44 year olds, and to a lesser extent among the wealthier and better educated
- ❖ On the positive side, only a minority of Canadians view contributions to the CPP as a tax grab

The terms and conditions of the CPP are not well understood:

- ❖ A significant minority of Canadians thinks that everyone is entitled to receive CPP benefits
- ❖ On the other hand, most people have a correct understanding of how benefits are calculated

In general, Canadians have pretty low expectations about what they will receive from the CPP when they retire

- ❖ More than half think they will receive less than pensioners do today
- ❖ Less than a quarter think the CPP is a good investment of their money
- ❖ Few expect to rely heavily on CPP benefits in their retirement planning
- ❖ More than two in five believe the CPP will be out of funds by the time they retire

Financial Investments

The CPP Investment Board is operating on behalf of a citizenry who are also expected to do their best to provide for their own retirement. Communications from the Canada Pension Plan make it clear that preparing for retirement is a shared responsibility, and Canadians should not expect the government to provide for them completely in their old age.

With this in mind, the study probed the level of knowledge, and the attitudes toward investing, of the CPP Investment Board's ultimate beneficiaries as a background for future communications about its activities.

The sections in this chapter of the report are:

- ❖ *Investment ownership and amount*
- ❖ *Ethical investing*
- ❖ *Private pensions*
- ❖ *Awareness of pension funds*
- ❖ *Knowledge of investment finances*
- ❖ *Comfort with investment finances*
- ❖ *Market volatility and long-term stability*
- ❖ *Stock market earnings and luck*
- ❖ *Investment professionals and confidence*
- ❖ *Long-term earnings on stock markets*
- ❖ *Comparing rate of return*
- ❖ *Comparing risk*
- ❖ *Attitudes to taking investment risks*
- ❖ *Diversification*

Fig. 13
Investment Ownership

Q: Do you personally have any investments in stocks, mutual funds, GICs, or bonds, including any you may have in an RRSP?

Q: Have you **ever** had any investments in stocks, mutual funds, GICs, or bonds, including any you may have in an RRSP?

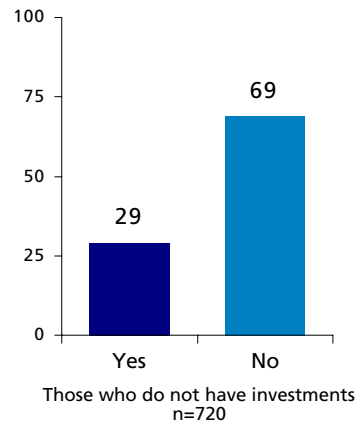
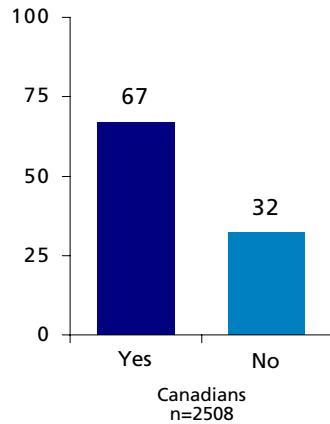


Table 14: Investment Ownership
(per cent)

GENDER/AGE	Male	Female	<25	25-44	45-64	65+
Current ownership	69	64	44	71	75	63
Past ownership	28	29	6	33	39	47
HOUSEHOLD INCOME	<\$20K	\$20-\$39K	\$40-\$59K	\$60-\$79K	\$80-\$99K	\$100K+
Current ownership	30	58	71	82	89	92
Past ownership	25	33	33	33	20	41
EDUCATION/CONTRIBUTORS	HS or less	College	University	Never	Past	Current
Current ownership	50	72	82	37	67	78
Past ownership	26	30	37	13	38	32
CONFIDENCE SEGMENTS	Pessimists	Agnostics	Optimists			
Current ownership	62	69	81			
Past ownership	12	10	6			

Three quarters of Canadians now or in the past have held investments in stocks, mutual funds, GICs or bonds, including RRSPs

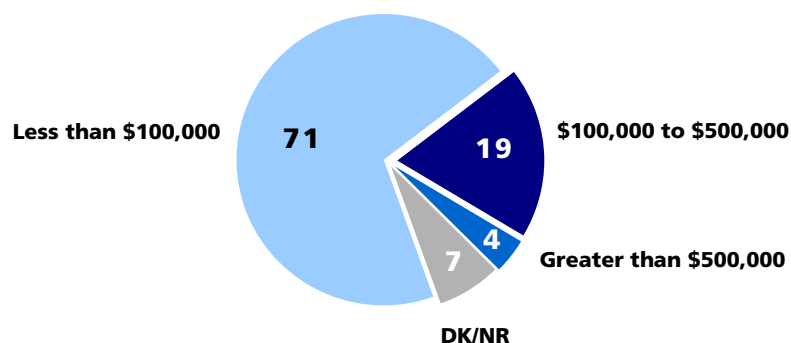
Experience with investments is a key factor influencing attitudes towards investments and issues pertaining to the CPP Investment Board. There are large numbers of Canadians who hold investments, imparting to them a stronger sense of investment issues than may otherwise be the case. Two thirds say they currently have investments in stocks, mutual funds, GICs or bonds, and almost a third of those who say they do not currently have such investments, report they have had them in the past (Figure 13).

As might be expected, there is a distinct pattern of ownership across different demographic groups (Table 14):

- ❖ Those under 25 are the least likely to have investments, but 44 per cent even of this group say they have such investments. About two thirds of those over 65 currently have investments, and almost half of the rest say they had them in the past. Of the rest of the age group in the working force, three quarters report having investments
- ❖ Ownership of investments is also related strongly to income. The great majority (92 per cent) of those with households incomes over \$100K say they have such investments, but even a third of those with households incomes of less than \$20K have money invested.

While a majority of each of the confidence segments currently own investments, Optimists are much more likely to hold them. More than eight in ten Optimists have investments — a key factor influencing their views on the subject and, in turn, their confidence in the CPP Investment Board’s mandate and its activities.

Fig. 14
Investment Amount



{Base: Canadians, percentages; March 02, n=2508}

Table 15: Investment Amount

(per cent)

GENDER/AGE	Male	Female	<25	25-44	45-64	65+
Greater than \$100,000	25	18	4	13	32	37
Less than \$100,000	69	73	95	82	59	53
Do not know/NR	5	8	1	4	9	10
HOUSEHOLD INCOME	<\$20K	\$20-\$39K	\$40-\$59K	\$60-\$79K	\$80-\$99K	\$100K+
Greater than \$100,000	5	17	20	26	31	45
Less than \$100,000	93	80	79	73	69	53
Do not know/NR	1	3	1	1	1	2
EDUCATION/CONTRIBUTORS	HS or less	College	University	Never	Past	Current
Greater than \$100,000	15	19	29	16	27	23
Less than \$100,000	77	76	63	76	63	72
Do not know/NR	7	5	8	8	10	6
CONFIDENCE SEGMENTS	Pessimists	Agnostics	Optimists			
Greater than \$100,000	16	21	31			
Less than \$100,000	76	71	63			
Do not know/NR	8	8	6			

The amount of investments that most Canadians have are modest with only a tiny minority over \$500,000

In terms of providing for retirement income, the amounts that people have set aside are comparatively modest. About a quarter of Canadians have investment assets of more than \$100,000; only four per cent have investments of more than \$500,000 (Figure 14). More than two-thirds (69 per cent) say their investments are less than \$100,000 — not a great deal to supplement a pension in times of low interest rates.

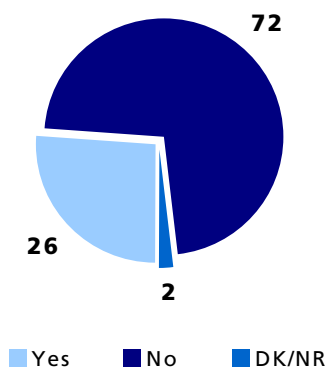
As might be expected, the amount invested increases linearly with age and income (Table 15).

- ❖ There is a steady growth in the number with over \$100,000 with both increased age and income.
- ❖ Almost half of those with a household income over \$100,000 have in excess of \$100,000 in investments — nine times as likely as the lowest income group.

In the same way that Optimists are more likely to hold investments compared to the other two confidence segments, they are also a fair bit more likely to hold a greater amount of investments. Optimists are almost twice as likely as Pessimists to have more than \$100,000 worth of investments.

Fig. 15
Ethical Investing

Q: Have you ever given instructions to an investment company or advisor to use any kind of ethical investment screen or criteria when investing your money?



{Base: Canadians who have or had invested, percentages; March 02, n=2033}

Table 16: Ethical Investing

(per cent)

GENDER/AGE	Male	Female	<25	25-44	45-64	65+
Yes	23	30	15	24	34	25
No	76	68	85	75	64	74
HOUSEHOLD INCOME	<\$20K	\$20-\$39K	\$40-\$59K	\$60-\$79K	\$80-\$99K	\$100K+
Yes	21	19	28	33	32	30
No	78	79	71	65	68	68
EDUCATION/INVESTMENTS	HS or less	College	University	None	<\$100K	>\$100K
Yes	21	27	30	--	23	37
No	77	71	68	--	75	62
CONFIDENCE SEGMENTS	Pessimists	Agnostics	Optimists			
Yes	28	26	28			
No	71	72	70			

A surprising number of Canadians have instructed investment advisors to invest their money in ethical investments

The concept of ethical investing is not novel to many Canadians. They were asked whether they had ever given instructions to an investment company or advisor to use any kind of ethical investment screen or criteria when investing their money. One quarter (26 per cent) say that they have done so (Figure 15).

This level of participation in ethical investing makes it more than a fringe activity or movement among Canadians. It certainly demonstrates that large numbers of Canadians are sympathetic to the idea of ethical investing.

The incidence of ethical investing is higher among key segments, including larger investors

Although a significant portion of all segments report making ethical investments, there are some differences among different demographic groups (Table 16):

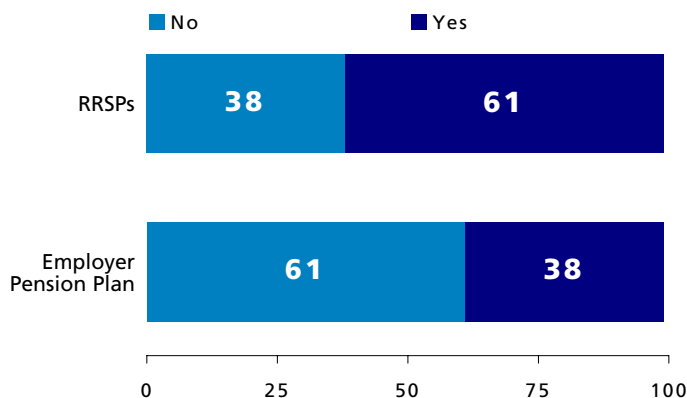
- ❖ Somewhat surprising is that larger investors are the most likely to have given instructions to use an ethical screen (37 per cent)
- ❖ The incidence is also higher among those with household incomes above \$60,000 (almost one third overall)
- ❖ The leading edge of the Baby Boom generation — the 45 to 64 age cohort — are also more likely than average to pursue ethical investment; 34 per cent say they have done so
- ❖ Those with higher education are more likely to have given ethical investment instructions than those with a high school education, though this may also be related to level of income
- ❖ Women are somewhat more likely than men to have given instructions for ethical investments — 30 per cent of women compared with 23 per cent of men

Interestingly, there is practically no difference on this indicator among the confidence segments — slightly more than a quarter of all three groups say they have given ethical investment instructions.

Fig. 16
Private Pensions

Q: Do you have an RRSP?

Q: Are you currently a member of a private pension plan through your employer?



{Base: Percentages; March 02, n=2508}

Table 17: Private Pensions

(per cent)

GENDER/AGE	Male	Female	<25	25-44	45-64	65+
RRSPs	63	58	26	70	74	50
Employer Pension Plan	42	35	12	43	47	38
HOUSEHOLD INCOME	<\$20K	\$20-\$39K	\$40-\$59K	\$60-\$79K	\$80-\$99K	\$100K+
RRSPs	21	52	69	79	85	86
Employer Pension Plan	11	33	45	50	58	58
EDUCATION/INVESTMENTS	HS or less	College	University	None	<\$100K	>\$100K
RRSPs	46	64	75	18	70	90
Employer Pension Plan	30	40	46	22	42	51
CONFIDENCE SEGMENTS	Pessimists	Agnostics	Optimists			
RRSPs	52	60	74			
Employer Pension Plan	33	38	45			

A majority of Canadians have RRSPs and a significant minority have private pension plans through their employment.

Overall, 61 per cent of Canadians say that they have RRSPs² (Figure 16), though this varies greatly among the different demographic groups (Table 17):

- ❖ Men are slightly more likely to have an RRSP than are women — 63 versus 58 per cent
- ❖ In the main employment years, 70 per cent of the 24 to 44 year olds and 74 per cent of the 45-64 cohort have RRSPs, compared with only 26 per cent of the under-25 year olds
- ❖ The relationship to income is sharp and progressive, ranging from 21 per cent of those with household incomes of less that \$20,000 to 86 per cent of those with income of more than \$100,000
- ❖ There is also a strong difference between investors and non-investors, as well as between the different size of investments
- ❖ Those with higher education are more likely to have an RRSP than those with less education, though the relationship is more directly with income than with education

A lower number of Canadians have private pension plans than RRSPs, and this may be part of a trend as companies back away from defined benefit programs. Overall, 38 per cent say they have a private pension plan through their employer.

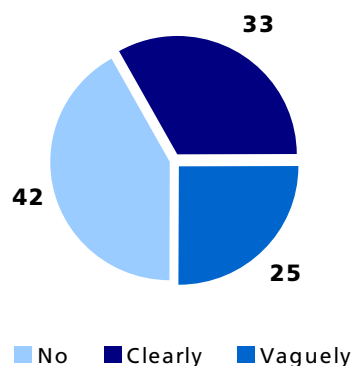
Incidence of private pension plans among the different demographic segments parallels the incidence of RRSPs — more likely to have private pension plans are males, the middle aged, the wealthier and the higher educated.

Reflecting the different levels of investments across confidence segments, Optimists are much more likely than Pessimists to have RRSPs — 74 per cent versus 52 per cent, but the difference in ownership of a private pension is not as sharp — 45 per cent versus 33 per cent — presumably because the pension is some thing that comes with the job.

² These incidence figures may be compared with Statistics Canada's 1999 Survey of Financial Security which estimated that just under 60 per cent of Canadians had an RRSP and 47 per cent had an employer pension plan. The lower incidence of private pension plans reported here would be consistent with a shift away from defined benefits plans to defined contribution or matching RRSP plans. *Assets and Debts of Canadians: Focus on Private Pension Savings*; Government of Canada, Minister of Industry, 2001; Ottawa.

Fig. 17
Awareness of Pension Funds

Q: Pension funds are some of the largest investors in Canadian markets. Are you aware of any pension funds operating in Canada?



{Base: Canadians, percentages; March 02, n=2508}

Table 18: Awareness of Pension funds

(per cent)

GENDER/AGE	Male	Female	<25	25-44	45-64	65+
Clearly	32	25	10	26	38	38
Vaguely	24	26	25	24	28	21
Not aware	44	49	65	50	34	41
HOUSEHOLD INCOME	<\$20K	\$20-\$39K	\$40-\$59K	\$60-\$79K	\$80-\$99K	\$100K+
Clearly	13	22	29	33	38	45
Vaguely	20	26	28	28	29	27
Not aware	66	52	43	39	33	28
EDUCATION/INVESTMENTS	HS or less	College	University	None	<\$100K	>\$100K
Clearly	21	25	40	16	28	49
Vaguely	24	25	26	20	27	25
Not aware	55	50	34	64	45	26
CONFIDENCE SEGMENTS	Pessimists	Agnostics	Optimists			
Clearly	29	28	42			
Vaguely	19	28	25			
Not aware	51	44	33			

More than half of all Canadians are aware of the operations of pension funds

Respondents were told that pension funds are some of the largest investors in Canadian markets and asked if they are aware of any of the pension funds operating in Canada. More than half (58 per cent) say they are either clearly or vaguely aware — a third clearly and another quarter say they are vaguely aware of such funds (Figure 17).

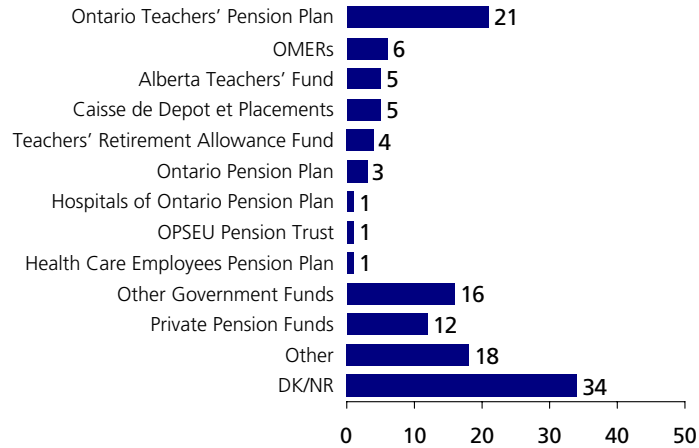
As might be expected, recognition of funds varies among different segments of the population, with men, older age groups, the wealthier and the higher educated being most likely to be informed about pension funds (Table 18).

- ❖ Almost half of the highest income and larger investor subgroups indicate that they are clearly aware of pension funds operating in Canada
- ❖ Optimists are also much more likely than others to say they are clearly aware, while fully one half of Pessimists are not aware

Fig. 18

Awareness of Specific Pension Funds

Q: Can you name any pension funds operating in Canada?



(Base: Canadians who have some awareness of pension funds, percentages; March 02, n=1429)

Table 19: Awareness of Specific Pension funds by Region

(per cent)

REGION	BC	Alberta	Man/Sask	Ontario	Quebec	Atlantic
Ontario Teachers'	12	24	14	32	7	13
OMERs	2	2	0	11	4	0
Alberta Teachers' Fund	2	19	4	5	4	1
Caisse de Depot et placements	4	3	3	3	13	1
Teachers' RAF (Manitoba)	7	3	10	5	0	3
Ontario Pension Plan	2	1	2	3	6	0
Hospitals of Ontario PP	1	0	0	3	1	0
OPSEU Pension Trust	0	1	0	3	0	1
HCEPP	1	1	3	1	1	1
Other Government Funds	16	15	18	9	29	21
Private Pension Funds	15	12	15	12	8	10
Other	22	17	9	19	14	15
Don't know/NR	39	32	41	30	31	45

Ontario Teachers' Pension Plan is the most widely known pension fund in all regions except Quebec

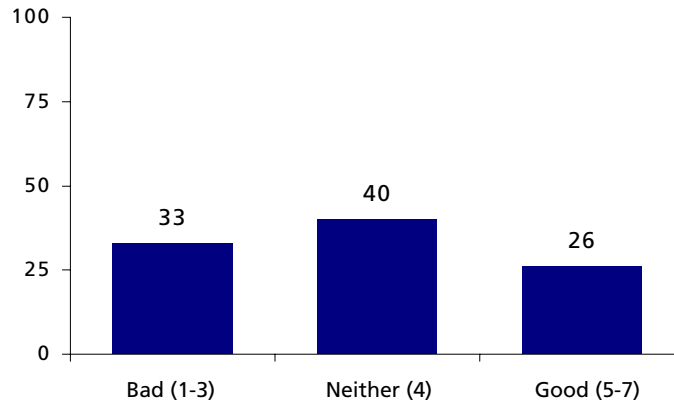
Those people who said they had some awareness of the funds were asked if they could name any pension funds operating in Canada, and two thirds were able to do so, as shown in Figure 18. Overall, only the Ontario Teachers' Pension Plan can be named by more than a small minority of Canadians.

There are some predictable regional differences in the numbers, as various funds are regionally based (Table 19). Remarkably, significant numbers can name the Ontario Teachers' Pension Plan in all regions. In fact, it is the most widely named in every region but Quebec.

It should be noted that no significant number were able to identify the CPP Investment Board unprompted. No individual pension funds in any of the "other" or private pension fund category amounts to more than half a percentage point.

Fig. 19
Knowledge of Investment Finances

Q: How would you rate your own knowledge of investment finances?



{Base: Canadians, percentages; March 02, n=2508}

Table 20: Knowledge of Investment Finances

(per cent)

GENDER/AGE	Male	Female	<25	25-44	45-64	65+
Good	32	21	17	27	31	26
Neither	41	40	36	38	43	48
Bad	27	38	47	35	26	25
HOUSEHOLD INCOME	<\$20K	\$20-\$39K	\$40-\$59K	\$60-\$79K	\$80-\$99K	\$100K+
Good	15	18	25	30	36	50
Neither	37	45	43	40	40	28
Bad	47	37	32	29	24	22
EDUCATION/INVESTMENTS	HS or less	College	University	None	<\$100K	>\$100K
Good	18	26	37	12	25	50
Neither	44	42	35	38	43	39
Bad	38	32	28	50	31	12
CONFIDENCE SEGMENTS	Pessimists	Agnostics	Optimists			
Good	19	21	46			
Neither	34	45	36			
Bad	46	34	18			

About a quarter of Canadians rate their own knowledge of investment finances as good

Given the widespread level of saving and investment, it is not surprising that a significant number of Canadians rate their knowledge of investment finances as pretty good. On a seven-point scale, 26 per cent rate themselves a 5, 6 or 7 (Figure 19). Another 40 per cent rate themselves a 4. So two-thirds of Canadians rate themselves as having at least average knowledge in investment finances.

Self-assessments, of course, vary among different demographic segments (Table 20):

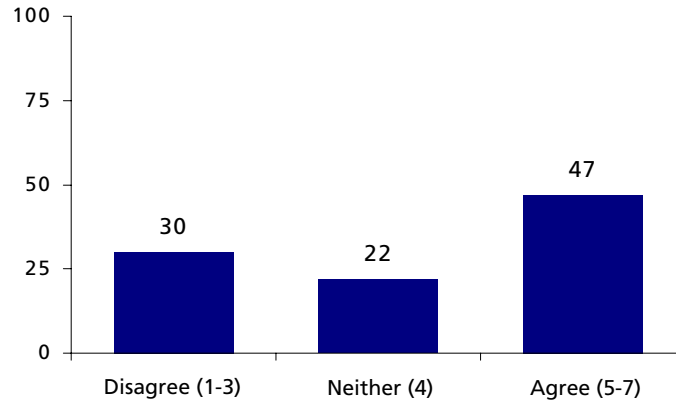
- ❖ Those with higher income, and presumably more money to invest, rate their knowledge higher than do those with lower income; the same holds for those with investments, particularly those with over \$100,000 in investments
- ❖ Those with higher education rate higher than those with less education — three quarters of those with university education rate themselves a "4" or higher on the scale
- ❖ Men rate themselves higher in their investment knowledge than do women
- ❖ Older age groups, who are closer to retirement, rate themselves higher than do the young, though it will be interesting to track whether young people's skills with interactive technology will lead to greater financial sophistication in the future

It is perhaps not surprising that the Optimists rate themselves more highly than do the Pessimists — 46 per cent of the Optimists give themselves a "good" rating, compared with 46 per cent of the Pessimists who rate themselves "bad" in their knowledge of investment finances. This is an important finding, as many confidence segmentation variables speak to knowledge of investments (e.g., comfort with market volatility). As will be shown below, Optimists are much more likely to have a realistic approach to such issues as market volatility and risk assessment.

From a communications point of view, it is worth noting that messages can be expected to reach reasonably informed recipients.

Fig. 20
Comfort with Investment Finances

Q: Personally, I find things about financial investments confusing.



{Base: Canadians, percentages; March 02, n=2508}

Table 21: Comfort With Investment Finances

(per cent)

GENDER/AGE	Male	Female	<25	25-44	45-64	65+
Agree	38	56	50	47	44	50
Neither	24	20	22	21	23	24
Disagree	37	24	28	32	32	25
HOUSEHOLD INCOME	<\$20K	\$20-\$39K	\$40-\$59K	\$60-\$79K	\$80-\$99K	\$100K+
Agree	54	53	45	45	39	34
Neither	22	22	27	22	17	20
Disagree	22	24	26	33	44	47
EDUCATION/INVESTMENTS	HS or less	College	University	None	<\$100K	>\$100K
Agree	51	51	39	53	47	33
Neither	23	24	19	26	22	20
Disagree	24	25	41	20	31	46
CONFIDENCE SEGMENTS	Pessimists	Agnostics	Optimists			
Agree	51	52	38			
Neither	22	20	20			
Disagree	26	27	42			

More than half of all Canadians don't agree that things about financial investing are confusing

It would be understandable given all the jargon and gobbledegook written about financial matters that people would be confused about the issues. However, when Canadians were asked to what extent they agreed or disagreed with the statement: "personally, I find things about financial investments confusing," only 47 per cent agreed (Figure 20). The rest either disagreed or remained neutral.

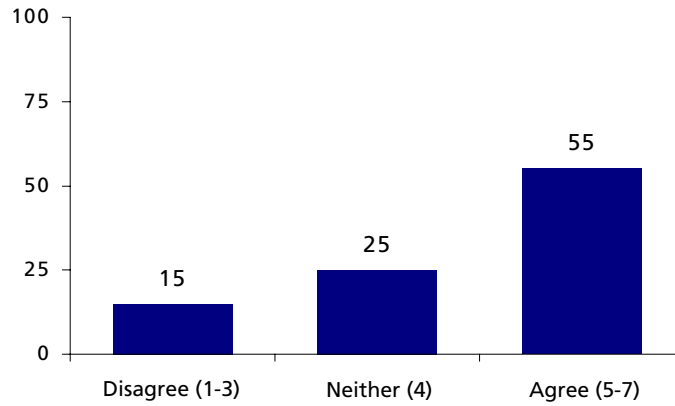
Naturally, the level of confidence varies widely among different segments of the population, but in no single demographic group does agreement with the statement that these issues are confusing rise much above 50 per cent — the highest are women at 56 per cent (Table 21).

In keeping with previous findings with respect to investment acuity, Optimists are much more likely to disagree that they find things about financial investments confusing when compared with either Pessimists or Agnostics.

The implications of this finding for communications policy are similar to those on the previous page. There are a lot of people out there who are pretty confident about their ability to process information on financial matters.

Fig. 21
Comfort with Market Volatility

Q: Stock markets go up and down all the time, but over the long run they produce good returns for investors.



{Base: Canadians, percentages; March 02, n=2508}

Table 22: Comfort with Market Volatility

(per cent)

GENDER/AGE	Male	Female	<25	25-44	45-64	65+
Agree	58	52	49	57	61	48
Neither	25	25	29	27	20	25
Disagree	14	16	19	13	15	16
HOUSEHOLD INCOME	<\$20K	\$20-\$39K	\$40-\$59K	\$60-\$79K	\$80-\$99K	\$100K+
Agree	45	49	57	63	68	71
Neither	27	31	27	21	19	19
Disagree	19	14	12	14	13	9
EDUCATION/INVESTMENTS	HS or less	College	University	None	<\$100K	>\$100K
Agree	49	53	65	43	56	70
Neither	28	28	20	30	24	20
Disagree	16	17	13	18	16	9
CONFIDENCE SEGMENTS	Pessimists	Agnostics	Optimists			
Agree	28	55	82			
Neither	35	29	12			
Disagree	31	9	5			

A lot of Canadians still believe in the stock market

Given quarterly reporting requirements, the size of assets under management, and market volatility, Canadians' comfort with market volatility is a key concern for the CPP Investment Board. How much volatility can Canadians stomach? Will they be highly sensitive to market volatility and lose sight of the long-term perspective?

It is encouraging to find that Canadians generally have a fairly sound understanding of market volatility and comfort with it. Canadians were asked to agree or disagree with the proposition: "Stock markets go up and down all the time, but over the long run they produce good returns for investors." More than half (55 per cent) agree — more than three times as many who disagree (15 per cent). The balance are neutral (Figure 21).

It is interesting to look at the pattern of response to this question among the various demographic groups (Table 22):

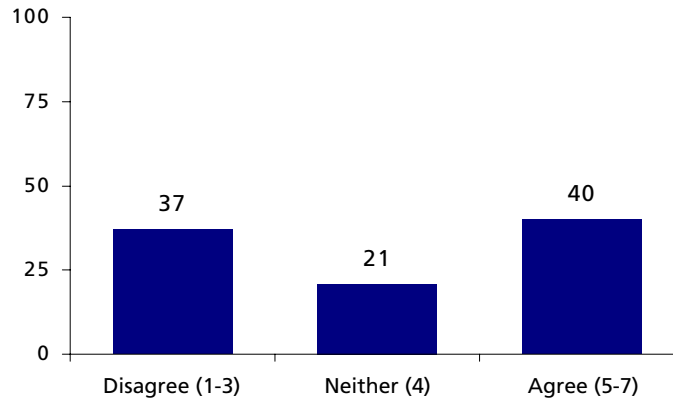
- ❖ The baby boomers are still the stock market generation. The pre-boomers and the post-boomers are slightly more sceptical about the market.
- ❖ Those with money and higher education are also more inclined to believe in the stock market's performance over time — 71 per cent of those with household income exceeding \$100,000 agree with the proposition

This indicator is a segmentation variable and thus plays a key role in driving confidence in the CPP Investment Board's mandate. It clearly differentiates between the three confidence groups — 82 per cent of the Optimists agree with the proposition compared with only 28 per cent of the Pessimists and 55 per cent of the Agnostics. It is worth noting as well that Optimists are more likely than large investors to agree with this statement. This demonstrates that comfort with market volatility is not simply an effect of experience with investments, but part of a broader attitudinal disposition.

Given the importance of the markets to the mandate of the CPP Investment Board, this is an indicator that should be tracked carefully over time. There was a time when Canadians would not have believed strongly in the performance of the stock market. The past few decades have been quite extraordinary both in financial returns and in reversing past negative beliefs, turning many in the Baby Boom generation into strong believers in market returns. More recently, market performance has been less glittering. We need to watch if Canadians' ardour for the market starts to wane and what implications this may have for confidence in the CPP Investment Board's mandate.

Fig. 22
Stock Market Earnings and Luck

Q: Even with the best professional advice, making good money on the stock market is really just a matter of luck.



{Base: Canadians, percentages; March 02, n=2508}

Table 23: Stock Markets Earnings and Luck

(per cent)

GENDER/AGE	Male	Female	<25	25-44	45-64	65+
Agree	37	43	39	39	42	39
Neither	21	21	20	24	17	23
Disagree	41	33	39	35	40	35
HOUSEHOLD INCOME	<\$20K	\$20-\$39K	\$40-\$59K	\$60-\$79K	\$80-\$99K	\$100K+
Agree	46	45	39	41	32	32
Neither	23	23	23	16	21	16
Disagree	27	30	37	42	47	52
EDUCATION/INVESTMENTS	HS or less	College	University	None	<\$100K	>\$100K
Agree	44	44	32	44	39	38
Neither	26	20	16	24	22	15
Disagree	27	35	51	29	38	47
CONFIDENCE SEGMENTS	Pessimists	Agnostics	Optimists			
Agree	48	40	31			
Neither	21	32	17			
Disagree	29	25	51			

Is making good money on the stock market just a matter of luck? Opinion is divided

Two Canadians in five think that, even with the best professional advice, making good money in the stock market is really just a matter of luck (Figure 22). About the same number disagree, and the balance are undecided.

People may make a distinction between professional managers investing pension funds and the average guy trying to increase returns, but it is interesting to see the quite high percentage of Canadians who attribute high stock returns to luck rather than good professional advice.

Remarkably, investors are only slightly less likely to attribute stock earnings to luck, and there is no real difference between larger and smaller investors on this score (Table 23). Nevertheless, investors are more likely to disagree with this idea and almost a half of larger investors (47 per cent) do so.

Those who are most likely to equate good returns with luck are:

- ❖ Women more than men
- ❖ Those with lower incomes
- ❖ Those with lower education

Those who are most likely to disagree with the notion of luck are:

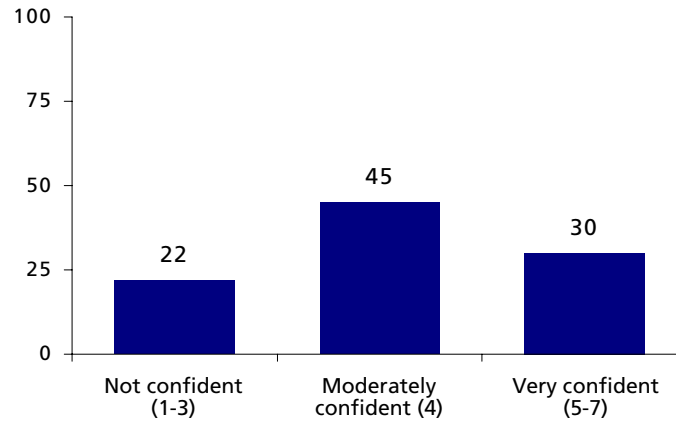
- ❖ Those with higher incomes
- ❖ The Optimists

The concept of luck is a note of caution for CPP Investment Board communications. There are a lot of people out there who think that doing well on the markets is a matter of luck, including investors. Extravagant claims about superior performance and scientific methodology should be checked against the "luck index."

Fig. 23

Investment Professionals and Confidence

Q: How confident are you in the ability of investment professionals to obtain high returns on the stock market over the long-term?



{Base: Canadians, percentages; March 02, n=2508}

Table 24: Investment Professionals and Confidence

(per cent)

GENDER/AGE	Male	Female	<25	25-44	45-64	65+
Very confident	33	27	30	33	32	22
Moderately confident	43	46	46	43	45	47
Not confident	22	22	22	22	22	24
HOUSEHOLD INCOME	<\$20K	\$20-\$39K	\$40-\$59K	\$60-\$79K	\$80-\$99K	\$100K+
Very confident	20	25	34	38	40	41
Moderately confident	49	51	47	41	39	35
Not confident	27	21	18	19	21	23
EDUCATION/INVESTMENTS	HS or less	College	University	None	<\$100K	>\$100K
Very confident	23	33	37	21	33	39
Moderately confident	50	47	37	45	42	39
Not confident	23	19	24	28	23	21
CONFIDENCE SEGMENTS	Pessimists	Agnostics	Optimists			
Very confident	2	19	68			
Moderately confident	32	66	30			
Not confident	62	11	1			

Confidence in investment professionals is strong with three quarters being moderately confident

As shown previously with the confidence segmentation, confidence in the ability of investment professionals to obtain high returns over the long term is a key variable influencing confidence in the CPP Investment Board's mandate. Fully three quarters of Canadians say they are at least moderately confident in the ability of investment professionals, although only 30 per cent say they are very confident (Figure 23).

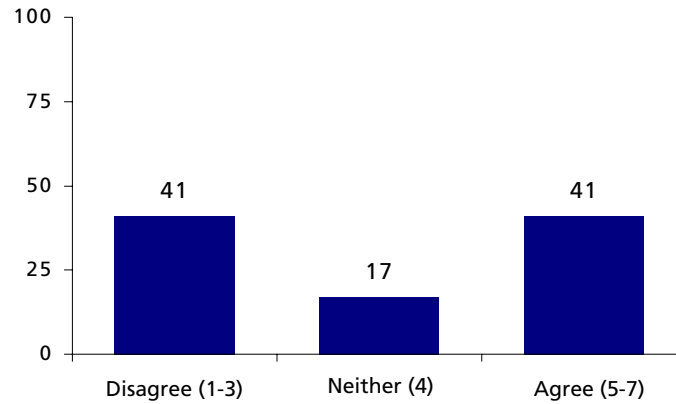
There are only slight variations across demographic subgroups on this indicator, particularly with respect to the number saying they are not confident (Table 24). There are, however, some predictable differences in the numbers indicating moderately and very confident:

- ❖ There is a progressive increase in the number saying they are very confident with increased income
- ❖ A higher level of education also has a positive impact on the number indicating very confident
- ❖ Investors are more likely to be very confident in the ability of investment professionals than non-investors

The most important finding with respect to confidence in the ability of investment professionals, however, is that it has a strong impact on confidence in the CPP Investment Board's mandate. Pessimists and Optimists are entirely polarized on this issue with virtually none of the former saying very confident and none of the latter indicating not confident. Agnostics demonstrate their acuity for fence sitting here with fully two-thirds indicating moderately confident.

Fig. 24
Long-term Earnings on Stock Markets

Q: If I wanted to get the best return on my savings and didn't need the money for another 20 years, I would invest it in the stock market.



{Base: Canadians, percentages; March 02, n=2508}

Table 25: Long-term Earnings on Stock Markets

(per cent)

GENDER/AGE	Male	Female	<25	25-44	45-64	65+
Agree	45	37	43	42	42	31
Neither	16	17	17	18	15	16
Disagree	38	44	38	39	41	49
HOUSEHOLD INCOME	<\$20K	\$20-\$39K	\$40-\$59K	\$60-\$79K	\$80-\$99K	\$100K+
Agree	32	35	43	50	40	52
Neither	18	17	19	15	20	17
Disagree	47	46	36	35	39	31
EDUCATION/INVESTMENTS	HS or less	College	University	None	<\$100K	>\$100K
Agree	34	43	47	28	42	52
Neither	18	17	15	18	16	17
Disagree	45	40	38	50	42	30
CONFIDENCE SEGMENTS	Pessimists	Agnostics	Optimists			
Agree	15	36	66			
Neither	16	19	11			
Disagree	68	42	22			

Opinion is divided as to whether the stock market is the place to be for the best returns on savings over the long run

A key aspect of the CPP Investment Board's activities is based on the Chief Actuary's projections that there will be no need to draw on investment income until the year 2021. In practical terms, this means the CPP Investment Board develops investment strategies with a long-term horizon. Moreover, a key element of these strategies is the belief that equity markets will provide the best long-term returns.

To get a sense of whether this approach resonates with Canadians, the survey asked, if they did not need the money for another 20 years and wanted to get the best return on their savings, would they invest it in the stock market. Overall, the results are split — 41 per cent say they would invest in the stock market; 41 per cent do not agree (Figure 24).

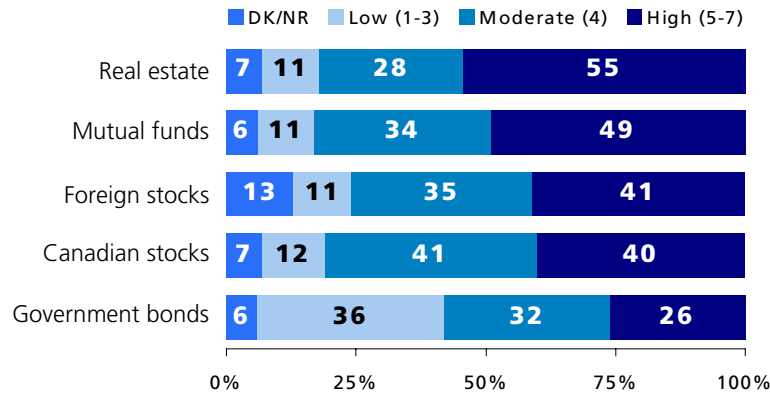
This perhaps reflects something of the scepticism toward market performance noted on the previous page, but as the next page shows, Canadians rate real estate as the best investment vehicle for long term returns. We will also find below that there is a high level of identification with the principle of diversification which is not reflected in this particular indicator.

Among demographic groups, the pattern of agreement mirrors that recorded on the previous page (Table 25). Those most likely to agree that the stock market is the best place to be for higher returns are: men, those below retirement age, and those with money. However, even among these segments significant minorities disagree.

With the confidence segments, this is a question that sorts the sheep from the goats — 66 per cent of Optimists see the stock market as the place to go for returns, while the exact inverse is found with Pessimists (68 per cent disagree).

Fig. 25
Comparing Rate of Return

Q: Thinking generally about the returns you could earn over the long-term from different types of investments, what rate of return you would expect from...



{Base: Canadians; March 02, n=2508}

Table 26: Comparing Rates of Return

(per cent stating high return)

GENDER/AGE	Male	Female	<25	25-44	45-64	65+
Real estate	56	53	49	56	59	50
Mutual funds	48	50	56	53	48	36
Foreign stocks	44	38	42	47	40	26
Canadian stocks	44	36	40	40	41	38
Government bonds	22	29	36	24	22	26
HOUSEHOLD INCOME	<\$20K	\$20-\$39K	\$40-\$59K	\$60-\$79K	\$80-\$99K	\$100K+
Real estate	48	51	61	62	60	56
Mutual funds	41	48	56	54	59	51
Foreign stocks	26	35	43	52	51	56
Canadian stocks	36	38	43	42	46	44
Government bonds	33	31	28	23	16	15
EDUCATION/ INVESTMENTS	HS or less	College	University	None	<\$100K	>\$100K
Real estate	48	51	61	51	58	55
Mutual funds	41	48	56	41	52	54
Foreign stocks	26	35	43	41	52	54
Canadian stocks	36	38	43	35	40	47
Government bonds	33	31	28	33	26	14
CONFIDENCE SEGMENTS	Pessimists	Agnostics	Optimists			
Real estate	54	54	61			
Mutual funds	38	49	63			
Foreign stocks	30	40	57			
Canadian stocks	26	38	54			
Government bonds	25	22	23			

Real estate ranks highest as the type of investment for high returns over the long term

Given the tendency of Canadians to buy their own home as soon as they can, it is not surprising that when asked about the rate of return they would expect to earn over the long term from different types of investment, real estate tops the list.

As shown in Figure 25, 55 per cent rate returns on real estate as being high, compared with 49 per cent for mutual funds, and about 40 per cent for stocks.

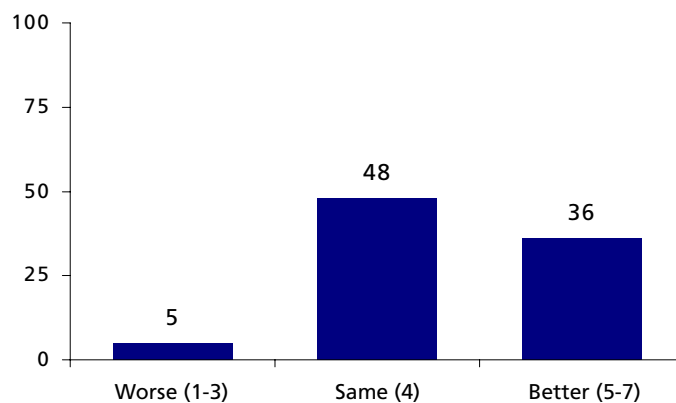
Only a quarter see government bonds as giving high returns over the long run, which provides an interesting perspective on the previous investment practice of the CPP.

The preference for real estate carries across all demographic and confidence groups (Table 26), with the single exception of Optimists, 61 per cent of whom say that real estate gives a high return compared with 63 per cent who say the same for mutual funds.

In the comparison of rates of return, respondents selected between Canadian and foreign stocks, on average rating Canadian stocks slightly higher (as shown on the opposite page). As a refinement, another question was asked to compare Canadian stocks with stocks in major foreign markets such as New York and London. In this case, as Figure 26 below shows, 36 per cent think these markets do better than Canadian markets, compared with only 5 per cent who think they do worse, a finding that is consistent across all demographic and confidence groups.

Fig. 26
New York and London vs. Canadian Markets

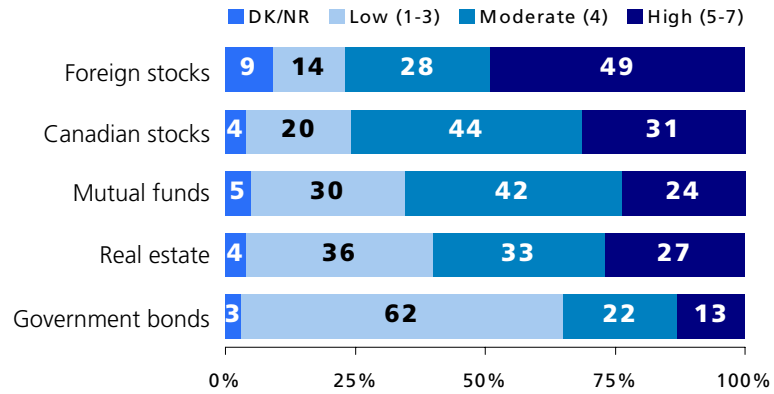
Q: In general, do you think foreign stock markets like New York and London perform better, worse or about the same as Canadian stock markets?



{Base: Canadians, percentages; March 02, n=2508}

Fig. 27
Comparing Risk

Q: In the same way that some types of investments have different rates of return, different types of investments have different levels of risk associated with them. What level of risk would you associate with investing in...



{Base: Canadians; March 02, n=2508}

Table 27: Comparing Investment Risk

(per cent stating high return)

GENDER/AGE	Male	Female	<25	25-44	45-64	65+
Foreign stocks	52	46	54	56	51	25
Canadian stocks	32	30	34	33	31	24
Mutual funds	24	24	16	24	27	24
Real estate	29	25	30	26	25	30
Government bonds	13	13	16	11	11	17
HOUSEHOLD INCOME	<\$20K	\$20-\$39K	\$40-\$59K	\$60-\$79K	\$80-\$99K	\$100K+
Foreign stocks	39	43	56	54	64	59
Canadian stocks	25	29	31	30	35	38
Mutual funds	20	22	26	26	25	22
Real estate	28	30	28	24	26	20
Government bonds	19	16	11	8	7	8
EDUCATION/INVESTMENTS	HS or less	College	University	None	<\$100K	>\$100K
Foreign stocks	40	53	57	41	53	53
Canadian stocks	27	30	37	26	32	34
Mutual funds	24	25	23	21	23	28
Real estate	29	26	26	29	28	25
Government bonds	19	10	9	17	10	12
CONFIDENCE SEGMENTS	Pessimists	Agnostics	Optimists			
Foreign stocks	44	47	57			
Canadian stocks	32	29	38			
Mutual funds	24	24	27			
Real estate	25	25	30			
Government bonds	14	13	10			

Canadians can distinguish quite clearly between the risks associated with different types of investment

Most people are able to associate different levels of risk with different types of investment (just as they have an opinion about different rates of return on those investments). Very few people say they don't know — for instance, only 9 per cent are unable to assign a risk to foreign stocks, and the "don't knows" for other categories are much lower than that.

There is a definite hierarchy of risk in these investment types (Figure 27).

- ❖ Heading the category of investments with the highest risk are foreign stocks, though, as mentioned on the previous page, this may be because foreign stocks is a mixed bag. Virtually all groups classify foreign stocks as the riskiest.
- ❖ Canadian stocks are associated with a higher level of risk than mutual funds, which is reasonable assuming that mutual funds are professionally managed and diversified
- ❖ While being seen as having high returns, real estate is also viewed as being lower on the risk chart. Interestingly, 30 per cent of those over 65 place real estate in the highest risk category, more than any other investment type. Perhaps this relates to long experience with owning property.
- ❖ Government bonds rank at the bottom of the risk table, with almost two thirds (62 per cent) saying that the risk on these bonds is low.

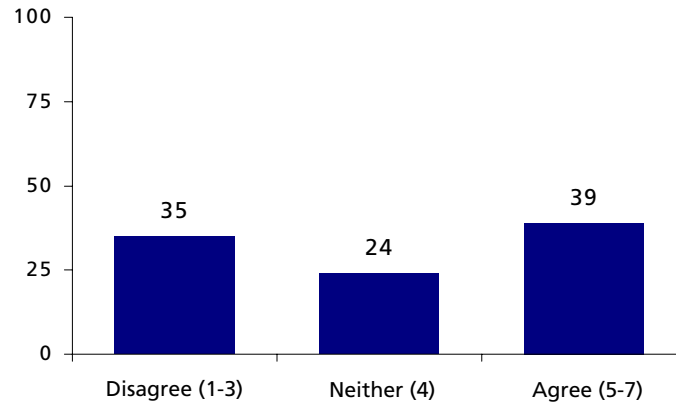
Looking across demographic groups, there are interesting findings pertaining to perceptions of risk (Table 27).

- ❖ Investors rate the risk of Canadian and foreign stocks, as well as mutual funds, consistently higher than non-investors
- ❖ The same finding emerges when comparing higher and lower income subgroups, and university graduates are also more likely to rate the risks of stocks higher
- ❖ With the exception of government bonds, Optimists are more likely to assign high risks with all investment types

Given the CPP Investment Board's decision to diversify into new areas of investment, it is encouraging to note that Canadians understand about risk and return, and are likely to be receptive to communications on these subjects. This is particularly acute with respect to equity investments. Key segments rate equity investments as having higher risk — it would be important to highlight investments in areas that are perceived as being lower risk to show a balance of risk through diversification.

Fig. 28
Worries about Taking Investment Risks

Q: When investing your savings, it's a bad idea to take risks to earn more money.



{Base: Canadians, percentages; March 02, n=2508}

Table 28: Worries about Investment Risks

(per cent)

GENDER/AGE	Male	Female	<25	25-44	45-64	65+
Agree	38	40	41	35	41	42
Neither	24	25	28	24	23	24
Disagree	37	33	30	40	34	31
HOUSEHOLD INCOME	<\$20K	\$20-\$39K	\$40-\$59K	\$60-\$79K	\$80-\$99K	\$100K+
Agree	46	42	39	41	29	32
Neither	24	24	26	22	27	21
Disagree	28	31	34	36	44	46
EDUCATION/INVESTMENTS	HS or less	College	University	None	<\$100K	>\$100K
Agree	40	40	37	41	40	36
Neither	27	27	19	26	25	22
Disagree	30	31	43	29	35	39
CONFIDENCE SEGMENTS	Pessimists	Agnostics	Optimists			
Agree	39	38	35			
Neither	24	26	23			
Disagree	35	34	41			

Canadians are ambivalent about taking risks to increase returns

Canadians' appetite to investment risks is a critical area of concern for the CPP Investment Board. Taking greater risks than was previously the case with CPP assets is part and parcel of the CPP Investment Board's *modus operandi*. As a result, it is instructive to get a sense for where Canadians sit on the issue of taking investment risks to increase returns.

Faced with the proposition: "When investing your savings, it's a bad idea to take risks to earn more money," Canadians are almost evenly split — 39 per cent agree, 35 per cent disagree and the balance are in the middle (Figure 28).

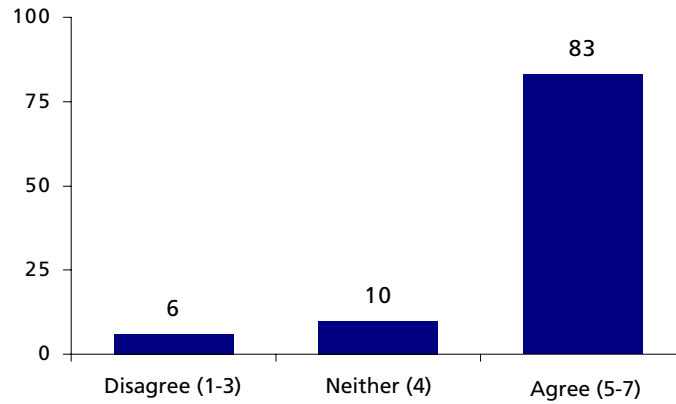
Caution spreads across all demographic subgroups, as approximately a third from each agree that taking investment risks to increase returns is a bad idea (Table 28). There are, however, some notable differences:

- ❖ Those groups most likely to assign higher risk to equity investments (as seen with the risk comparison indicator) — higher income, investors, university educated — are the least likely to show an aversion to taking risks to increase returns, although many in these groups still exhibit caution
- ❖ Women are somewhat more likely to be on the side of caution than are men
- ❖ Interestingly, the young are more cautious than their elders, at about the same level as those who are past retirement age
- ❖ Those with the least money are particularly cautious. A significant proportion of those with the most money are also cautious, though more are inclined to disagree with the proposition, implying that it is not a bad idea to take risks to earn more money

Optimists too are more likely to rate risks associated with equity investments higher than others, but also significantly less likely to show an aversion to taking risks to increase returns. It is nonetheless surprising to see over a third of Optimists (35 per cent) agree that it is a bad idea to take risks. In this regard, they are almost identical in their views with the Pessimists.

Fig. 29
The Principle of Diversification

Q: It's a good idea to have a mix of different types of investments, that way you'll be protected against too much risk.



{Base: Canadians, percentages; March 02, n=2508}

Table 29: The Principle of Diversification

(per cent)

GENDER/AGE	Male	Female	<25	25-44	45-64	65+
Agree	85	82	77	85	88	76
Neither	9	11	12	10	7	13
Disagree	5	6	9	5	4	6
HOUSEHOLD INCOME	<\$20K	\$20-\$39K	\$40-\$59K	\$60-\$79K	\$80-\$99K	\$100K+
Agree	72	79	87	91	89	93
Neither	14	14	7	7	7	3
Disagree	10	6	5	2	4	4
EDUCATION/INVESTMENTS	HS or less	College	University	None	<\$100K	>\$100K
Agree	74	87	91	70	87	93
Neither	15	8	5	16	9	3
Disagree	9	3	3	11	4	3
CONFIDENCE SEGMENTS	Pessimists	Agnostics	Optimists			
Agree	73	85	91			
Neither	13	9	6			
Disagree	9	5	3			

The Principle of Diversification

The investment policy that Canadians really believe in is Diversification

Another key feature of the CPP Investment Board's mandate is to diversify the asset portfolio of the CPP. The study probed Canadians on this front and finds that the principle of diversification had an extremely high degree of resonance with Canadians.

When presented with the proposition: "It's a good idea to have a mix of different types of investments -- that way you'll be protected against too much risk," 83 per cent agree, and an almost negligible 6 per cent disagree (Figure 29).

The proposition resounds almost equally across all segments of the population (Table 28). It is worth noting that the principle of diversification rings true to a higher extent with key subgroups — higher income, investors, higher educated, Optimists. This is particularly noteworthy given these same segments assign higher risk to equity investments than others.

With such a high degree of identification across all segments of the population, the idea of diversification should figure prominently in the CPP Investment Board's communications platform.

Views on Investments

In sum ...

- ❖ Canadians are no strangers to investing. Three quarters have investments, or have had them in the past
- ❖ As a way of supplementing a pension, the amount most people have in investment assets is relatively modest – less than a third have financial assets of more than \$100,000
- ❖ In managing their investment assets, a quarter of all Canadians instruct their advisers to invest in ethical investments. Ethical investing is not a marginal topic.
- ❖ In preparation for retirement, a majority of Canadians have RRSPs and a large minority is entitled to a pension from their employer
- ❖ In general, people make more preparations the closer they are to retirement, but there is still a significant number who have no independent financial resources
- ❖ A majority is aware of the operations of major pension funds, though not in any great detail
 - Two thirds of Canadians rate themselves as having at least average knowledge in investment matters
 - A quarter rate themselves as pretty knowledgeable
- ❖ More than half don't agree that the topic of financial investing is confusing
- ❖ People tend to believe in the stock market, though a lot think that luck plays a significant role in stock market returns
- ❖ Confidence in the ability of investment professionals is strong and has a major influence on confidence in the CPP Investment Board
- ❖ Overall, Canadians select real estate as the best investment for long term returns, and rank mutual funds second
- ❖ Canadians also understand risk and can differentiate between the risks associated with different types of investment
- ❖ In general, their approach to risk is one of caution – many would not take risks with their savings to earn greater returns
- ❖ The true Canadian investment policy is one of diversification of assets to protect against too much risk

Investing CPP Assets

At the heart of the CPP Investment Board is the mandate to invest CPP assets to increase returns and help ensure the long-term stability of the CPP. This chapter examines this mandate from a number of different perspectives, including risk tolerance, comfort with market volatility, perceptions of investing CPP assets in stock markets and the impact of these activities on confidence.

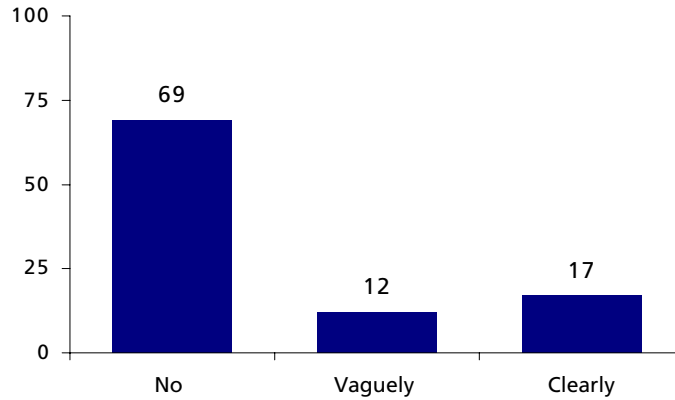
The sections in this chapter of the report are:

- ❖ *Awareness of CPP assets*
- ❖ *Broad stance towards risk*
- ❖ *Investing CPP assets in stock markets*
- ❖ *Investing CPP assets and risk tolerance*
- ❖ *Concerns about investing CPP assets*
- ❖ *Investing CPP Assets and market volatility*
- ❖ *Impact of equity investing on confidence*

Fig. 30

Awareness of CPP Assets

Q: Were you aware that there is currently a large pool of CPP assets to help pay future pension benefits?

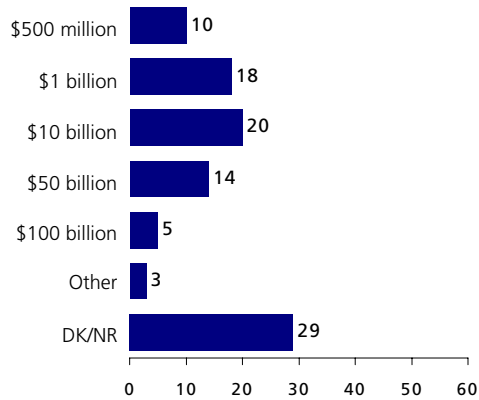


{Base: Non-Quebecers, percentages; March 02, n=239}

Fig. 31

Amount of Total CPP Assets

Q: Approximately how much do you think CPP assets currently amount to in total?
Would you say they amount to ...



{Base: Non-Quebecers, percentages; March 02, n=239}

Very few Canadians are aware of CPP assets and even fewer understand the amount of assets

It has already been shown that Canadians have a fairly sketchy understanding of the CPP and feel it is in much worse shape than it is in actuality. Reflecting these perceptions of the CPP are the very low levels of awareness that the CPP has a large pool of assets — just under three in ten (29 per cent) are aware and almost half of those only vaguely aware (Figure 30).

At the time of the survey, the total amount of CPP assets was approximately \$53 billion. Estimates of the amount of CPP assets is generally well below the actual amount (Figure 31). Almost half of all Canadians (48 per cent) believe CPP assets total no more than \$10 billion, with a more than a quarter (29 per cent) being unsure. Just under two in ten (19 per cent) estimate that it is \$50 billion or more.

From a communications perspective this is something of a good news story. Without a doubt many Canadians would be pleasantly surprised to know the extent of the assets in the CPP, and this could only improve perceptions of both the CPP and the CPP Investment Board.

Fig. 32

Broad Stance towards Risks and CPP Assets

Q: Which of the following two statements is closest to your own point of view?

CPP assets should be invested by taking reasonable risks to maximize returns to help ensure ...

CPP assets should be invested in the safest possible investments even if it results in lower earnings and the need to ...

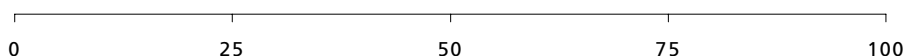
... that CPP benefits will be paid in the future.

... reduce CPP benefits in the future.



... there will be no need to further increase CPP premiums in the future.

... further increase CPP premiums in the future.



{Base: Non-Quebecers, percentages; March 02, n=2258; 1/2 sample rotation}

Table 30: Stance towards Risks and CPP Assets (benefits)

(per cent)

GENDER/AGE	Male	Female	<25	25-44	45-64	65+
Reasonable risks	63	63	67	66	61	55
Safety	36	35	32	33	37	42
HOUSEHOLD INCOME	<\$20K	\$20-\$39K	\$40-\$59K	\$60-\$79K	\$80-\$99K	\$100K+
Reasonable risks	53	53	64	70	70	75
Safety	43	45	34	29	30	24
EDUCATION/INVESTMENTS	HS or less	College	University	None	<\$100K	>\$100K
Reasonable risks	56	61	71	55	64	68
Safety	42	38	28	42	35	31
SEGMENTS/CONTRIBUTORS	Pessimists	Agnostics	Optimists	Never	Past	Current
Reasonable risks	46	66	74	60	58	66
Safety	52	32	25	37	40	33

Most Canadians agree with the CPP Investment Board's broad approach to investing CPP assets

In order to get a sense of where Canadians sit with respect to risk and investing CPP assets, they were probed using forced choice question juxtaposing taking reasonable risks to increase return with taking a cautious approach.³ The question was rotated with two different wordings — one cautioning that the safe approach could result in reduced benefits, the other increased premiums.

Overall, a majority opt for the assuming risks in the investment of CPP assets, whether this implies either reduced benefits or increased premiums (Figure 32). The basic mandate of the CPP Investment Board resonates with more Canadians than not, although there is a great deal of caution among them with over a third opting for the low risk route.

It should be borne in mind, of course, that large numbers of Canadians feel the CPP is in poor financial shape. How changed perceptions of the CPP's financial security may impact the willingness to assume risks is unclear. For instance, those who feel the CPP is heading in the wrong direction are slightly more likely to opt for taking risks.

Looking at demographic subgroups⁴ (Table 30), the trends are virtually identical to those found with investment risks generally.

- ❖ Those most willing to assume risk are higher income, more well educated and investors
- ❖ On an encouraging note, current contributors are more likely than past or non-contributors to assume risk to improve the health of the CPP

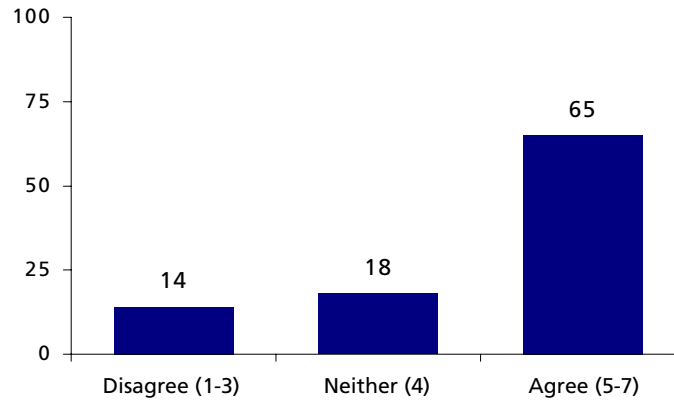
Optimists are much more likely to opt for taking reasonable risks when investing CPP assets. While under a half of Pessimists (46 per cent) are willing to take risks, this number grows to almost three quarters with Optimists (74 per cent). Clearly, Optimists are very much in tune with the CPP Investment Board's mandate.

³ It should be noted that this question, as well as others dealing with the investment of CPP assets, was posed to respondents after they had been informed of the existence of CPP assets. The following statement was read to preface the questions discussed in this chapter: "CPP assets currently total approximately \$52 billion. In 1997, the federal and provincial governments decided to invest CPP assets in the same way as other pension funds do. This was done to increase the earnings on these assets with the goal of improving the long-term health of the CPP."

⁴ For purposes of clarity, only those findings for the benefits wording rotation are presented with demographic breakouts. Results for the increased premiums rotation show the same trends.

Fig. 33
Investing CPP Assets in Stock Markets

Q: I would be okay with investing a portion of CPP assets in the stock market if I knew that the rest of the assets were invested in other kinds of investments like government bonds.



{Base: Non-Quebecers, percentages; March 02, n=2258}

Table 31: Investing CPP Assets in Stock Markets

(per cent)

GENDER/AGE	Male	Female	<25	25-44	45-64	65+
Agree	66	65	63	70	66	61
Neither	19	18	21	18	16	21
Disagree	14	15	14	12	16	15
HOUSEHOLD INCOME	<\$20K	\$20-\$39K	\$40-\$59K	\$60-\$79K	\$80-\$99K	\$100K+
Agree	58	65	69	71	75	69
Neither	23	20	18	17	10	14
Disagree	17	13	12	10	15	17
EDUCATION/INVESTMENTS	HS or less	College	University	None	<\$100K	>\$100K
Agree	58	69	71	58	68	72
Neither	23	18	14	23	18	14
Disagree	16	13	14	16	13	14
SEGMENTS/CONTRIBUTORS	Pessimists	Agnostics	Optimists	Never	Past	Current
Agree	58	69	71	54	63	69
Neither	23	18	14	26	18	17
Disagree	16	13	14	15	17	13

Almost two thirds of all Canadians are comfortable with investing a portion of CPP assets in equity markets (assuming a bond portfolio)

Reflecting the generally positive views towards stock markets and diversification discussed in the previous chapter, investing CPP assets in stock markets is agreeable to most Canadians — assuming the overall portfolio includes more secure investments such as government bonds.

Overall, almost two-thirds of Canadians say they would be comfortable with investing a “portion” of CPP assets in the stock market (Figure 33). Only a small minority disagree with this proposition. (As will be seen below, the size of this portion is critical to the level of comfort with stock market investments.)

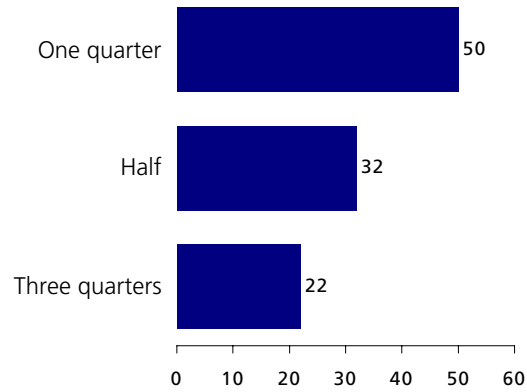
There are predictable differences across demographic subgroups (Table 31):

- ❖ Higher income individuals and investors are generally more comfortable with investing CPP assets in stock markets.
- ❖ Increased level of education also translates into higher comfort with equity investments.
- ❖ Current and past contributors are much more likely than non-contributors to agree with investing CPP assets in equities

The results show once again the way the different confidence segments fall in with the CPP Investment Board’s approach. Clearly, Optimists and Agnostics are much more comfortable with the idea of investing CPP assets in stock markets than Pessimists, although a majority of the latter agree with the idea in principle.

Fig. 34
Investing CPP Assets and Risk Tolerance

Q: I have no problem with up to ... a quarter/a half/three quarters ... of the total CPP assets being invested in the stock market.



{Base: Non-Quebecers, percentage agreeing (5-7); March 02, n=2508 (1/3 sample each)}

Table 32: Investing CPP Assets and Risk Tolerance

(per cent)

GENDER/AGE	Male	Female	<25	25-44	45-64	65+
One quarter	57	44	42	54	51	48
Half	38	27	33	34	33	29
Three quarters	27	17	26	25	18	19
HOUSEHOLD INCOME	<\$20K	\$20-\$39K	\$40-\$59K	\$60-\$79K	\$80-\$99K	\$100K+
One quarter	32	49	48	49	62	72
Half	25	29	33	40	31	34
Three quarters	21	18	16	32	25	27
EDUCATION/INVESTMENTS	HS or less	College	University	None	<\$100K	>\$100K
One quarter	44	51	56	34	51	65
Half	29	30	39	25	33	41
Three quarters	19	24	23	16	23	27
SEGMENTS/CONTRIBUTORS	Pessimists	Agnostics	Optimists	Never	Past	Current
One quarter	25	54	68	40	48	52
Half	16	27	52	39	28	34
Three quarters	8	19	39	18	18	25

While most are comfortable with investing a portion of CPP assets in stock markets, an amount exceeding one quarter of total assets may result in concerns

To measure tolerance to the risk of investing CPP assets in the stock market, the total sample of respondents was divided into three and each group was asked about their acceptance of a different portion of CPP assets being invested in stocks.

Despite the caution, 50 per cent say they would not object to a quarter of total CPP assets being invested in the stock market (Figure 34). About a third (32 per cent) would not object to half the assets being invested in the market. Just less than a quarter (22 per cent) would be prepared to tolerate three quarters of the CPP's assets being in the market

This chart is an interesting measure of risk tolerance. It appears as though any amount above one quarter of total assets invested in stock markets would give cause for concerns. It should be noted, however, that were a higher amount combined with more secure investments, concerns would likely be less widespread.

The analysis by different demographic segments is also revealing (Table 32):

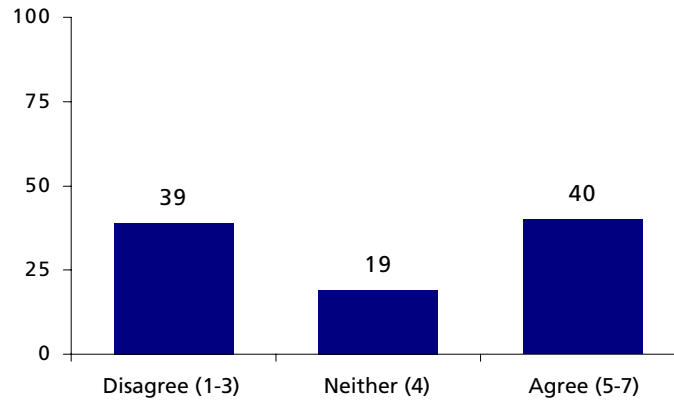
- ❖ Predictably, higher income individuals and investors show significantly higher levels of tolerance
- ❖ Males are somewhat more risk tolerant than females
- ❖ The young are more tolerant than the older groups – interestingly the pre-retirement group show less tolerance than the younger boomer group
- ❖ Contributors are somewhat more tolerant, though not consistently so

As might be expected, the Pessimists are much more nervous – only 25 per cent could accept a quarter of CPP funds invested in the market, and a mere 8 per cent could live with 75 per cent investment. Optimists are more than twice as likely to accept stock market investments regardless of the amount.

In general, Canadians appear to be ready to accept some investment of CPP funds in the stock market, but the tolerance for investment of higher amounts drops sharply, reflecting a cautious approach.

Fig. 35
Concerns about Investing CPP Assets

Q: It is a bad idea to invest a portion of CPP assets in the stock market, because the CPP could lose a lot of money and not be able to pay future pension benefits.



{Base: Non-Quebecers, percentages; March 02, n=2258}

Table 33: Concerns about Investing CPP Assets

(per cent)

GENDER/AGE	Male	Female	<25	25-44	45-64	65+
Agree	34	46	44	39	35	43
Neither	18	21	25	19	17	20
Disagree	47	32	31	41	47	34
HOUSEHOLD INCOME	<\$20K	\$20-\$39K	\$40-\$59K	\$60-\$79K	\$80-\$99K	\$100K+
Agree	51	39	41	35	36	28
Neither	21	21	21	19	16	14
Disagree	28	37	37	45	48	57
EDUCATION/INVESTMENTS	HS or less	College	University	None	<\$100K	>\$100K
Agree	44	43	32	48	39	30
Neither	24	21	14	22	20	15
Disagree	30	34	53	27	39	54
SEGMENTS/CONTRIBUTORS	Pessimists	Agnostics	Optimists	Never	Past	Current
Agree	57	38	26	45	42	37
Neither	18	25	15	21	21	18
Disagree	23	34	58	31	35	44

There is ambivalence about whether CPP assets should be invested in the stock market

When presented with the prospect of losing money and potentially jeopardizing the ability of the CPP to pay benefits, far fewer agree with investing a portion of CPP assets in equities compared against the scenario discussed above involving a diversified portfolio. This is certainly a worst case scenario, but it gives a sense of how Canadians may respond to sensational media reports should there be large losses.

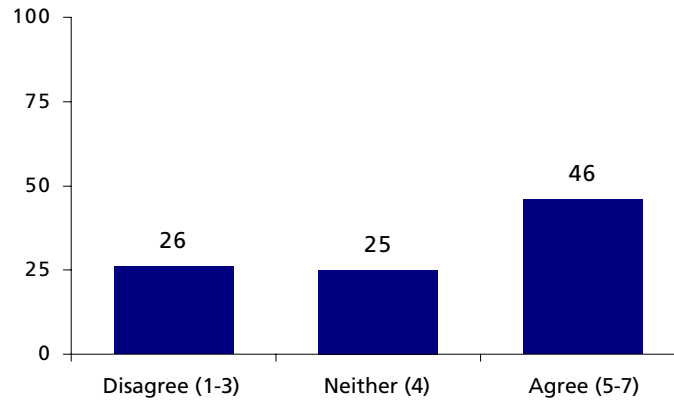
Canadians are divided on the reaction to the proposition: “It is a bad idea to invest a portion of CPP assets in the stock market, because the CPP could lose a lot of money and not be able to pay future pension benefits.” Two in five agree with the proposition, two in five disagree and the rest have no opinion (Figure 35). It is perhaps a testament to the level of risk Canadians are willing to take with equity investments that, even with a doomsday threat, 39 per cent disagree that equity investments are a bad idea.

Those who are more likely to agree with this negative proposition, as might be expected, are: females; the young and old more than the middle aged; the less affluent; and the less well educated (Table 33).

With the confidence segments, Pessimists and Optimists are at opposite ends of the spectrum — while 57 per cent of Pessimists agree, 58 per cent of Optimists disagree.

Fig. 36
Investing CPP Assets and Market Volatility

Q: Although there may be occasional short-term losses if CPP assets were invested in stock markets, it wouldn't bother me because the gains will more than compensate over the next 20 years.



{Base: Non-Quebecers, percentages; March 02, n=2258}

Table 34: Investing CPP Assets and Market Volatility

(per cent)

GENDER/AGE	Male	Female	<25	25-44	45-64	65+
Agree	52	40	44	49	48	41
Neither	22	27	28	25	22	25
Disagree	24	29	26	25	28	25
HOUSEHOLD INCOME	<\$20K	\$20-\$39K	\$40-\$59K	\$60-\$79K	\$80-\$99K	\$100K+
Agree	34	40	51	50	56	61
Neither	30	33	21	25	15	16
Disagree	30	22	27	23	29	22
EDUCATION/INVESTMENTS	HS or less	College	University	None	<\$100K	>\$100K
Agree	38	46	55	33	47	60
Neither	30	25	18	32	25	15
Disagree	26	29	24	29	26	22
SEGMENTS/CONTRIBUTORS	Pessimists	Agnostics	Optimists	Never	Past	Current
Agree	23		71	33	43	50
Neither	30		15	32	26	22
Disagree	43		13	27	26	26

Canadians are reasonably unconcerned about market volatility

In general, Canadians have a reasonable assessment of the risks of investing in the stock market, and as a result they take a pretty mature attitude toward market volatility. When asked for their opinion on the proposition; “Although there may be occasional short-term losses if CPP assets were invested in stock markets, it wouldn’t bother me because the gains will more than compensate over the next 20 years,” nearly a half (46 per cent) agree. About a quarter disagree (Figure 36).

These findings are similar to what was seen in the previous chapter with respect to market volatility generally. Yet there is a higher degree of uneasiness with volatility when it involves potential losses to CPP assets.

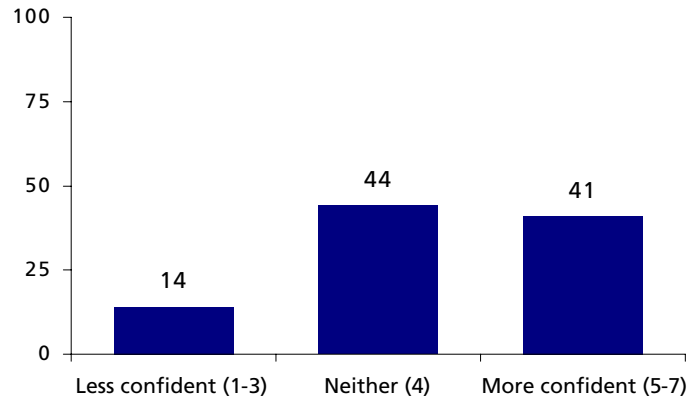
The pattern of agreement across demographic subgroups is a little different from that observed on other indicators (Table 34).

- ❖ The strongest level of agreement is among males, the middle aged, the wealthier and the better educated.
- ❖ However, disagreement with the statement is not the mirror image. Levels of disagreement are fairly consistent across all groups, at about 25 per cent. The balance is made up of those who sit on the fence on this issue.

While Optimists are the most likely to agree with the statement than any other subgroup (by a full 10 percentage points), Pessimists are the most likely to disagree (by an even larger margin) — again demonstrating the respective affinity and disaffection of the confidence segments with the CPP Investment Board and its approach.

Fig. 37
Impact of Equity Investing on Confidence

Q: Does the fact that CPP assets are being invested to increase returns make you more or less confident in the long-term health of the Canada Pension Plan?



{Base: Non-Quebecers, percentages; March 02, n=2258}

Table 35: Impact of Equity Investments on Confidence

(per cent)

GENDER/AGE	Male	Female	<25	25-44	45-64	65+
More confident	46	35	42	40	43	38
Neither	39	50	47	44	43	46
Less confident	13	14	10	15	14	13
HOUSEHOLD INCOME	<\$20K	\$20-\$39K	\$40-\$59K	\$60-\$79K	\$80-\$99K	\$100K+
More confident	26	42	45	48	44	48
Neither	52	42	42	40	43	40
Less confident	20	14	13	11	14	12
EDUCATION/INVESTMENTS	HS or less	College	University	None	<\$100K	>\$100K
More confident	34	39	49	31	41	51
Neither	50	47	36	49	45	35
Less confident	14	13	13	17	12	14
SEGMENTS/CONTRIBUTORS	Pessimists	Agnostics	Optimists	Never	Past	Current
More confident	17		64	33	39	43
Neither	51		32	48	46	43
Less confident	30		3	12	13	14

Overall, investing CPP assets to increase returns improves Canadians' confidence in the CPP

The impact of the CPP Investment Board's broad mandate on confidence is the ultimate measure of the public confidence. At this early stage, it is difficult to get a clear reading on this issue due to Canadians' lack of familiarity with the CPP Investment Board, its activities, and even the existence of CPP assets. Nevertheless, it is crucial to obtain a benchmark at an early stage.

To establish this benchmark and work towards understanding public confidence in the CPP Investment Board's mandate, Canadians were asked: "Does the fact that CPP assets are being invested to increase returns make you more or less confident in the long-term health of the Canada Pension Plan." The balance of opinion is favourable to the concept with 41 per cent saying this makes them more confident about the CPP, and only 14 per cent expressing lowered confidence (Figure 37).

It needs to be noted that much of this increased confidence is fairly soft, reflecting the lack of familiarity with the CPP Investment Board, CPP assets and the CPP itself. Of the 41 per cent indicating that the investment of CPP assets increases their confidence in the long-term health of the CPP, more than half of them are on the lower end of the spectrum. Overall, those answering either a 6 or 7 on the seven point scale are only 15 per cent and the remaining 26 per cent answered 5. Effectively, the vast majority of Canadians sit on the fence on this issue — fully 70 per cent say it neither increases nor decreases their confidence in the long-term health of the CPP or that it just slightly increases it.

On a more positive note, the findings clearly show that, at worst, only a small minority have their confidence negatively effected by the investment of CPP assets.

Significantly, confidence in the CPP Investment Board's mandate is fairly consistent across demographic subgroups, although it spikes somewhat with those groups shown to have a greater affinity for equity investments — higher income, university educated and investors, particularly larger investors (Table 35).

Reflecting the extent to which Pessimists are at odds with the CPP Investment Board's mandate, they are more than twice as likely as Canadians overall to say investing CPP assets will lessen their confidence. Moreover, only a small minority say it will increase their confidence and they are fully ten times as likely to say it will decrease compared to Optimists. Optimists are more or less fully in tune with the CPP Investment Board's mandate — an almost negligible 3 per cent of Optimists report lowered confidence with this indicator, while a substantially larger number than any other subgroup report increased confidence.

Investing CPP assets

In sum ...

- ❖ Very few Canadians are aware of CPP assets, and even fewer know the size of the assets — most of those who say they are aware underestimate the size by a fair margin.
- ❖ In general, Canadians are cautious but positively disposed towards taking some risks to increase returns on CPP assets.
- ❖ Most Canadians are comfortable with investing a portion of CPP assets in the stock market, but anything above one quarter of total assets gives cause for significant concerns
- ❖ When presented with the prospect of losing money on investments, Canadians are cautious about the idea of CPP assets being invested on stock markets.
- ❖ Canadians are reasonably well informed about market volatility and have a fairly mature attitude towards the issue.
- ❖ The impact of investing CPP assets to increase returns and improve the long-term viability of the CPP on confidence is only modest at this point, although only a few Canadians say their confidence in the CPP would lessen.

The CPP Investment Board

While the previous chapter examined the activities of the CPP Investment Board, this chapter is an examination of the CPP Investment Board itself, including awareness, performance ratings, and key elements of the CPP Investment Board's model (using investment professionals, maintaining independence).

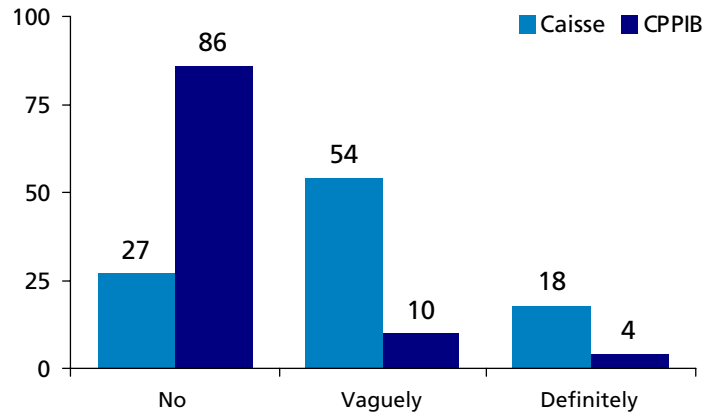
The sections in this chapter of the report are:

- ❖ *Awareness of the CPP Investment Board*
- ❖ *Keeping the CPP promise*
- ❖ *Performance of the CPP Investment Board*
- ❖ *Comfort with using investment professionals*
- ❖ *Using investment professionals and confidence*
- ❖ *Doubts about recruiting qualified professionals*
- ❖ *Concerns about political influence*
- ❖ *Board Accountability*

Fig. 38

Awareness of the CPP Investment Board

Q: Have you ever heard of the Canada Pension Plan Investment Board/
Caisse de Depot et Placements?

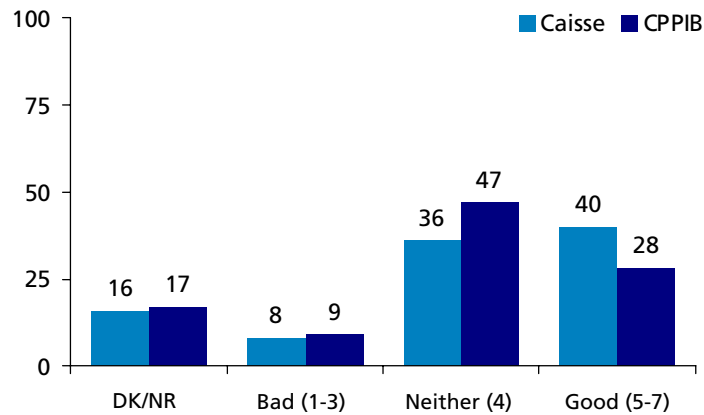


{Base: Canadians, percentages; March 02, ROC n=2258; Que. n=250}

Fig. 39

Performance of the CPP Investment Board

Q: In your opinion, how would you rate the overall performance of the Canada Pension Plan Investment Board's investment activities?



{Base: Those who indicate some awareness, percentages; March 02, ROC n=285; Que. n=182}

Only a very small minority of Canadians are aware of the CPP Investment Board

Given the short time the CPP Investment Board has been in existence, it comes as no surprise that there are very low levels of awareness about it. Overall, only 14 per cent are at least vaguely aware, and a tiny minority of 4 per cent say they are clearly aware of the CPP Investment Board (Figure 38).

Quebec results with respect to the Caisse provide a loose benchmark against which to measure awareness. After many years of existence, almost three quarters of Quebecers are aware of the Caisse (albeit only 18 per cent clearly aware). It would be expected over a comparable period of time that awareness of the CPP Investment Board will reach similar levels.

Given how few Canadians are aware of the CPP Investment Board, there are no significant differences to report across demographic subgroups.

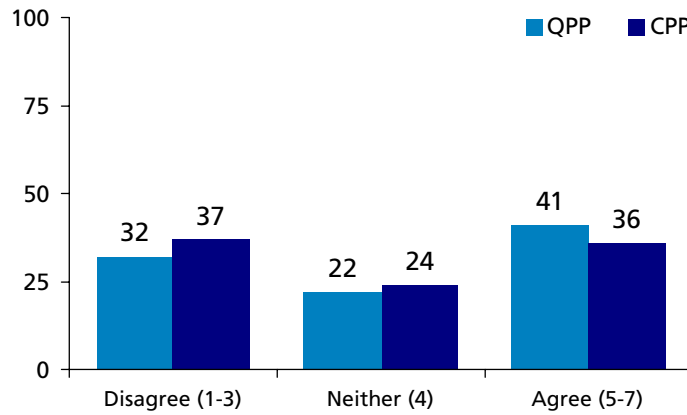
Perceptions of performance are generally positive, although many are ambivalent

Given that most of those indicating awareness of the CPP Investment Board are only “vaguely” aware, it is not surprising to find that almost half of them rate performance as “neither good nor bad.” At this early stage it is not expected that highly significant findings would emerge from this benchmark, but it is positive that over a quarter rate overall performance as “good”, outnumbering those who feel performance has been bad by more than three to one (Figure 39).

Again, the Caisse can be used as something as a benchmark. However, performance is a much different affair than awareness. Familiarity will often increase performance ratings, but not necessarily so. There are many factors influencing performance ratings and familiarity is only one of them.

Fig. 40
Keeping the CPP Promise

Q: Nobody is doing anything to ensure that the CPP/QPP is there for me when I retire.



(Base: Canadians (non-retirees), percentages; March 02, ROC n=1877; Que. n=165)

Table 36: Keeping the CPP promise

(non-Quebecers, per cent)

GENDER/AGE	Male	Female	<25	25-44	45-64	65+
Agree	34	38	36	40	31	24
Neither	23	24	24	24	22	25
Disagree	40	34	39	33	44	32
HOUSEHOLD INCOME	<\$20K	\$20-\$39K	\$40-\$59K	\$60-\$79K	\$80-\$99K	\$100K+
Agree	39	41	35	35	35	32
Neither	23	22	27	24	21	19
Disagree	34	34	35	39	42	47
EDUCATION/INVESTMENTS	HS or less	College	University	None	<\$100K	>\$100K
Agree	35	38	35	35	36	33
Neither	28	25	18	27	23	22
Disagree	35	33	43	32	39	41
SEGMENTS/CONTRIBUTORS	Pessimists	Agnostics	Optimists	Never	Past	Current
Agree	50	35	26	38	33	36
Neither	22	28	21	24	16	17
Disagree	25	34	50	31	44	46

More than a third of Canadians feel nobody is protecting their CPP investment

A key element of the role of the CPP Investment Board is to help ensure the long-term health of the CPP — keeping the CPP promise. To get a sense of how much trust Canadians that the long-term health of the CPP is being looked after, they were asked whether they feel that anyone is working to this end (Figure 40). Slightly more than a third do, a third do not and the rest are not sure.

The demographic pattern of response to this question reveals a number of key differences (Table 36).

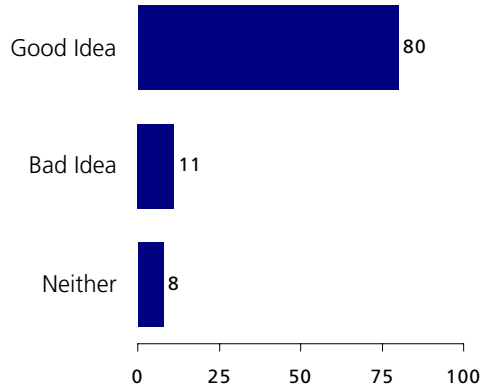
- ❖ The 25 to 44 age cohort is still the most negative age group on this measure
- ❖ Lower income individuals are more likely to express scepticism, while higher income Canadians, as well as investors, are more likely to disagree
- ❖ Current and past contributors are more likely than non-contributors to disagree

The response in Quebec is also interesting. In general, Quebecers are more favourable toward the QPP and the activities of the Caisse, but in this instance, more agree than disagree that nobody is looking out for their future pensions.

As might be expected, the question polarizes the confidence segments — twice as many Pessimists agree (50 per cent) that nobody is doing anything to ensure that the CPP will be there for them on retirement compared to those who disagree (25 per cent). The exact inverse is found with the Optimists (twice as many disagree as agree).

Fig. 41
Comfort with Using Investment Professionals

Q: All things considered, do you think the idea of having experienced investment professionals managing the investment of CPP assets is a good idea or a bad idea?



(Base: Non-Quebecers, percentage agreeing (5-7); March 02, n=2258)

Table 37: Comfort with Using Investment Professionals

(non-Quebecers, per cent)

GENDER/AGE	Male	Female	<25	25-44	45-64	65+
Good idea	82	78	83	80	82	72
Bad idea	11	12	10	10	11	16
Neither	6	9	6	8	7	10
HOUSEHOLD INCOME	<\$20K	\$20-\$39K	\$40-\$59K	\$60-\$79K	\$80-\$99K	\$100K+
Good idea	77	78	80	85	85	85
Bad idea	13	12	11	7	9	9
Neither	8	9	8	7	6	6
EDUCATION/INVESTMENTS	HS or less	College	University	None	<\$100K	>\$100K
Good idea	76	81	83	74	81	85
Bad idea	13	10	10	17	10	7
Neither	9	8	6	8	8	7
SEGMENTS/CONTRIBUTORS	Pessimists	Agnostics	Optimists	Never	Past	Current
Good idea	65	79	93	79	75	82
Bad idea	21	11	3	13	13	10
Neither		9	3	5	9	7

Comfort with Using Investment Professionals

An overwhelming majority of Canadians feel that using investment professionals to manage the investment of CPP assets is a good idea

A key feature of the CPP Investment Board's approach and communications platform involves using investment professionals. Certainly the decision to create a crown corporation that leverages private sector professional expertise is a markedly different approach than what has been done in the past. It is therefore important to understand how Canadians respond to the use of investment professionals in administering the investment of CPP assets.

When probed broadly on whether or not they feel "having experienced investment professionals managing the investment of CPP assets is a good idea or a bad idea," an overwhelming majority of Canadians take a favourable stance (Figure 41).

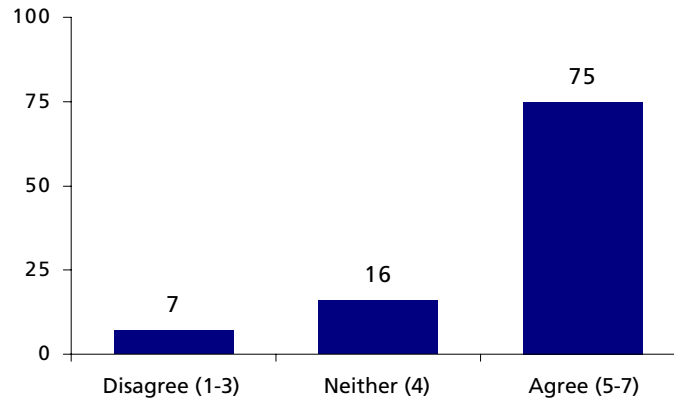
Across demographic variables, a strong majority of all subgroups feel that the use of investment professionals is a good idea (Table 37). Seniors are the least likely to feel this way, but even here only a small minority (16 per cent) say it is a bad idea to have experienced investment professionals managing the investment of CPP assets.

Reflecting the importance of variables addressing investment professionals in the confidence segmentation, the strongest differences seen across any subgroups on this indicator are found with the confidence segments. Pessimists are the least likely to say this is a good idea (only 65 per cent), while Optimists are nearly universal in expressing their support (93 per cent).

From a communications perspective, these findings not only suggests that Canadians will identify strongly with the CPP Investment Board's use of investment professionals, but also that this should be emphasized strongly, as it positively influences confidence.

Fig. 42
Using Investment Professionals and Confidence

Q: I would be more confident in the long-term health of the CPP if I knew that experienced investment professionals were making decisions on how to invest CPP assets.



{Base: Non-Quebecers, percentages; March 02, n=2258}

Table 38: Using Investment Professionals and Confidence

(non-Quebecers, per cent)

GENDER/AGE	Male	Female	<25	25-44	45-64	65+
Agree	74	76	72	74	77	76
Neither	16	16	18	17	14	16
Disagree	8	7	8	7	8	6
HOUSEHOLD INCOME	<\$20K	\$20-\$39K	\$40-\$59K	\$60-\$79K	\$80-\$99K	\$100K+
Agree	70	75	74	79	82	78
Neither	20	18	18	12	13	12
Disagree	8	6	7	8	5	9
EDUCATION/INVESTMENTS	HS or less	College	University	None	<\$100K	>\$100K
Agree	73	75	77	69	76	80
Neither	18	17	14	21	15	12
Disagree	6	7	9	8	7	6
SEGMENTS/CONTRIBUTORS	Pessimists	Agnostics	Optimists	Never	Past	Current
Agree	60	76	87	71	76	75
Neither	23	18	9	17	16	16
Disagree	15	5	7	8	7	8

Having investment professionals making decisions about CPP asset investment has a very favourable influence on public confidence

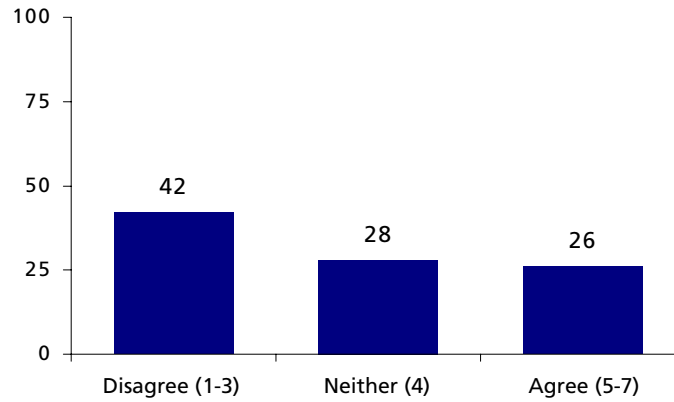
It is clear on the basis of the confidence segmentation that Canadians' confidence in the CPP Investment Board's mandate is heavily influenced by the use of investment professionals. Indeed, fully three quarters of all Canadians say that investment professionals making investment decisions about CPP assets increases their confidence in the long-term health of the CPP (Figure 42). A comparatively tiny minority disagree with this notion.

There are virtually no differences across demographic subgroups on this indicator (Table 38). Pretty much all subgroups show between approximately 70 and 80 percent agreement with the idea that using investment professionals to make investment decisions about CPP assets increases their confidence in the CPP.

Turning to the confidence segments, however, there is a wider variance from only 60 per cent of Pessimist agreeing to 87 per cent of Optimists. While still a sizable majority, this relatively low level of agreement with Pessimists is indicative of the much more negative and cynical character of this segment.

Fig. 43
Doubts about Recruiting Qualified Professionals

Q: I doubt that well qualified investment professionals could be recruited to invest CPP/QPP assets.



{Base: Non-Quebecers, percentages; March 02, n=2258}

Table 39: Doubts about Recruiting Qualified Professionals

(non-Quebecers, per cent)

GENDER/AGE	Male	Female	<25	25-44	45-64	65+
Agree	28	25	28	26	24	30
Neither	24	32	35	28	25	26
Disagree	46	39	35	44	49	35
HOUSEHOLD INCOME	<\$20K	\$20-\$39K	\$40-\$59K	\$60-\$79K	\$80-\$99K	\$100K+
Agree	29	25	23	25	28	23
Neither	33	35	32	22	19	19
Disagree	33	36	43	52	52	56
EDUCATION/INVESTMENTS	HS or less	College	University	None	<\$100K	>\$100K
Agree	28	24	26	28	27	22
Neither	35	31	19	33	28	21
Disagree	32	42	54	33	42	55
SEGMENTS/CONTRIBUTORS	Pessimists	Agnostics	Optimists	Never	Past	Current
Agree	38	26	16	26	27	26
Neither	33	33	19	32	29	27
Disagree	25	36	63	34	39	45

Doubts about Recruiting Investment Professionals

Only a modest minority of Canadians doubt that well qualified professionals can be recruited to invest CPP assets

Our broader research on governments reveals high levels of cynicism about public institutions and officials. It is one thing for Canadians to agree that using investment professionals increases their confidence in the investment of CPP assets, it is quite another to assume they would feel that well qualified professionals can be recruited for this purpose.

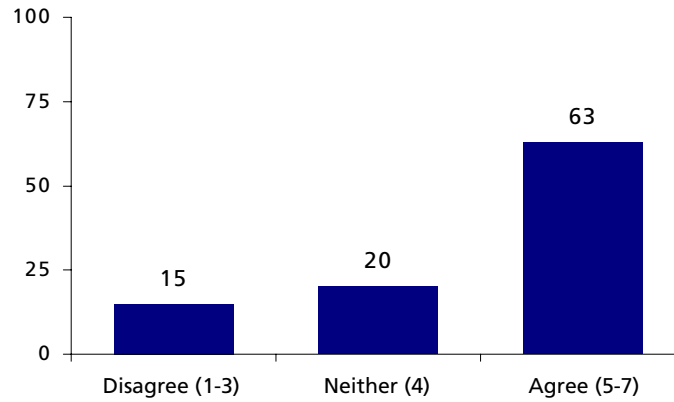
The study probed Canadians on this issue and found that overall only slightly more than a quarter doubt that well qualified professionals could be recruited to invest CPP assets (Figure 43). Canadians have few concerns about the ability to recruit well qualified professionals.

There is very little variation across demographic subgroups (Table 39). It is noteworthy, however, that 25-44 year olds do not show the high levels of negativity here as was seen with issues surrounding the CPP itself.

The confidence segments reveal a predictable variation, with Pessimists being most negative and Optimists most positive. It is worth underscoring, once again, just how positive the Optimists are on these issues. More than twice as many Optimists as Pessimists disagree with doubting that well qualified investment professionals can be recruited.

Fig. 44
Concerns about Political Influence

Q: I am worried that there may be political influence in the way CPP assets are invested.



{Base: Non-Quebecers, percentages; March 02, n=2258}

Table 40: Concerns about Political Influence

(non-Quebecers, per cent)

GENDER/AGE	Male	Female	<25	25-44	45-64	65+
Agree	63	63	65	66	62	57
Neither	19	22	19	21	19	23
Disagree	17	12	14	12	18	16
HOUSEHOLD INCOME	<\$20K	\$20-\$39K	\$40-\$59K	\$60-\$79K	\$80-\$99K	\$100K+
Agree	61	65	62	64	60	63
Neither	22	21	22	21	20	17
Disagree	14	11	16	15	21	19
EDUCATION/INVESTMENTS	HS or less	College	University	None	<\$100K	>\$100K
Agree	60	65	65	61	63	63
Neither	23	22	16	23	21	21
Disagree	13	12	18	13	15	17
SEGMENTS/CONTRIBUTORS	Pessimists	Agnostics	Optimists	Never	Past	Current
Agree	70	61	58	55	63	65
Neither	18	21	22	23	21	19
Disagree	10	14	20	16	14	15

Concerns about political influence on the CPP Investment Board’s investment decisions are widespread and play a key role in confidence

Ensuring that investment decisions are made independent from government influence is a critical feature of the CPP Investment Board’s governance structure. Anticipating concerns about political influence demonstrated astute foresight by those who established policies around this issue. When probed about whether they are “worried that there may be political influence in the way CPP assets are invested,” almost two-thirds of Canadians agree (Figure 44). Only a small minority say they are unconcerned.

These concerns are remarkably consistent across all demographic subgroups — there is almost no variation in the numbers agreeing or disagreeing (Table 40).

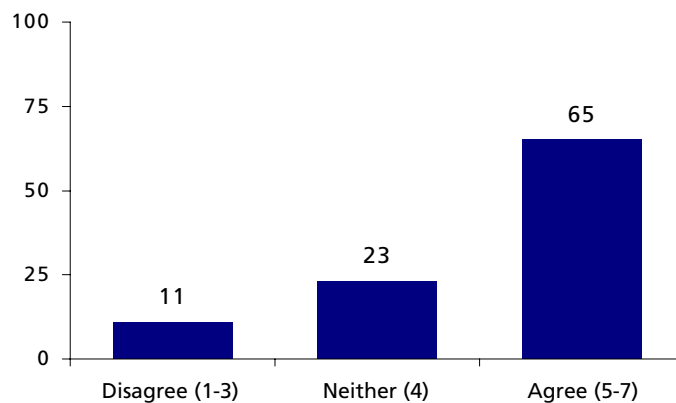
Perhaps the most important feature of this issue is the importance it has for public confidence. As the confidence segmentation shows, this indicator is one of the more important variables driving public confidence. Its importance is reflected as well by the fact that even with Optimists, a majority (58 per cent) agree that they are worried about political influence in the way CPP assets are invested. In other words, each of the confidence segments are sensitive to this issue.

When testing confidence in the CPP Investment Board’s governance structure an almost identical finding emerges. Almost two thirds (65 per cent) agree that the CPP Investment Board’s governance structure provides them with confidence that appropriate investment decisions will be made (Figure 45).

Fig. 45

Board Accountability

Q: If investment professionals recruited to invest CPP assets were fully accountable to a board of directors with business and investment expertise, I’m confident that they would make investment decisions that are best suited to ensuring the long-term health of the CPP.



{Base: Non-Quebecers, percentages; March 02, n=239}

The CPP Investment Board

In sum ...

- ❖ At this early stage, the vast majority of Canadians are unaware of the CPP Investment Board
- ❖ Of those who are aware, the jury is still out on performance, but it is more positive than negative at this early juncture
- ❖ Making use of investment professionals to manage the investment of CPP assets resonates very strongly across all segments of Canadians — the vast majority feel it is a good idea
- ❖ Making use of investment professionals also has a substantially positive impact on confidence in the CPP Investment Board's mandate
- ❖ Only a small minority of Canadians doubt that well qualified investment professionals can be recruited
- ❖ There are widespread concerns about political influence on the CPP Investment Board and its investment decisions
- ❖ At the same time, however, the governance model provides significant assurance that investment decision will be appropriately focused on improving the long-term health of the CPP

Implications of Public Confidence for the CPP Investment Board

It's early in the game and there are many Canadians sitting on the fence

Given the very low levels of awareness of the CPP Investment Board, CPP assets and a generally modest understanding of the CPP generally, many Canadians are sitting on the fence with respect to confidence in the CPP Investment Board's mandate. As shown with the key confidence indicator, the vast majority of Canadians are neither here nor there with how investing CPP assets to increase returns will impact their confidence in the long-term health of the CPP.

While there is a slight lean towards it increasing their confidence (26 per cent answer 5 or 'slightly more confident'), the key to how they will respond lies in what happens with the segmentation variables — will there be extended losses, how aware will they become that qualified investment professionals are making investment decisions, will there be political influence, and so on?

It is these factors that will effect confidence, and the overall movement in Canadians' confidence in the CPP Investment Board's mandate can be measured in the changing numbers of Pessimists, Agnostics and Optimists. These segments are defined by how they respond to the issues addressed in the confidence segmentation. Certainly Pessimists are at odds with the CPP Investment Board and its approach — they will be very difficult to reach. Conversely, Optimists are the natural allies of the CPP Investment Board — they are onside as it stands already. Should they respond negatively, it would signal a communications problem. The key segment for tracking public confidence is the Agnostics. They are the fence sitters, the ones that may go one way or the other depending on how things evolve.

How CPP assets are invested and their performance is critical

The top five variables influencing confidence in the CPP Investment Board's mandate all deal with investing CPP assets. Based on these variables, it is safe to say that the following will have the greatest impact on Canadians' confidence:

- ❖ Performance of CPP asset investments
- ❖ Perceptions of political influence on the way CPP assets are invested
- ❖ The ability of the CPP Investment Board to recruit well qualified investment professionals to make investment decisions and communicate this to Canadians

The performance of CPP Asset investments

While Canadians overall show a fairly high degree of comfort with market volatility, even when this pertains to the investment of CPP assets, there are clear differences between the three confidence segments. Agnostics and especially Pessimists are much more sensitive to market volatility than are Optimists (page 84, Table 34). Pessimists and Agnostics also have a much lower tolerance for the risks associated with equity investments and they are much more concerned about investing CPP assets in stock markets.

While not entirely averse to investing CPP assets in equity markets, it is critical that these two segments are aware that the portfolio is diversified and includes more secure investment such as government bonds. The principle of diversification has a much stronger positive influence on Pessimists and Agnostics than does the promise of long-term returns.

Perceptions of political interference will have an effect on confidence across all segments

Concerns about political influence on the way CPP assets are invested is both widespread and a major factor influencing confidence. Each of the three confidence segments are highly sensitive to this issue and it influences the confidence of each, albeit not equally.

It is critical that perceptions of political influence be avoided at all costs.

The use of investment professionals is a key factor that should be emphasized

Although there is a widespread perception that luck plays a key role in the performance of investments even when using an investment professional, confidence in the ability of investment professionals to obtain high returns on the stock market over the long-term has a major impact on confidence in the CPP Investment Board's mandate. Pessimists and Optimists are diametrically opposed on this issue, and Agnostics find themselves in the comfortable middle.

Interestingly, these strong differences are not evident when dealing with investment professionals investing CPP assets. While Pessimists show very little confidence in the ability of investment professionals, they are not adverse to the idea of using them for CPP investments. In other words, the use of investment professionals will be met favourably across all segments of the population, but it will have more bang for the buck with Optimists than it will with either Agnostics or Pessimists.

Confidence in the CPP Investment Board's mandate is very different from confidence in the CPP

Though not unrelated, confidence in the CPP Investment Board's mandate and its activities are not heavily influenced by perceptions of the CPP. It is a somewhat surprising finding that Canadians' views on the health of the CPP do not have a particularly strong impact on their confidence in the ability of the CPP Investment Board to improve the Plan's financial stability. The fact remains, however, that Canadians can have very low levels of confidence in the CPP but, at the same time, high levels of confidence in the CPP Investment Board's mandate.

As more and more Canadians invest in equities, confidence will improve incrementally

As a final note on public confidence, it should not be overlooked that experience with investments is a critical factor in confidence in the CPP Investment Board's mandate. Those with investments, particularly larger investors, are much more likely to express confidence in the CPP Investment Board's mandate and its activities. This certainly underscores the importance of investment factors in public confidence, but it should be noted that there will likely be a gradual increase in confidence as more and more Canadians invest their savings in equities.